

Palo Alto reboots its dream of a fiber network

After previous efforts fizzled, City Council to take a fresh look at 'fiber to the premise'

by **Gennady Sheyner**, Palo Alto Weekly Staff, Uploaded Monday, March 18, 2013, 10:13 PM

For more than 15 years, Palo Alto's drive toward a citywide fiber network flickered on and off like a faulty dial-up connection, with gusts of enthusiasm repeatedly stymied by long stretches of inactivity, frustration and disappointment.

This time, officials hope, things will be different.

The world has changed over the last decade, the reasoning goes. The city's financial picture has changed, the City Council's priorities have changed and the city's luck might change as well. Cities like San Leandro, Chattanooga, Tenn., and Kansas City are pursuing citywide ultra-high-speed Internet network for their residents and businesses.

Meanwhile, high-tech Palo Alto has areas where broadband speed is slower than in Rangoon, Burma, according to the Jon Foster, a member of the city's Utilities Advisory Commission. He said his friend, former planning Commissioner Samir Tuma, had recently spent six months in Burma and had "substantially greater" broadband than Foster.

"Something is wrong with that," Foster said Monday at the commission's joint meeting with the City Council.

But perhaps the biggest change between the city's previous stabs at the fiber project and its current exploration has to do with perspective. Before, city officials viewed the effort strictly in utility terms, with low costs and no risks being key requirements. In 2008, the city explored a partnership with an Internet consortium to create a \$45 million citywide system. The group, led by Axia NetMedia Corporation, withdrew from the partnership in May 2009 after the global economy tanked, one of its financing partners withdrew and the city declined to subsidize the network with a contribution of \$3 million to \$5 million annually.

Cost was also the leading factor in the Utilities Department's recommendation last year to stop exploring "fiber to the premise," as the project is commonly known. In June, the Utilities Advisory Commission approved this recommendation by a 4-3 vote.

But on Monday, members of the commission agreed with council members that the time is ripe to take yet another look. Councilman Pat Burt noted that the city's existing dark-fiber network (which serves relatively few customers and was once seen as a major risk) is a strong revenue

to take yet another look. Councilman Pat Burt noted that the city's existing dark-fiber network (which serves relatively few customers and was once seen as a major risk) is a strong revenue source, with about \$15 million currently in the fiber's utility fund. That number is expected to increase to \$17 million by the end of this year.

Burt said the project should be seen as more than just a utility. Fiber to the premise, he said, is also a community service and an economic-development initiative. It could also carry a secondary community benefit of creating free citywide WiFi. He said it's time for the project to return to the utilities commission.

"What the council is talking about is some values that are different from strictly utility values," Burt said.

Councilman Larry Klein said he had recently spoken to a council member from San Leandro, who told Klein that his city is also exploring a high-speed broadband program. Momentum for such programs is growing nationwide, he said.

"There does seem to be a growing sense, at least all over the country -- Chattanooga? San Leandro? -- that something more needs to be done," Klein said. "We seem to be perfectly situated to do something."

At its June discussion, the utilities commission voted to abandon the effort after city staff concluded that it would not make financial sense. The staff recommendation was based on reports from two consultants, who surveyed local demand and potential costs of an expanding the current fiber network to connect to the city's homes and businesses.

Under the best-case scenario, the analysis concluded, fiber service would cost a resident \$1,000 upfront for the connection and \$75 per month for subscription. A report from the Utilities Department stated, "Based on current market conditions for broadband services in Palo Alto, staff concludes there is no fiscal basis to use the fiber fund reserve to pursue implementation of the phased conceptual plan for FTTP," Fleming wrote.

But utilities commissioners and council members agreed Monday that project warrants re-examination, even if the economic argument is difficult to make.

"If you look at it from the utility's standpoint, it's hard to get it to work," said Commissioner John Melton, who had dissented in the June vote along with Foster and Asher Waldfoegel. "If you look at it from a broader perspective, it may well make a lot of sense."

All three endorsed renewed exploration of fiber to the premise, particularly given that the council last month declared "technology and the connected city" as one of its three official priorities for 2013. Dexter Dawes, who chaired the utilities commission at the time it was considering the earlier fiber proposal, said that the council's framework for looking at the project will make a difference in the commission's work.

The commission, he said, "has been challenged by having chains on them by considering it on a risk-free basis where there would be no subsidies from the city," Dawes said. "It will be a tough

job figuring this out, but I think this can be done."

Mayor Greg Scharff, who in his February "State of the City" speech highlighted the fiber project as an initiative he wants the city to explore this year, called the new direction "very exciting." Councilwoman Liz Kniss, who was on the council when the dark-fiber network was installed in the mid-1990s, agreed. At that time, many were very reluctant to proceed with system.

"I think since we made it a council priority that this is the time that we really want to see Utilities take this up," Kniss said.

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