The New UTOPIA: Transforming Failure Into Success

Whenever anyone tries making an argument against municipal broadband and/or open networks, more often than not it starts by citing UTOPIA as the poster child for failure, the example given for why other cities shouldn't pursue plans to wire themselves.

And in many ways, UTOPIA--the audaciously named, multi-city municipal wholesale-only full-fiber build in Utah--has been a cautionary tale. Started in 2002, the network still doesn't cover any of its pledging cities in total, it's not yet financially self-sustaining, it's already over $150 million in the hole, and it has struggled to attract service providers, especially any big names.

As Paul Larsen, Economic Development Director for Brigham City and member of UTOPIA's Executive Board, put it during my whirlwind trip to Utah last week, twelve months ago they were discussing what color UTOPIA's casket was going to be.

But the last twelve months have seen the beginnings of a dramatic turnaround for UTOPIA, starting with the introduction of Todd Marriott as their new executive director last May.

Todd took the job because he was excited about the challenge of rescuing what was essentially a failed project and transforming it into a model that the rest of the country can learn from. And with him he's brought a whole new attitude, vision, and business savvy to the project, as evidenced by the steady string of changes he's already been implementing to establish the new UTOPIA.

One of the clearest examples of this came during my tour of UTOPIA's facilities. Todd pointed to crate after crate of set-top boxes that had been purchased *en masse* years ago, only now they're outdated and useless, millions of dollars wasted. Today Todd has installed a just-in-time ordering system to make sure this mistake never happens again. But rather than leaving these crates to just take up space, he got creative and used them as walls to create a new conference room and war room in his warehouse, which saved them thousands of dollars in buying new walls or adding finished office space. Talk about making lemonade out of lemons!

It's important to note that the new UTOPIA is staffed with an almost entirely new team of people. Previously UTOPIA outsourced the management of the network to a company called DynamicCity and then PacketFront, but now that work has been brought back in-house and is capably handled by a team Todd compiled by plucking the best of the best from those companies as well as iProvo, a municipal network just south of UTOPIA that was recently sold to a private company.

While I only got to spend a little time here and there with various members of his team, I can say on first impression that these people are highly knowledgeable, genuinely nice, and excited about what they're doing at UTOPIA both because of the intellectual challenge of building something new and the fact they're giving back to their state, even though many live in communities not currently part of the UTOPIA network. Proof positive of this were the tales of how on the few occasions anything's gone wrong with network instead of punching out at 5pm everyone stays on until the problem's fixed, which is an attitude some remarked they've never seen in a government agency before.

But being creative in how they spend money and compiling a new team of competent, dedicated individuals is only noteworthy if it leads to tangible improvements in the health of the business, and on that front there's tremendous hope.

Before the new UTOPIA was born they were basically in limbo, only adding enough customers to make up for their churn, or the rate at which a network loses customers. But now they're adding customers and growing their base every month. They've been able to kick start their take-rates primarily through two new ideas.

First, they've gotten into and hands-on with their communities. They've done this by retrofitting an RV with a conference table and big-screen TV to serve as a mobile command center that they park in communities, plug into the fiber, and then hold events at community centers on Saturdays. This affords the community the opportunity to touch and feel what having fiber is like. And I must say, the couple of short demos they showed me were incredibly impressive.

For example, I've tried watching HD video on Hulu.com before but my cable connection doesn't allow for a very watchable experience, whereas on fiber they had the image blown up to full-screen on a 60" TV and it looked amazing, better than DVD quality. Also, they piped in live HD video from a videoconferencing unit in their headquarters that has enough resolution you can zoom in and read a business card attached to the wall on the far-side of the room.

These are real gee-whiz things that can only really be done well on fiber, and the positive reception has proven that for customers seeing is believing. The concept has worked well enough that they're now in the process of retrofitting what was a race car trailer into a lifestyle experience that will be equipped with ways the fiber can be used to improve people's everyday lives, with the mobile command center then focusing on business users.

The reason I find these concepts so exciting are that they have a clear historical precedent. Back when electricity was first being deployed most people didn't understand why they'd want it. So electric companies had to go door-to-door with electric appliances to help consumers understand the value of electricity. Now fiber deployers face the same challenges of overcoming lack of consumer awareness, so it's great to see them utilizing similar tactics.

The other major thing they did to increase their take-rates was to unify the marketing of UTOPIA, which was previously left up to the service providers that led to a range of issues I'll address in another post later this week. Todd helped Hugh Matheson establish Network Community Services, a private company UTOPIA outsourced the door-to-door selling of the network to. I really like this angle as I've heard from other fiber deployers like Michael Johnston at Jackson Energy Authority that the biggest success they had increasing their take-rates was hiring college kids on commission to go door-to-door selling the service. But by having that function be served by an outside company it's both reduced the burden on UTOPIA to manage that process while also giving them a more dedicated professional sales staff.

Not surprisingly, as they've begun to have more success attracting customers, they've also begun to attract more service providers, including some big names that I can't yet share but they'll be announcing in the near future.

While in Utah I had the great fortune to play a round of golf with representatives from two of their current providers: FuzeCore, an Internet and voice provider based in Idaho that also deploys wireless networks and develops broadband applications, and Prime Time Communications, a greenfield fiber deployer based in Colorado that acquired the UTOPIA service provider MStar and currently offers triple play services.

What was most amazing to watch was these two competitors not just enjoying a round of golf together but even swapping notes on the technologies and business models they use. From FuzeCore president Tim McClanahan's perspective there's plenty of pie to go around and they believe in the ideals of the open source development community of working with people rather than against them. So not only is UTOPIA fostering

more competition in telecommunications, they're also enabling more collaboration between service providers in this unique open environment they've created.

Tim shared that within two months of becoming a service provider on UTOPIA FuzeCore was profitable to the point where each additional customer they add is gravy. Their experience proves that UTOPIA can be a great business proposition for service providers as they're able to add customers without having to incur the massive debt associated with deploying their own last-mile infrastructure.

To support the continued growth of service providers, the new UTOPIA has expanded their business model in an interesting way. While they're prevented from offering retail services to customers by state law, they now offer wholesale voice and soon video services that service providers can rebrand as their own. In this way data-only service providers can start offering triple play packages without having to invest in switches and headends and negotiating licensing agreements with content providers. By doing this they're enabling more multi-faceted competition between service providers while also making it easier for new service providers to jump in. In fact, Todd envisions a day where a UTOPIA service provider could be handled purely as a sales and marketing operation that uses UTOPIA's wholesale data, voice, and video services, which could open up competition in a big way.

The final major piece to the puzzle of UTOPIA's rebirth is one I don't think I can talk much about yet but know that it's potentially game-changing for all community networks across the country. It's not a new idea to the world but it is new to the US; they're actively employing it today; and if successful it'll point to a new way to finance sustainable network buildouts. I can't wait to share more about this when I know I'm able.

I need to say now that while I'm highly optimistic about the direction of the new UTOPIA, I'm also realistic about the massive challenges they face. First off, the scope of the network is daunting, with 130 miles separating the northern and southern-most cities. Second, they have a lot of stranded network assets to recapture and leverage from the old UTOPIA. Third, they have a massive PR issue to overcome, both nationally as the poster child for why not to do this and locally where potential customers have either forgotten about UTOPIA or gotten fed up waiting for it. Fourth, innovators always face a harder climb as they don't have a path already staked out they can follow. Fifth, they still have that massive debt on their shoulders. And sixth, they need another infusion of cash to really get their new model moving in a big way.

But what the new UTOPIA also now has is a clear plan for how to get themselves back on track that they're already well under way to implementing. They're adding customers. They're attracting service providers. They're finding better ways to strategically structure their deployments. They've got a vibrant, capable team excited about tackling the challenges they face.

And most exciting of all is that if they're successful, then they'll have transformed themselves from the poster child for why not to do this to the shining example of how any region in the US can do it. This will be even more true because of the travails UTOPIA has endured and the debt they now must carry to pay for those mistakes. In other words, if the new UTOPIA is able to do it with the deck stacked against them, everyone should be able to make it work.

Tying this back to discussions around the stimulus, if it's the goal of the federal government to support test bed deployments that can establish replicable models for deployment across the nation of world-class broadband, then I think we have to consider UTOPIA as an attractive candidate to support. Yes they've had their issues in the past. Yes they're still dealing with the consequences of those mistakes in the present. But this is a new UTOPIA we're talking about, and I'm now a believer that they have the ability and opportunity to be a success story we can be proud of.

So I ask everyone to take a moment to put aside our preconceived notions about the old UTOPIA and reconsider the possibilities of the new UTOPIA. If you have the time and inclination, I'd encourage you to reach out to the folks at UTOPIA to learn more as they're eager to engage and be transparent about the challenges

they have faced, are facing, and will face moving forward. I think you'll be excited by what you find: a potential phoenix rising from the ashes.

ABOUT App-Rising and Geoff Daily

App-Rising.com covers the development and adoption of broadband applications, the deployment of and need for broadband networks, and the demands placed on policy to adapt to the revolutionary opportunities made possible by the Internet.

App-Rising.com is written by Geoff Daily, a DC-based technology journalist, broadband activist, marketing consultant, and Internet entrepreneur.

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