

# Citywide fiber wins fans with no-cash plan

*Service would give city business edge -- and it's affordable, supporters say*

by **Arden Pennell**, Palo Alto Online Staff, Uploaded: Tuesday, July 8, 2008, 12:35 AM

A 14-year examination of broadband Internet in Palo Alto — stretching from the pre-Google era to the Web 2.0 present — may soon culminate with ultra-high-speed services citywide.

A fiber network for all Palo Alto businesses and residents with speedy video, voice and data capabilities is envisioned by a consortium of technology firms led by Canada-based Axia NetMedia.

In a proposal to the city, the consortium suggests expanding the current 45-customer fiber system to an all-inclusive network of cutting-edge capabilities.

At one gigabyte per second, the proposed ultra-high-speed network would be better equipped than current, non-fiber options to handle large loads of data — and it would be priced competitively, according to Axia Chief Technical Officer Drew McNaughton.

While earlier fiber plans have foundered on financial concerns, the current proposal has gained favor from city officials by requiring neither cash investment nor operational responsibilities. The city would incur no debt and spend none of the General Fund to finance the project. Rather, the city would commit about \$13 million in assets, including part of the current fiber ring, to the roughly \$44 million project.

The tech-firm consortium, including companies PacketFront and 180 Connect Network Services, would create a special body to build, own and operate the network.

After 25 years, the city could either renew the contract with the consortium — or buy the entire infrastructure for \$1, according to the proposal.

The City Council will discuss whether or not to move forward with the proposal at its July 14 meeting.

City staff, City Council members and a special advisory committee to the mayor — created specifically to review broadband plans — have already praised the plan as forward-thinking and economically savvy.

The network would give Palo Alto an upper hand in attracting businesses, as well as bringing social and political benefits, according to a city review released last week.

It would "enhance the city's status as the premier center for leading-edge technology companies," the report states.

In a study session Monday, council member and former Mayor Yoriko Kishimoto said she was thrilled to finally see a viable plan for broadband.

"I'm very excited to get to this point and I can't wait to get to the end," she said.

Former council member Bern Beecham, one of three members of the advisory committee, said the plan overcomes

earlier financial and technical hurdles.

Not only does Palo Alto avoid debt – it will also be able to offer fiber's speedy benefits to all, he said. Use of the current fiber ring is limited to businesses with the money to pay to extend a connection to the ring and those that are close by, he said.

After so many dashed hopes, this is the city's best and last chance for fiber, he said.

"This is probably the final opportunity we will have," he said.

Earlier plans to expand the city's fiber network fizzled mainly due to concern over the unwieldy debt that building such a network could create — at one point City Hall was even suggested as collateral.

But the latest proposal asks for no cash up front. Rather, the city would contribute \$13 million in assets, including 36 of its roughly 144-288 fibers, Beecham said in a presentation to the council Monday.

The rest of the estimated \$44.2 million construction costs would be shouldered by the tech-firm consortium.

In return, the city would also turn over operation of existing contracts on the 12-year-old fiber ring – which only this year began to profit – to the consortium.

The city would eventually lose those contracts to a more competitive seller anyway, according to Andy Poggio and Bob Harrington, the other two members of the advisory committee, who urged adopting the proposal.

"If your business is going to be cannibalized, it's probably better to be the cannibal," Harrington said.

If the consortium doesn't meet its performance targets, the city would retain a "reversionary right" to get its assets back, Beecham said.

Nor would the city would be responsible for running the network under the current proposal.

The tech-firm consortium would build, own and operate the network. Retail service providers such as Comcast would be the middlemen ultimately selling services to customers.

The city would agree to use those retail services, provided they are competitively priced, according to staff and the advisory committee's recommendations.

The timeline for the project is three years to completion of the network – and positive cash flow within two years, according to the proposal.

If the city agrees to fast-track the plan, the speedy service could reach homes and businesses before the year's end, the proposal states.

In the written review, city staff was hesitant to rush into the agreement.

The technology firms' proposal still leaves crucial details undefined, including the impact of construction on city neighborhoods and whether enough retail providers could be attracted to become peddlers of the speedy service to the public.

The review also lists concerns including lawsuits from Internet retailers objecting to the competition and whether

the city would be saddled with service obligations if the project falls through.

Axia's McNaughton said lawsuits from firms such as Comcast could be avoided by creating partnerships early.

The network would also increase competition among providers, he said, noting Axia's fiber network in Alberta, Canada has caused the number of providers to skyrocket from seven to 94. Competition would create lower prices and benefit consumers, he said.

Yet rather than green-light the project right away, city staff recommend drafting a "Letter of Intent" covering the most basic points of agreement, then creating a more detailed final plan.

In the study session Monday, the advisory group's Beecham urged the council to create such a letter and set an October deadline for final contracts.

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