

Fiber optics backers say expect some obstacles

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Going into the fiber optic cable business is not for the faint of heart.

The city of Lafayette, La., began rolling out its cable utility last week after five years of planning, building and strong industry campaigns against it.

Terry Huval, director of utilities for Lafayette, told a Salisbury audience Friday that incumbent cable providers ran negative ads against the city and used "every means necessary" to derail Lafayette's fiber-to-the-home initiative.

Huval and Don Cope, president and chief executive officer of Dalton (Ga.) Utilities, visited Salisbury as guests of city officials who spent the last two days on their annual goal-setting retreat.

Dalton, Ga., has run a successful fiber optic cable utility for several years.

Salisbury issued bonds and embarked late last year on a plan to establish its own \$30 million fiber system, which probably won't begin operations until 2010.

Only about 40 cities in the country have taken the high-tech plunge with fiber optic cable, which boasts bandwidth that has much more capacity and speed.

Salisbury is only the second city — Wilson is the other — to try it in North Carolina. Wilson's Greenlight cable utility is in its first year of operation.

More than once Friday, Salisbury city officials heard they should expect some heat for their cable venture — especially from the incumbent providers such as Time Warner and AT&T — but realize they're on the right path.

"It's infrastructure for the future," Huval said Friday at a City Hall luncheon of Salisbury

officials and invited guests.

He and Cope participated in a panel discussion along with James Salter, chief strategy officer for the Atlantic Engineering Group. Atlantic Engineering is the company designing and building the fiber optic network for Salisbury.

Huval said industry-sponsored ads warned Lafayette taxpayers they would be on the hook for \$100 million when the city's cable experiment went belly up. Industry ads also cited surveys claiming that 83 percent of Lafayette residents wanted to vote on whether to proceed with the project.

Huval detailed efforts by the private cable providers to have special state legislation passed against Lafayette's initiative and several costly lawsuits aimed at stopping the project.

"We spent \$3.5 million with nothing to show for it," Huval said of legal defenses.

But Lafayette officials figured they saved cable subscribers \$4 million in deferred rate hikes during the court fights, he said.

Lafayette, a city of about 120,000 people, is now starting a controlled rollout of its fiber optic system — controlled "because everyone wants it," Huval said.

"Once we announced it, people jumped on it right away," he said.

As Salisbury intends to do, Lafayette offers the triple play of services: telephone, television and Internet. But its worth to the community goes beyond the retail revenues, Huval said.

Broadband represents the newest highway of commerce for cities, the way rivers, railroads, electricity and interstate highways did in the past, Huval said.

Lafayette already has landed a Canadian call center, which employs 600, because the company was attracted by the fiber-to-the-home venture. Other companies are on the horizon, Huval said, waiting for more of the system to be installed.

He predicted the high-tech opportunities will bring more of Lafayette's college kids back home.

Dalton's population of about 38,000 is more the size of Salisbury. Cope said the cable utility is bringing in about \$1.5 million in revenues each month and has about a 70 percent penetration in residential markets.

"The community really wanted a change, and I think this is something you'll find out," Cope said. "... You can't install it as fast as people want it."

Cope had some kernels of advice for Salisbury:

- Seek expert advice.
- Refine operations as much as possible before the launch.
- Advertise in advance and do signups and installment in phases.
- Pay for the best equipment and personnel.
- Be the best provider in the market, not a "me, too."
- Don't approach it as a government service. It's a business, and it has to operate as one around the clock.

Cope said the last thing he wanted to do was be in the cable business, but the incumbents' customer service was terrible and it became apparent they would not offer fiber optic cable.

Cope said he learned the main cable company's customer service operation wasn't even located in Dalton. Repair crews had no sense of urgency to correct problems.

"We're here, we're part of the community and the revenue stays here," Cope said. "We don't shut down Saturday and Sunday."

Huval, Cope and Salter all said a fiber optic system is the telecom infrastructure of the future, even if wireless improves in capacity and becomes more reliable. The capacity, speed and dependability of wireless will never approach the fiber broadband, they said.

Salter predicted wireless will keep growing in use but not for the wholesale application of bandwidths.

Huval described wireless as "too finicky," and too often affected by weather. Making it subscriber-based would be a bad idea, he added.

"If you put it (wireless) out there, people expect it to work all of the time, not some of the time," Huval said.

Verizon is the only private telephone company that "has stepped up to the plate" so far and is going with fiber optic cable in certain areas of the country, Salter said.

Salter's company has been involved in 17 municipal fiber builds, including one that did not work in Provo, Utah.

Salisbury City Council members asked what went wrong. Huval said the incumbent cable providers in Utah were able to persuade the state legislature to prevent

governments, such as the city of Provo, from direct delivery of retail services.

In effect, Provo was allowed only to build the infrastructure, but not sell service.

"There wasn't enough money to be made to split it up that way," Huval said. Provo ended up selling its cable system at a loss, but Salter said the city still has the system it wanted.

"The failure there was the model, not the execution of the model," Salter said.

In response to concerns that government might not have the expertise to run a cable utility, Huval said Lafayette is seeing private cable employees wanting to be part of a state-of-the-art operation.

"We've had a lot of their talent come to work for us," he said.

As for fiber cable's performance in bad weather, such as ice storms, Huval said Lafayette has had three major hurricanes in the past six years and never lost one of its fiber cables. (The city provided a basic wholesale fiber network first, starting in 2002.)

"Those fiber lines are very, very resilient," he said.