

Oct. 2003

Hello Councilman Green,

I am writing today to express a few opinions on the fiber optic feasibility report recently produced for the City of Olympia by a Portland based consulting firm.

As a managing partner of a local Internet service provider offering access to Olympia residents for the better part seven years, I have first hand knowledge of the business matters, regulatory machinations and technological considerations of bringing telecommunications services to market.

Additionally, I am familiar with several of the city-based fiber network examples cited in the report and feel that Olympia's situation is strategically different. Also, though some communities experienced success, most results are generally under estimates.

I share the city of Olympia's excitement over open access and the competition fostered by the Telecommunications Act of 1996 but feel the report underestimates several key points particularly in options for providing services over the "last mile" and the demand in the marketplace for additional bandwidth services.

The report suggests a wholesale price of \$75 per fiber connection to service providers from the proposed fiber ring. The service provider would then provide connectivity from the node to the end user location, including service into the location. Few, if any, telco providers have the capital to invest in wiring new neighborhoods just to compete with the established and deep-coffered Incumbent Local Exchange Carrier.

Regardless of the provider, the end user would end up paying a rather high price to cover their installation investment. In the meantime, established technologies (ie: DSL, cable) provided by wholly private companies continue to increase customers and decrease in price. This growth coincides with increase in speed (much of downtown Olympia qualifies for 4Mbps) and expansion of DSL service areas (ie: west Olympia, Shelton, Yelm).

The City's fiber network would compete most directly with Qwest. After selling Internet service carried on Qwest T1 & DSL lines for 6+ years, I have observed both the good and bad side of the local ILEC. I agree with some comments in the report concerning billing errors and spotty customer service. However, after working and observing several CLECs, I also know that billing and customer support is not an isolated problem in this industry and certainly isn't cause enough for the City to invest the time and funding necessary to compete.

Additionally, the DSL technology that “turns-up an area for DSL access are less than half than 4 years ago making it more cost effective for Qwest to expand into new communities and provide immediate access to a large market population who are mostly already customers.

While consumer preference may lean towards doing business with the City of Olympia rather than an impersonal telephone conglomerate, the ILEC holds a distinct market advantage and headstart. With competitors already in place, Olympia consumers have a variety of choices for high-speed, affordable data service.

I would encourage the City to ease restrictions to utility right of way. Doing so will encourage more private companies to enter the fiber market for data, phone and cable service.

I do applaud the council’s enthusiasm for Internet availability for our community. Indeed, my company expresses the same ideals by providing complimentary wireless access points at public places around the community.

Both as a businessperson and an Olympia taxpayer, I am interested in how the feasibility report is interpreted by the council. Moving forward, please drop me a note if you have any questions about my views on the fiber network plan.

With regards,

Dave Olson