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Blandin report touts open access networks

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Business and economic growth in small communities increasingly depends on inexpensive access to ultra high-speed technology, but relying on market forces to make it happen probably won't work -- especially in rural areas, experts say. A recent report from the Grand Rapids-based Blandin Foundation's Broadband Initiative Strategy Board says that the public sector working with private businesses might be able to overcome cost and distance problems that don't allow the private sector alone to make such service available. Open access networks, the model put forth in the report, "Live at the Speed of Light," are owned and controlled independently from the companies that use it to provide voice, video, data and other retail services to businesses and residences.

Low population density in rural areas make it difficult for private businesses to receive a return on their investment in a typical three- to five-year time frame, said Dick Nordvold, a member of the broadband initiative strategy board. Broadband costs per megabit in the United States are 39 times higher than in Japan and 37 percent higher than in Mexico, according to the report. Furthermore, the type of broadband discussed in the report is much faster than the DSL and cable services currently available to many homes and businesses. Some large companies have access to fiber optic service, Nordvold said, but the costs probably would be much lower if they connected through an open access network. One way to lower the costs would be for municipalities to own the so-called pipe-and-charge companies such as CP Telecom, a Duluth provider of voice, data and Internet services.

The Blandin report noted that after Vasteras, Sweden, a city of 130,000, built an open access network in 2000, residents paid 60 percent less for their high-speed services than they did before it was built. In that case, a subsidiary of the public power utility built the network, which has become a model for others. Another network in Utah, called UTOPIA, is financed by a revenue bond issued by the 14 communities participating in the project. CP Telecom Chairman Chad Braafladt said an open access network could benefit his company by enabling it to lower prices to consumers. CP Telecom doesn't own any fiber optic cable in Northeastern Minnesota, but instead contracts with owners to provide services. But Qwest, which has spent tens of millions of dollars building its own fiber optic network on the Iron Range, would not participate, said Andy Schriener, director of public policy for Qwest. "Private providers have stepped up to meet the demand," he said. Companies such as Northwest Airlines, Blue Cross, Delta Dental and Carlson Wagonlit Travel/SATO Travel do business on the Range using the current network, he noted.

Furthermore, some of the nation's open access networks have financial trouble because they don't have enough subscribers, said Qwest spokesman Skip Thurman. Bernadine Joselyn, the Blandin Foundation's director of public policy and engagement, dismissed that argument, saying: "There are plenty of service providers [locally] willing and able to participate ... in an open access project." Currently, Minnesota has no open access networks, but Iron Range Community FiberNet is studying the possibility and could begin construction as soon as 2008, said Nordvold, who is a consultant to the project. Eleven communities on the Iron Range are exploring the feasibility of a \$49.1 million project that would bring the ultra-fast fiber optic access to every home and business that wants it. The communities would own the fiber, and each must approve participation in the project. As with other open access networks, private businesses would offer the high-speed services, Nordvold said. Service would be much faster than is currently available to homes and many businesses, he said.

The cities have formed a joint powers authority to explore the concept. A feasibility study, paid for by Iron Range Resources, the Blandin Foundation and Northeast Services Cooperative, is close to being complete. In October, the group expects to see a project design and cost figures, Nordvold said. Joselyn said that if the foundation hopes to help rural communities prosper, it must help them understand the issues and how to participate in a telecommunications-based world. Nordvold compared it to bringing electricity to homes and businesses a century or more ago, when no one knew the uses it would be put to in later years. In homes and businesses, creativity will put the service to uses we can't even think of today, he said. "It's absolutely mind-boggling, what's coming down the road," Nordvold said.

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