

World's largest BPL project to reach 5 million Asian nation picks Fiber Bridge model Valle sees power lines as carrier network

The largest planned BPL network in the world is expected to deliver service to 5 million customers in an Asian nation, Fiber Bridge Communications CEO James Valle told us last week. His contract keeps him from naming the country but he assured us that the trials with multiple vendors are complete, exclusive national roll-out has been approved and an initial order for access equipment and CPEs (consumer premises equipment) to serve thousands of customers has been placed.

He agreed with our doubts that any hardware maker today could deliver 5 million BPL modems at prices that would work but he expects outsourced and licensed manufacturing to meet the demand over the three to four years planned for roll-out. His client is "being very aggressive" and told him that the project is fully funded, he added.

With the pilot finished, the project moved into a "pre-commercial deployment" where the back office systems are being tested and geographic areas with different grid characteristics are being studied.

Valle acknowledged that his secrecy dampens the story a bit and explained that he's seen premature announcements from network firms "come back to bite them," sometimes by tipping-off potential competitors that a well-funded network is worth building and then early competition spoils the original project's roll-out. Valle assured us that BPL Today readers would be among the first told when the project goes public.

The business model Fiber Bridge is using will work in the US but Valle hasn't seen it yet on any significant scale

"Most (BPL) manufacturers are focusing on selling their equipment to utilities." That makes sense considering firms such as Mitsubishi and Siemens make a variety of electric utility equipment and thus have contacts in place.

Utilities who ventured into the telecom world with fiber projects and lost billions are hard to convince that now is a good time to get back in. That should be "a very difficult task," said Valle. "Utilities sell a non-discretionary product into a monopolistic environment. "Convincing them to enter a non-core business where they would sell a highly discretionary product into a highly competitive environment is bad business.

"What we are trying to push very strongly is having communications companies actually joint-venture with the utilities," Valle explained -- the landlord model. That way the utilities get the internal applications they need but a communications firm competent in the competitive retail end runs the network.

Valle favors a landlord model where a non-telecom third party leases the infrastructure and then acts as a wholesaler to open the grid for competitors. "In the long-haul business we call it a carrier's carrier model," said Valle, such as Global Crossing.

The network firm has to stay out of the retail space -- a mistake Global Crossing made -- and sell to all on an equal basis.

Single operator BPL networks where the operator is the retail service provider may actually inhibit BPL adoption. He's thinking about AT&T in the PG&E project and EarthLink with Progress Energy Carolinas where the mitigation of the technology, management, market and financing risks are consolidated into one firm.

Diversifying the market and management risk by letting others mitigate it will lead to a higher probability of success and jumpstart the BPL industry.

"The carrier's carrier model will eliminate, from the start, the monopoly of the last mile. We've seen the devastating effects of an ILEC controlling the last mile and stifling competition and innovation. Allowing competitive access on BPL networks will create bigger markets and a broader range of products and services offered to customers."

What firms should step up and play the carrier's carrier role? Lots of talent was set adrift by the telecom bust, he answered, seeming to suggest new firms could be created to jump right in. And Valle's firm would no doubt like to play a role. He heard recently that employment in the industry was down 70% or 80% from its peak a few years ago.

QUOTE OF THE WEEK:

A brain trust of highly skilled network specialists are out of work. You have a virtually untapped resource in the telecommunications space. What we're looking for is funding sources that can adopt a carrier's carrier model. We will identify the opportunity, bring in the management and intelligent resources, identify the technology solution and validate the wholesale market. Now you have the basis for a solid foundation for a business case.

Valle spoke to us from Honolulu where he was making BPL presentations to two telecom conferences, ChinaTel Summit 2005 and the Pacific Telecom Conference (PTC). PTC is the world's biggest telecom conference, said Valle, and this year was the first ever with a BPL presentation.

Important details in the deal with the Asian nation included a three-month time limit on the pilot and, if it's successful, a guarantee that clear plans and assured funding exist for subsequent steps leading to full deployment.

"Funding in the communications space is usually the biggest barrier to entry," noted Valle, who's background is in telecom, not electricity.

The telecom industry is slowly recovering from its meltdown, he added.

Valle's involvement in undersea networks gave him a front seat view of the major equipment makers' suffering, he reported. French firm Alcatel went from billions in annual revenue in undersea fiber projects to about \$200 million in sales last year and called 2004 an "up" year, said Valle. Numbers like that turned the investment community chilly on large communications projects, he added.

That said, Fiber Bridge spins BPL overseas as a communications technology with the side benefit of utility applications rather than the typical sales pitch in the US: internal apps with the side benefit of broadband to help boost revenue.

His firm is in talks with potential US clients but won't move ahead on a project that doesn't have funding in place to go beyond the pilot stage. One reason is to avoid losing face with manufacturers. Spending time on pilots that don't go anywhere is a waste of resources.

"What we're taking advantage of overseas in developing countries is the arbitrage in power density and tele-density." Developing nations want and need telecom, he added. Telecom replaced agriculture as the number-one driver for economic development, noted Valle, quoting the World Trade Organization. It's as if the developing world is trying to skip the industrial age and go straight from agriculture to the information age, we observed, and the reason why some nations skip entire generations of technology to catch up with the developed world. Many developing nations have 80% or 90% of their homes wired for power but few phones -- only 10-20% with dial tones, noted Valle.

A desire for broadband is bit of a misnomer, he reported, in countries with a computer-density under 5%. Second generation broadband could take advantage of the fairly high density of TVs in the developing world to deliver some form of IP TV, he added. That would enable services such as distance learning and other programs targeted to those demographics. "It has to be an economically viable model," said Valle. "We really don't want to push things that are nice to dabble in. "We're really trying to go in and make a difference in these countries."

Fiber Bridge is not only vendor independent but has sent its teams through installation training for a number of vendors' hardware so it can speak from experience about the strengths and weaknesses of each one. "We've even gone to clients where we've said, 'the technology works but your management structure can't support this type of engagement and you need to expand your management structure or partner,'" Valle reported. "We can say that honestly because it doesn't affect our revenue," he added, explaining that hardware vendors have sent potential customers to Fiber Bridge for an unbiased opinion.

His firm is in talks with several Asian nations about BPL including island nations that might use multiple satellite links as backhaul. Fiber Bridge started out in 1997 consulting on the development and financing of large, multi-billion dollar international submarine fiber optic networks. Projects included a very big one with a multi-billion dollar aerospace firm to develop an international undersea network. BPL was added to the mix about two years ago after Valle's firm was approached by a state-owned electric utility in a small Western European nation. The utility had a regional fiber network hooked up to an undersea link and wanted to compete with the state-owned monopoly telecom but lacked an access network. Fiber Bridge looked at a variety of technologies and turned in a plan based on using BPL, said Valle. His contract with the firm ended and while he wouldn't identify the utility or the country, he said the firm recently released its RFP to BPL hardware makers (www.fiberbridge.net).