

Slow road for rural broadband

Access still difficult outside the Front Range

By Nora Caley

The votes are in, and Colorado residents want broadband.

In November, residents in 44 municipalities voted to allow their local governments the ability to offer broadband Internet to residents. The approvals meant cities would be exempt from a 2005 law – Senate Bill 152 – that restricted municipalities from supplying broadband.

Over the past few years, other communities voted similarly. Broadband industry experts say that is a sign that residents, especially small-business owners, are tired of waiting for access to technology in their towns.

"I think what you saw with that vote is an outcropping of the larger issue of broadband availability," says Brian Shepherd, broadband program manager at the Governor's Office of Information Technology (OIT). "The primary difference be-

tween broadband and traditional telephone is broadband is completely unregulated."

That could prevent rural areas from attracting new businesses, such as call centers and startups that might move away as they grow. Shepherd says the OIT is working with the Department of Local Affairs and counties to develop regional broadband strategies.

"The issue is dollars and cents," says Craig Settles, a consultant and broadband industry analyst. "The return on investment is anywhere from five to 10 years, and that's not acceptable in a world where one or two quarter profit is the norm."

The result, Settles says, is either broadband with poor service, slow speeds, or bundled packages that customers do not want. That dynamic is changing, however.

"People are going to, at the very least, take it into their own hands to negotiate for favorable terms for getting broadband or do it themselves," he says.

That's what business owners did in Rifle when they needed broadband to send large files, process credit card transactions and download vendors' software. Phil Vaughan, who owns Phil Vaughan Construction Management and is chairman of the business affairs committee for Club 20, a business coalition on the Western Slope, says the group approached CenturyLink about four years ago. Garfield County is a rural area with low population density, mountainous terrain, and 60 percent of the 3,000-square-mile area is on federal land, so rights of way and other details needed to be sorted. Still, CenturyLink saw value in upgrading the system for businesses ranging from health care to tourism to retail.

"I don't think anyone had gone to CenturyLink in our area and asked for an upgrade to broadband," Vaughan says. "We had only phone service from CenturyLink. We asked them, and they got together and presented the business case to their management, and made the improvements."

CenturyLink says it's working with municipalities across the state to address gaps in broadband service. "CenturyLink recently reaffirmed its commitment to rural Colorado residents and businesses by partnering with the Federal Communications Commission to accept Connect America Fund (CAF) Phase II money," says Mark Soltes, CenturyLink's director of government affairs for the state. "This six-year program will bring high-speed Internet services to more than 53,000 rural households and businesses in Colorado."

Longmont is an early adopter of municipal broadband. Residents voted in 2009 to exempt the community from SB 152, and in 2011 approved a bond issue to build the fiber optic loop. Longmont has had a municipal electric utility since 1912, so building a broadband network made sense, according to Tom Roiniotis, general manager of Longmont Power and Communications. "If you think about building broadband infrastructure, owning and maintaining it, it is a core competency we have," he says. "We are trenching directional boring, putting conduit in the ground, putting cable through conduit, hooking cable up, billing people and responding to issues."

So far Longmont has built about 25 percent of the network. Most of the customers are residential, but small businesses are part of the plan. "Once we build the entire city out, we will make sure every small business has fiber optic cable," Roiniotis says.

Kenneth S. Fellman, an attorney with Kissinger & Fellman P.C. and general counsel for the Colorado Communications and Utility Alliance (CCUA), says incumbent providers promoted the 2005 law. "The way things have developed over the years, if you want to promote and incent better, faster more affordable broadband, the bill is a hurdle, an unnecessary limit and a restriction on local control," he says.

Fellman explains that in 2005, the incumbents' argument for SB 152 was

the law protected residents. "I'd love to see the legislature say maybe the law made sense in 2005, but it does not make sense anymore."

The verdict is still out on whether municipal broadband is successful, says Erik Mitisek, CEO of the Colorado Technology Association. "With Longmont we are talking a couple of years," he says. "There is not enough operating history to deem they are: one – secure; two – profitable; and three – are they upgrading equipment?"

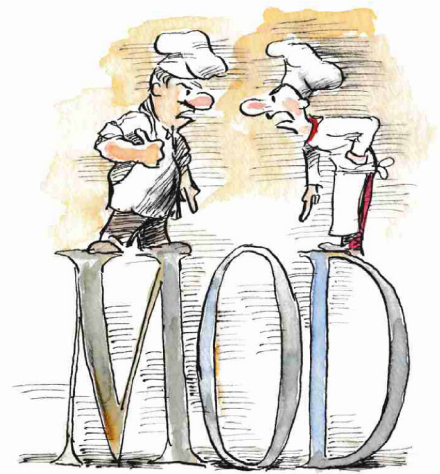
He adds that large companies do have an advantage. "The scale of their network allows them a secure network, and their continual investment in the newest generation of equipment allows them to service the network at high velocity, high quality and continuous quality of customer service," Mitisek says.

Broadband beyond Colorado

Colorado is not the only state dealing with broadband and local control issues. In Kansas, a 2014 senate bill, written by the Kansas Cable Telecommunications Association that would ban municipal broadband networks, did not pass. In Missouri, House Bill 437 would have limited municipal competitive services such as broadband, but the bill failed. In Georgia, the legislature did not pass a bill that would have banned municipal broadband.

Meanwhile some cities have successfully launched their own broadband. Chattanooga, Tenn. began offering city-run high speed Internet in 2010, through a city agency, the Electric Power Board. Wilson, N.C. operates Greenlight Community Broadband and calls itself North Carolina's Gigabit City. In Cedar Falls, Iowa, Cedar Falls Utilities (CFU) offers community broadband in packages with names such as FiberHome Quantum Gigabit Broadband.

Though not a municipal network, Google Fiber has been garnering attention as it brings its high speed Internet into cities such as Kansas City, Mo., Austin, Texas and Charlotte, N.C. According to Google Fiber's blog, Americans are signing up for gigabit Internet at a growth rate of 480 percent each year.



DRAWING CONCLUSIONS

Modmarket settles dispute, modifies name

Modmarket, the Denver-based fast-casual, "farm-fresh" restaurant chain, announced in November it is transitioning to the name Modern Market over the next few months to settle a trademark dispute with Bellevue, Wash.-based MOD Pizza.

Founded in 2009 in Boulder, Modmarket initially sued MOD Pizza for trademark infringement in March. The settlement was announced in August but terms of the agreement were not disclosed. The settlement comes as Modmarket, currently with 14 restaurants, prepares to add a dozen more in the next year as it expands into California, Arizona and Washington, D.C. and opens more restaurants in Colorado and Texas. MOD Pizza (the "MOD" stands for "made on demand") opened its first restaurant in 2008 and currently boasts 88 stores, with plans to double by the end of this year.

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Customer service hasn't exactly been a strength of incumbent providers. According to the Ann Arbor, Mich.-based American Customer Satisfaction Index, in 2015 customer satisfaction with information services such as subscription TV, Web, and wireless phone dropped 3.4 percent to an ACSI score of 68.8 on a scale of 0 to 100, the lowest level in seven years. Among Internet service providers, CenturyLink decreased 8 percent to 60, and Comcast stayed at the bottom of the category, decreasing 2 percent to 56.

Mitisek argues that providers' successes are overlooked. "The

things we hear about are the things that do not work," he says. "The 10 or 20 people who blog about it, who tweet, are a small portion of people." Besides, he says, Comcast, CenturyLink, Verizon, Sprint, AT&T and others have large cybersecurity capabilities, something that municipalities do not have.

One alternative to fiber is fixed wireless technology, which entails the building of towers and radio technology similar to cell phone equipment. Englewood-based Rise Broadband, which changed its name from JAB Broadband, currently has 35,000 customers in Colorado. "We focus on more rural

underserved areas," says President and CEO Jack Koo. "We really believe through the use of fixed wireless technology we can overcome a lot of the financial hurdles that wireline runs into."

Koo says fixed wireless costs about one fifth to one tenth the price of fiber. Also, Rise Broadband builds its network one tower at a time, which, he says, is more capital efficient and can deploy in months instead of years.

Other Internet companies say they will focus on the Front Range. In April, Comcast Business announced it will expand its advanced network across the Denver metro

UMB forecast: steady growth, but wage inflation a concern

by Mike Taylor

KC Mathews has dubbed 2016 the year of "The Tortoise or the Hare."

From his economic forecaster's vantage point that means slow and steady growth between 2 percent and 2 ½ percent year-over-year.

"It's not a negative story," said Mathews, executive vice president and chief investment officer for UMB. "I think corporate America will fare well in a tortoise-like economy, and I think the consumer will do well in a tortoise-like economy."

On a cautionary note, he added, "We think in 2016 you're going to see a tight labor market, which will introduce wage inflation, probably toward the second half of 2016."

Mathews shared his analysis during a roundtable discussion with

winning CEOs of the 28th annual *ColoradoBiz* Top Company Awards during the group's annual retreat to Napa, Calif., in October. The trip, sponsored by UMB, Deloitte, Holland & Hart and *ColoradoBiz*, is a reward for Top Company winners in 11 industry categories.

On a national level, Mathews said the manufacturing sector is a concern, as most regional manufacturing data are flat and could point to a recession. "That would be a potential wild card or spoiler," he said. "But the bottom line is, the consumer is in a very good spot, and the consumer is almost 70 percent of our economy."

One question Mathews posed to Colorado CEOs in Napa was whether they planned to hire in 2016. "I would say at least 90 percent said they will," Mathews said. "The next question was, 'Can you find quality labor?' And for the most part the response was positive. There were a few exceptions. In construction,

skilled trades, builders, there's a labor shortage. What I found really interesting was how many of these companies have adapted. They said they're going to hire young people and train them themselves. Many of these companies are either developing robust training programs or expanding training programs."

One concern expressed by Colorado CEOs during the roundtable was wage inflation, most notably in specialty fields in which companies often must lure talent from competitors by offering up to 20 percent more in pay. Thus, Mathews projects 3 ½ percent wage growth this year, on top of the 3 percent growth in 2015.

Another hot topic for the CEO roundtable: housing. "Home prices in Colorado have really skyrocketed," Mathews said. "They're at a pace double that of the national average. Clearly the affordability of housing is a concern of these company leaders, not only for current employees

whose rents are going up, but as companies attract talent from out of the state. These potential candidates come in and look at housing prices — well, it's going to lead to wage inflation. They'll say, 'You've got to pay me more to afford this house that cost me X in Kansas City and

will cost me X-plus-15 percent in Colorado. So a lot of the businesses are kind of wrestling with that.

"It's a supply problem right now," Mathews continued. But, he added, "Housing starts in Colorado are up almost 20 percent year-over-year; the U.S. averaged about 10 percent. The good news is they're building more housing units in the state of Colorado."

Wage inflation and housing affordability aside, Mathews expressed optimism as he cited the state's year-over-year population growth of about 2.4 percent compared to the national rate of about

1 percent. "Colorado is a very desirable place to live," he said. "People are coming to Colorado; obviously there are jobs in Colorado."

As he does every year, Mathews asked Top Company CEOs what keeps them up at night and what risks their businesses face.



One unanimous answer from these Napa attendees: cyber-risk.

"Even manufacturers have to be thinking about potential hacks," Mathews said, "so they have to beef up their technology, either outsource it or hire people, and it's a non-revenue-generating function."

With that, Mathews closed with his "Tortoise or the Hare" theme and his projection of 2 ½ percent growth in 2016. "It'll be fine for business; it'll be fine for the consumer," he said. "It'll be fine relative to the rest of the world, which continues to struggle." **CB**

area, investing more than \$10 million to deliver an Ethernet and commercial Wi-Fi experience to more enterprises located in metro areas, including downtown Denver, Aurora, Englewood, Castle Rock, Wheat Ridge and others, according to Leslie Oliver, director, media and external communications, Mountain West Region.

That does not include the rural areas that recently voted to have their local governments build their own networks. "The vast majority of Colorado communities that pursued an override of SB 152 are not located in Comcast's footprint."

It is too early to tell whether

these cities will build their own networks or partner with companies. Collaboration will be key, says Mitisek, from CTA. "The industry would love to sit at the table and look at new ideas."

In December FORETHOUGHT.net, the parent company of Brainstorm Internet, announced it had purchased Vidion, an existing cable company serving Silverton, and that it planned to bring high speed service to the area. "We are taking a two-phase approach," says Jawaid Bazyar, president of FORETHOUGHT.net. "The fastest and least expensive way to get modern broadband speed to peo-

ple is to leverage the existing cable TV facilities in Silverton. Phase two will come down the road. We will start to replace the copper cable with fiber cable to deliver full gigabit speeds."

Bazyar says residents and businesses have been asking for high speed Internet. "When the tourist train rolls into town, the cell phone tower gets congested, and data for everyone in town slows to a crawl. It's not just businesses, it's everyone in town, as Silverton has to date been connected to the world via a very slow wireless link." The company expects service to be up in January. **CB**

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