

man said. Municipal lobbyists want a provision that would make new video providers including AT&T fully build out their TV systems. The govt. committee will consider city concerns, Sikkema's spokesman said.

Like other legislators, Sikkema believes it may be too late to address net neutrality and speedily dispatch the legislation, his aide said. The Govt. Operations committee, chaired by Sikkema, can quickly decide whether the bill should have amendments because members include Senate majority and minority leaders, said the aide. "The Technology and Energy Committee has moved as far forward as it can," he said: "In order to get this done we're going to need the direct involvement of the Senate majority leader and the Senate minority leader." Minority Leader Bob Emerson (D) wants action on the franchise bill soon, but taking into account municipal and net neutrality concerns, his spokesman said: "We are to the point where we are very close to having it resolved... If we can take care of all the concerns, we'll look at it." The senator hasn't taken a position on net neutrality, said the official.

Cities stand to lose as much as \$50 million annually from franchising changes, said Mich. Municipal League lobbyist Joe Fivas. Current language prevents city buildings from getting free cable service from video providers or having them underwrite data networks, he said. Cities want video providers including AT&T to be required to build out systems to serve entire towns, and the bill doesn't do that, he said. Cities also are concerned a statewide franchise would immediately supersede agreements that video providers have reached with towns, said league lobbyist Arnold Weinfeld.

Some govt. officials have pushed for net neutrality, though the league hasn't taken a position on it, Weinfeld said. The upshot of the net neutrality brouhaha: Cities got more time to argue that the bill must be tweaked to make sure it doesn't hurt them, Fivas said: "It definitely brought a different discussion that legislators have had to focus on multiple issues... to give us more time to clarify our position to many senators." If history is any guide, the franchise bill won't pass quickly despite legislators' desires, he said: "We've had threats that this would be passed anytime since February... There should be a guarantee in law for the community to get service to its residents within a reasonable period of time." — *Jonathan Make*

Old Networks Not Enough

Muni Fiber Vogue Won't Dent Broadband Market, Analyst Says

Municipal fiber-to-the-home (FTTH) rollout is rising in northern Europe and elsewhere, the Organization for Economic Cooperation & Development said. Paris, Amsterdam and Vienna are among cities planning to offer residents cheap or free broadband access. But despite buzz about muni FTTH among media, politicians and gear vendors, it's unlikely to affect European broadband markets soon, analysts said. Incumbent telcos and other commercial providers will remain dominant in the near term, they said.

European cities have "much more ambitious goals" for broadband networks than U.S. cities, Strategy Analytics Broadband analyst James Penhune said. American projects focus on delivering wireless access, while Amsterdam, Vienna and Paris "plan to set a new performance standard for high-speed Internet access by constructing ultra high-capacity" FTTH networks, he said. European cities see such access becoming a key utility for businesses, with publicly owned fiber networks benefiting citizens via universal access and more advanced Internet Protocol-based services such as VoIP and IPTV. And they doubt incumbents soon will offer similar levels of service, Penhune said.

The Amsterdam city council agreed in Jan. to launch phase one of Citynet, an FTTH project, Penhune said. Other than the city, investors include a development consortium and an investment bank. Citynet aims to cover all 420,000 homes in Amsterdam. Telecom Italia unit BBned will run Citynet, with capacity available to any service provider.

Amsterdam has sought an EC opinion that Citynet doesn't involve "state aid" under EC rules on grounds that it has only a minority share in the passive fiber network, said Alderman Dirk van der Woude, a senior advisor to the mayor. In June, cable company UPC sued to halt the project pending an EC decision. But the court found no state aid; work on the fiber network began in Oct., he said.

President Jacques Chirac and Mayor Bertrand Delanoë have said they want all France and its capital to have FTTH and VDSL, van der Woude said. In July, Paris said it wants by 2010 to have connected at least 80% of buildings using fiber. It offered tax cuts to companies installing fiber in sewers and other city-owned rights-of-way, Penhune said.

The plan made FTTH a "practical alternative" for Free, France's top broadband service provider. Parent Iliad will offer fiber-based broadband access in parts of Paris by mid-2007, Penhune said. "Technically this project isn't muni fiber," said van der Woude. Iliad's plan includes valuable city support -- access to its sewers, also available to other network providers.

NetCologne, a regional telco active around Cologne, Bonn and Aachen, launched Germany's first FTTH network in July; it expects to connect customers in Cologne's core this year or early next, a spokeswoman said. NetCologne doesn't deem itself a "classic" municipal company, since the city of Cologne only is involved indirectly as a shareholder of its mother company, the local gas & electric supplier, she said.

NetCologne's FTTH network aims to give Deutsche Telekom (DT) a run for its money since "we are able to reach the client directly and do not need to rent the last mile from DT anymore," the spokeswoman said. The company doesn't expect the incumbent to like the rollout of FTTH, but there haven't been any problems, she said.

Another FTTH front is being explored by the Swedish Urban Network Assn. (SSNF), a trade group for network owners developing broadband infrastructure. Members include some 150 municipal and 10 or so private local and regional network owners, plus ISPs, telcos and other service providers, Secy. Gen. Lars Hedberg told us.

Many of those networks are fiber, but much of the last mile runs over Telia copper, which SSNF wants to change, Hedberg said. The group is trying to negotiate an agreement with the incumbent because in cities where member networks exist, Internet access costs 30%-40% less than in areas without muni fiber, he said.

In Nordic countries, it's key for munis to control -- but not necessarily own -- the infrastructure, Hedberg said. It's the only way to guarantee broadband at a fair price across large, sparsely populated regions, and to enable cities and govts. to offer e-services, he said.

Despite enthusiasm for today's FTTH announcements and pilots, the impact on European broadband likely will be limited short term, Penhune said. Even where infrastructure is in place, it could take time to plan, contract and build out large FTTH networks, with politics or regulatory review getting in the way, he said.

With DSL and cable service uptake expanding quickly in western Europe, penetration could hit 60-70% in many larger nations in the 2-3 years needed to build muni FTTH networks in Paris and other major cities, Penhune said. Consumers who want broadband access will find it affordable, making it harder for cities to justify building and maintaining their own networks to provide free or low-cost services to a "relatively small number of low-income customers," he said.

For incumbents, muni FTTH is more regulatory issue than competitive threat. Many cities say they want their own networks because incumbents don't do a good job of upgrading their copper lines. Incumbents in turn blame regulators for forcing them to open their networks to rivals, making it tough to justify FTTH's high costs, Penhune said.

"The noise about municipal FTTH has clearly reached the ears" of the EC, this year reviewing its telecom rules. The Commission likely will view the efforts of Paris, Amsterdam and the others as too limited, instead prod-

ding incumbents by exempting next-gen networks from open access rules, said Penhune. That may or may not spur incumbents to invest in fiber upgrades when less pricey alternatives such as ADSL 2+ and VDSL provide enough bandwidth for all but the most demanding services, he said.

"FTTH will come, but only step by step," Penhune said, predicting that the next 5 years, most operators will stick to using FTTH for connecting new homes. Municipalities are better positioned to invest in fiber because they don't need immediate return on investment, Penhune said.

Despite that advantage, "obstacles to public investment in communications networks will remain significant enough to make them relevant to a small minority of the population," the report said. Hedberg disagreed, saying analysts probably only spoke with major incumbents. Old telecom networks aren't adequate for future needs, he said. -- *Dugie Standeford*

Board Nod Awaited

Public TV in Digital Carriage Deal with ACA

Public TV has reached a voluntary digital carriage agreement with the American Cable Assn. (ACA) and is awaiting its approval by the ACA board, Assn. of Public TV Stations (APTS) Pres. John Lawson told us. "We have agreed at the staff level... It is now up to the ACA board to act," he said, adding that the APTS board approved the agreement. The deal means public TV will have digital carriage on virtually all U.S. cable systems.

The ACA agreement resembles the one APTS signed with NCTA in Jan. 2005, Lawson said. Both provide for carriage of multiple digital programming streams from each public TV station on each cable system. But it differs from the NCTA pact in that "it does recognize the wide disparity in capacity of ACA members" as opposed to large cable systems belonging to NCTA, he added: "So there are some nuances, but the basic principle is that multiple nonduplicated programming streams from digital public television stations be carried on ACA member systems that ratify the agreement." The ACA, representing 1,200 small cable systems serving about 8 million subscribers, didn't comment by our deadline.

In terms of satellite carriage, APTS had "productive, good faith" talks with DirecTV, but EchoStar rejected bandwidth allocation for public TV's digital content, Lawson said. It was clear from talks with DirecTV the DBS operator has bandwidth constraints more severe than cable's, he said. But with DirecTV's new launches, "we are seeking creative ways to make sure our stations' local and national content gets to their customers," Lawson said. The goal is a carriage deal with DirecTV in 2007, he said.

EchoStar "told us flatly" it hadn't allotted bandwidth for public TV digital content, Lawson said: "They cannot tell us at what point they would be able or willing to allocate bandwidth." EchoStar senior managers have little interest in starting "meaningful discussion" on carriage, he said: "We have concluded this is an issue we have to take directly to Congress. We hope that Congress can remind EchoStar of their public service obligations in this area, if not legislate a requirement that they carry our signals." Efforts to get the FCC to act on the issue made no progress, he said: "It seems to be dependent upon a resolution of the cable must-carry issue."

Follow-through on carriage deals with NCTA and Verizon is "going very well," Lawson said. Under a multiyear pact signed in June, Verizon agreed to carry up to 3 public stations' digital signals per market, plus any other noncommercial station programming that isn't redundant (CD June 19 p3). AT&T hasn't responded to APTS requests for carriage negotiations, he said.

The FCC should regulate telcos entering the multichannel video programming market as it does traditional cable systems and apply mandatory carriage provisions under Sec. 615 of the Communications Act, APTS said in comments on the status of video competition. Telco-deployed fiber will have carrying capacity far greater than cable