

Palo Alto To Get Wicked Fast Fiber Network -- If AT&T Doesn't Block It

By Betsy Schiffman [✉](#) July 16, 2008 | 3:35:09 PM Categories: [AT&T](#), [Comcast](#), [Lawsuits](#)



Updated with comment from AT&T

The City of Palo Alto approved a nifty little deal under which it will get a blazingly fast fiber network -- with speeds of 100 megabits per second -- and it won't have to pay a dime to get it built.

One small problem with the plan, though: Local service providers -- specifically AT&T -- have made noises about suing to block the deal.

It's not surprising that AT&T would object -- it doesn't want its local market position ruined by a faster or more competitive service. Not to mention, if the experiment is a success, the network could serve as a model for other municipalities.

"AT&T has become a lot more litigious with [city governments]," says Grant Kolling, senior assistant city attorney in Palo Alto. "We don't have an explicit statement that a lawsuit is imminent, but it is our sense, based on previous statements to [the city council] and recent meetings with AT&T, that it's under consideration."

It's not exactly clear what grounds AT&T would have for a lawsuit -- and it's still early -- but the assumption is that the company would claim that the city gave preferential treatment to the consortium on the deal.

"They may try to place a injunction us, under a federal law or state law -- who knows. Lawyers are creative people," Kolling says.

Ironically, AT&T also had the option to build the network. Kolling says that when the city put out a request for proposals a couple years ago, and only two businesses responded, both of which are represented in the consortium.

AT&T wasn't immediately available to comment.

Under the current agreement -- approved by Palo Alto City council on Monday night -- a consortium of companies, including 180 connect, Packet Front and investor Axiea Net Media, will build a fiber network for about \$44.2 million*. The idea is that the consortium will lease the network directly to service providers who will then sell it directly to businesses or consumers; and Palo Alto will have the option to buy the network back after 25 years for \$1.

Comcast, which also serves the Palo Alto market, says it has no immediate plans to sue.

"We are not considering any litigation at this point. We do encourage competition and believe all providers should play by the same rules and regulations, which we expect to be the case in Palo Alto," said spokeswoman Jennifer Khoury.

Update: AT&T says it's taking a wait-and-see approach.

"AT&T has no plans to take legal action against the city. In fact, AT&T has a strong relationship with the City of Palo Alto, which has been very supportive of our efforts to upgrade our network to provide next-generation services, including faster Internet access speeds, to residents. We believe we can compete on price and value and welcome new competitors to the marketplace, provided there is a level playing field for all," said the company, in a prepared statement.

* We goofed earlier when we said it would cost \$30 million to build the network.

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