

# Competition pushes possibility of ultra-fast Internet in more of US

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Seeing little competition and questionable demand, Internet service providers have shrugged at spending the billions of dollars needed to boost U.S. Internet speeds to match other parts of the world.

But efforts by Google Inc. and a few cities including Los Angeles are provoking an about-face.

In recent weeks, Time Warner Cable and AT&T Inc. have eagerly responded that they too are capable of delivering lightning-fast speeds in Los Angeles and other big, lucrative markets.

Though analysts see more posturing than certainty in the announcements, it's clear that online video watchers, technology start-ups and financial companies might see a dramatic upgrade in Internet speeds by the end of the decade.

"Regardless of what Google ends up doing, what they've successfully done is introduce the idea of gigabit broadband and ask the relevant question of why more of America doesn't have it," said analyst Jeff Heynen at consulting firm Infonetics Research.

"We're at the point where the threat of competition has prompted a lot of me-too responses," Heynen said.

Since 2012, Google has offered an Internet service known as Fiber in Kansas City Mo., and Kansas City, Kan. Upload and download speeds

reach 1 gigabit a second, about 40 times faster into the home and 100 times quicker out the door than the typical service used by Los Angeles residents, according to network testing company Ookla.

Nationwide, about 10 percent of households with broadband Internet get it through a fiber-optic network, according to data from a survey released this week by a trade group called Fiber to the Home Council Americas. The fiber users saved 49 hours a year waiting for Web files to load, the council estimated.

Construction of Google Fiber could begin in 34 more cities by the end of this year, and analysts said that expansion threat has in part scared more familiar Internet service providers such as Time Warner Cable Inc., Charter Communications Inc. and Cox Communications Inc.

The other push has come from local governments. The city of Los Angeles, for example, plans to start seeking bids late in the year on a project to make gigabit speeds accessible to all residents and businesses.

The city doesn't plan to subsidize construction costs, but it is willing to offer up to \$1 billion in incentives, including expedited permitting and a guarantee to become a customer. In turn, city officials could receive an assurance that low-income neighborhoods are not left behind.

The city's initial questionnaire to the technology industry prompted 16 companies, including Time Warner Cable, AT&T and IBM Corp., to respond by a July 18 deadline.

Google declined to comment on why it didn't respond, and AT&T declined to share its responses beyond that Los Angeles remains a potential target for a gigabit network. For companies like Google that lack a footprint in Los Angeles, building a network would require a significant amount of trench-digging, an expensive endeavor.

Meanwhile, Time Warner Cable said that it has plenty of upgrades planned. By modifying its existing cable network, the company said, it would triple the speed of its most expensive service in Los Angeles to 300 megabytes per second by the end of the year.

The plan is to start replacing equipment, including networking switches at the company's plants and cable modems in people's homes, to get to 1,000 megabytes a second - a gigabit - in 2016.

But Time Warner Cable is not promising a quick rollout. Its schedule has not been announced. When the gigabit speeds will be made available to even 50 percent of local households hasn't been determined, leaving analysts to question the offering.

"They are trying to make it look like they have a competitive technology - they'll get some gains, but 100 percent fiber, that's where the future is," said Christopher Antlitz, senior analyst at Technology Business Research.

Whereas Google's network uses fiber-optic cables throughout, traditional cable TV companies tap existing - but slower-moving - coaxial cables for part of the stretch to homes.

That means Time Warner Cable could provide, at best, gigabit download speed to parts of neighborhoods, but would run into bandwidth limits in trying to bring it to entire ones, said Scott Jordan, a University of California, Irvine professor who researches Internet service. Upload speed would also lag.

Citywide improvements would cost at least hundreds of millions of dollars, telecommunications experts said. Time Warner Cable is proceeding with business as usual but federal regulators are assessing the company's pending merger with Comcast, which would bring in cash to

make large-scale upgrades more feasible, according to analysts.

Either way, fending off competition in Los Angeles is key for Time Warner Cable because it's the company's largest and most lucrative market, Antlitz said.

Peter Stern, a Time Warner Cable executive vice president, said its response to the city was "appropriate" considering its local commitment.

"We want to send a strong message about our technology leadership and the investment we've made in Los Angeles and the benefit it's going to bring to our customers," he said.

Verizon, whose speeds for its FiOS Internet service reach 500 megabytes per second, touts the fastest service locally and has few competitors in the consumer market. Several companies along with the city of Santa Monica offer faster speeds to businesses.

But FiOS reaches only 1.4 million households in Los Angeles, including Westside areas home to Los Angeles' burgeoning tech start-up scene. Verizon has been focusing on turning more households into subscribers before expanding service.

On Monday, in its latest effort to separate itself from cable companies, Verizon said FiOS subscribers would see upload speeds that match downloads - a feature that's unheard of for cable Internet subscribers because of technological limitations.

Teresa Mastrangelo, principal analyst for the consulting firm Broadbandtrends, questioned whether a Google or Verizon could challenge an incumbent such as Time Warner Cable in a city as vast as Los Angeles.

"There's no guarantee that we'll see something out of this game," she said. "But if the threat of competition forces your incumbent to do more, that's a win-win for everyone."

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