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SAN FRANCISCO/EarthLink again delays response to supervisors

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EarthLink, the Internet service provider that is developing a plan to blanket San Francisco with free Wi-Fi, has again delayed talks with city leaders, and a recent statement by the company's new leader has some at City Hall wondering if the deal is dead.

At the request of EarthLink, a Board of Supervisors committee agreed Wednesday to delay for a month the hearing on the proposed contract between the city and company. The vote came just days after the company's new chief executive officer said the company is re-evaluating its Wi-Fi business.

City supervisors have been waiting nearly three weeks to hear from the company regarding changes supervisors wanted in the contract, which was negotiated between the mayor's office and EarthLink.

"There's good news and bad news. The good news is EarthLink has finally gotten back to me," said Supervisor Aaron Peskin, who proposed the changes. "The bad news is they have still not made any counterproposal."

Under the proposed contract, EarthLink, in partnership with Google, would pay the city to build, install and run a free Wi-Fi network. People could pay a \$20-per-month fee for a faster connection.

Peskin proposed changes to the contract that would increase the minimum connection speed, require additional privacy protections, and cut in half the overall length of the deal.

EarthLink officials said last month they would consider the changes and respond to officials within days; they have yet to do so, other than to ask for more time.

Meanwhile, in a conference call last week that focused on EarthLink's quarterly earnings, the new chief executive officer said the company is re-evaluating its approach to providing Wi-Fi in cities that already have the service, like Philadelphia and Houston, and those with whom it is still in talks.

"The Wi-Fi business as currently constituted will not provide an acceptable return. We're actively exploring ways to scale this business more economically," Rolla P. Huff, the company's president and CEO, told investors on the conference call.

One option he discussed was insisting that cities become "anchor tenants" of Wi-Fi networks, meaning they agree to pay for the service for a certain amount of time to guarantee some revenue for EarthLink.

"That would go a long way in our being able to get an acceptable return on this investment," Huff said on the call. "Until we're convinced that we can build new networks and get an acceptable return, we will delay any further new build-outs."

Peskin said the city may be able to do that in the future, but not now.

"It's all very nice, but we don't have any of the technology in place" to make Wi-Fi useful for the city government, he said. Some cities now are using Wi-Fi for police reports, water meter readings and other common functions.

An EarthLink official said the company's other major concern is Peskin's

proposal to shorten the contract from 16 years to eight years so the city has the option in the near future to purchase the network.

Doing so would be "impossible," said Cole Reinwand, vice president for strategy and marketing for EarthLink Municipal Networks.

"The infrastructure that would be used to power the San Francisco network is also powering the Philadelphia network and the Houston network," he said, adding that the city would have to build its own infrastructure to handle things like authentication of users and billing.

The delay from EarthLink is due to the proposed changes being broader than officials first anticipated, Reinwand said. In fact, he said the changes "are so significant we have to go back and look at potentially renegotiating the contract."

Mayor Gavin Newsom stands by the original contract but isn't fighting Peskin's proposals, said Newsom's spokesman Nathan Ballard.

"We presented a good contract to the Board of Supervisors, and while the mayor has no ideological objections to Supervisor Peskin's amendments, he does believe it is time for the board to act quickly," Ballard said.

Newsom could put the contract on the November ballot and let city residents decide whether to approve it as-is; Newsom has until Friday to do so, and the mayor's office believes such a measure would be approved.

If it does go back to the supervisors, some such as Tom Ammiano have said they want further amendments. With the recent changes at EarthLink, though, he wondered if the proposal would make it that far.

"This might all have been for naught," Ammiano said. -----

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