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### Cities' Wi-Fi projects find costs higher, takers fewer

By Anick Jesdanun  
*the associated press*

Tucson, Arizona | Published: 05.22.2007

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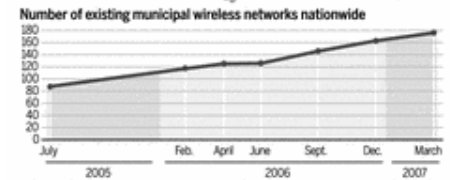
A \$3 million plan to blanket Lompoc, Calif., with a wireless Internet system promised a quantum leap for economic development: The remote community hit hard by cutbacks at nearby Vandenberg Air Force Base would join the 21st century with cheap and plentiful high-speed access.

Instead, nearly a year after its launch, Lompoc Net is limping along. The central California city of 42,000, surrounded by rolling hills, wineries

and flower fields more than 17 miles from the nearest major highway, has only a few hundred subscribers.

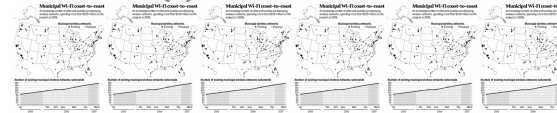
That's far fewer than the 4,000 needed to start repaying loans from the city's utility coffers.

**Municipal Wi-Fi coast-to-coast**  
An increasing number of cities and counties are deploying wireless networks, spending more than \$230 million on the projects in 2006.



SOURCE: MunWireless.com 05/22/07 AP

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And Lompoc isn't alone. Across the United States, many cities are finding their Wi-Fi projects costing more and drawing less interest than expected, leading to worries that a number will fail. That would result in millions in tax dollars and grants wasted when there are roads to build and crime to fight.

In Tempe, the city's Wi-Fi provider wound up tripling the access points, adding roughly \$1 million, or more than doubling the costs.

More than \$230 million was spent on Wi-Fi in the United States last year, and the industry Web site MuniWireless projects \$460 million will be spent in 2007.

Without revenues they had counted on to offset that spending, elected officials might have to break promises or find money in already-tight budgets to subsidize the systems for the low-income families and city workers who depend on access.

**"Overpromised, undelivered"**

The worries come as big cities like Philadelphia and Portland, Ore., complete pilots and expand their much-hyped networks.

"They are the monorails of this decade: the wrong technology, totally overpromised and completely undelivered," said Anthony Townsend, research director at the Institute for the Future, a think tank.

Municipal Wi-Fi projects use the same technology that's behind wireless access in coffee shops, airports and home networks. Hundreds or thousands of antennas are installed atop street lamps and other fixtures. Laptops and other devices have Wi-Fi cards that relay data to the Internet through those antennas, using open, unregulated broadcast frequencies. In theory, one could check e-mail and surf the Web from anywhere.

About 175 U.S. cities or regions have citywide or partial systems, and a similar number plan them, according to Esme Vos, founder of MuniWireless.

Rhode Island has proposed a statewide network, while one in California would span dozens of Silicon Valley municipalities. San Francisco, Los Angeles, Chicago and Atlanta each want one.

Though it's premature to say how many or which ones will fail under current operating plans, the early signs are troubling.

"I will be surprised if the majority of these are successful and they do not prove to be drains on taxpayers' money," said Michael Balhoff, former telecom equity analyst with Legg Mason Inc. "The government is getting into hotly contested services."

**Focus on incentives**

Most communities, including Lompoc, paid for their projects. Elsewhere, private companies agreed to absorb costs for the chance to sell services or ads.

Balhoff believes the successful projects are most likely to be in remote places that traditional service providers skip — and fewer and fewer of those areas exist. Cities, he said, should focus on incentives to draw providers.

In Lompoc's case, officials say construction was delayed about a year once they realized wireless antennas had to be packed more closely together.

But more important, just as Lompoc committed to the network, cable and telephone companies arrived with better equipment and service, undercutting the city's offerings.

"It seemed like we announced we were going to do this and that and the next day we got trucks from the providers doing this and that, when we've been asking for years and nothing ever happened," Lompoc Mayor Dick DeWees said.

DeWees acknowledged that Lompoc might have to pull the plug if it cannot boost subscriptions, but he said the city still has an aggressive marketing push in store. Lompoc recently cut prices by \$9, to \$16 a month, for the main household plan.

**Not so foolproof**

Just a few years ago, these municipal wireless projects seemed foolproof.

Many cities and vendors underestimated the number of wireless antennas needed, said an official of MobilePro Corp.'s Kite Networks, which built Tempe's Wi-Fi system.

"The industry is really in its infancy, and what works on paper doesn't work that same way once you get into the real world," said Jerry Sullivan, Kite's chief executive.

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