

Bringing Fiber to a South Carolina Gree

This development's technology and business plan could become a national model

Q&A with Developer Jeff Hesla and Kent Brown of AFL Telecommunications

We talked in December with Jeff Hesla, who is developing Sunset Summits in Spartanburg, South Carolina and who works with other developers around the country. With him was Kent Brown of AFL Telecommunications. AFL offers tip-to-tip fiber optic solutions including electronics, passive infrastructure, systems engineering and business modeling expertise.

Hear the original transcript on our site, www.bbpmag.com/BBP_AFL1.mp3.

BBP: Jeff, Sunset Summits is the first fiber community in its area. What pushed you toward including fiber to the home and featuring it in your promotional materials?

Jeff: We wanted to be proactive regarding communications technology and offer the maximum capacity for families with children, who will require the most advanced features in the near future. You are probably aware of the massive change in who chooses content. This change is a fundamental shift in purchasing behavior for TV, video and music, and is being driven by our kids, our desires for choice and content, and the global marketplace. A good example of that is the iPod revolution in music – downloading by

the decision makers. A person wants a particular song, not a whole album. So, we are in the process of developing the ability to choose the specific content for TV or video that we desire and not be subject to strictly the cable or phone or satellite companies' specific packages.

IP video is going to be coming to neighborhoods that have FTTH. More and more people are working from the home and indications are that probably over 40 percent of the US population will be working from the home in 2020. That includes professional engineers, architects, designers, doctors. This is the market we are going after in Sunset Summits. They will need to be able to transmit large files and talk around the world.

All this leads us as developers to a lengthy discussion and a search for a fiber to the home solution that we consider will endure time...say 50 years or more. That is to protect our 4-year buildout – four phases in our 325-lot residential development. We have a lot at risk over four years and we need to make sure that the infrastructure we put in is a good infrastructure.

BBP: You are an unusual developer.

Jeff: One of my partners is a third generation electrician, and I worked

for a cable company for a while and for a pipefitting firm. From residential developments to power plants I've done work. And I produced a 24-hour leisure time cable television show for tourists. So I'm pretty well rounded in product knowledge and activities.

BBP: You are actually developing the lots for a number of builders and individual homebuyers. What impact on the decision-making have you seen so far – decisions by the homebuyers?

Jeff: We are in the process of reserving lots for builders and homebuyers and it has been great. It is kind of like icing on the cake considering all the other features of our particular development: The charm of our southern architecture and the clubhouse and all of that kind of stuff. They are looking at it like icing on the cake.

Southern Charm, Future Technology

BBP: Your marketing line is "Where old southern charm meets future technology."

Jeff: Well, at first you would say "future" is wrong, that the technology is here today. And it is. We are deploying technology that exists and is being

Promotional Website for Sunset Summits;
 “technology” tab links to AFL for details.

nfield



Sunset Summits site plan; this is a master-planned community with lots sold to builders and to individuals. All lots are served by two point-to-point fiber links.

used in the world today. What we are talking about in our slogan is the fundamental shift around the globe in the way in which content is purchased by the homeowner. And therefore, with fiber to the home deployment, the world changes your ability to accept new technology seamlessly, whether it be IP video, whether it be movies on demand, whether it be viewing CAT scan images by a doctor, at his home because the person is in India. It doesn't matter any more, if you are connected.

BBP: Who are your technology partners?

Jeff: We had to search and determine what we wanted

to do. We wanted an open architecture and a service platform to allow us to offer our residents great content options from any service provider in the world as the marketplace unfolds. We have five distinct partners. The first is AFL Telecommunications for the fiber products and services, and we have one

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on VoIP (a CLEC) one in video TV, one in high speed data internet and one as an in-home service provider and solutions.

BBP: Why did you go with AFL?

Jeff: You should go to AFL Telecommunications website, and that of their parent company, Fujikura Ltd. in Japan.

Kent: The website is www.afttele.com

Jeff: Read the president's, Mr. Ohashi's greeting statement of their history and vision at www.fujikura.co.jp, you will see that it is a multi-million, 120-year-old global

company. Secondly, they are extremely well respected in their field of expertise. Third, from day one, they were professional, knowledgeable, helping me as the client understand the differences in technologies. Fourth, their headquarters are 3 miles from Sunset Summits on Highway 290 in Spartanburg County. So, Kent and I have become friends through this process over the last year and a half. Fifth, they have the largest aerial fiber plant in the world located right next to Kent's headquarters there. And so, wouldn't you want a partner like this?

Kent: Let me add to that, because the way this relationship started was Jeff as a local resident and businessman found us. Jeff came to us and said, "I know you guys do fiber optic solutions, fiber optic products. I am building a residential development. I feel strongly about it being the leading edge in technology. Can you help me?" And that really is how the relationship started and that was perfect timing because that was a point in time where AFL was aggressively pursuing bringing in new technologies specifically to support fiber to the home.

BBP: Kent, could you talk a little bit about what you are actually putting in at Sunset Summits?

Kent: What we have determined is best for Sunset Summits and in fact a nice match for a lot of residential developments is a point-to-point architecture. What that basically means is that every living unit in the community, whether it is a town home or a single family home, will be connected to the headend or the electronics on the network by a dedicated piece of

optical fiber. That theoretically gives unlimited scalability over time. In other words, this infrastructure is going to be able to handle any additional services down the road that want to be deployed, or any additional demand for bandwidth.

In addition, what we have actually done is kind of double that and make it two fibers to every home – one for IP services, which would be broadband access, voice-over IP, and associated services, and the other for RF video, which is really how video is delivered today, predominantly

structure itself really needs to remain very, very stable.

Jeff: It's an insurance policy too. If one gets cut you have another one. And to add to what Kent is saying, think of this: Do I want to go in and tear up my sewer lines? Do I want to go in and tear up my water lines? Once I put them down I don't want to do that twice. And the same thing goes with my telecommunications. I don't ever want to have to dig up the ground again. So I need to bulletproof that. So, that is where there was a lot of decision-making going on around the country relative to developers and what they need to put in these developments.

BBP: Now, obviously with greenfield development, your overall cost for fiber may be a tad higher than for copper, but your maintenance costs down the road are a lot less. Obviously that's a good deal for the homeowners that are coming in as well, but did you have to do any extra convincing for the bankers and for the builders? Was there anything special that they had to be told?

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in North America. IP video, as Jeff said, is rapidly emerging. But in a point-to-point architecture, RF and IP really don't mingle too well. The one thing you don't want to ever do is to install something in the ground or something in a greenfield development and then five, seven, even 10 years down the road you have to adjust and go through another construction process. There is really not that big of an issue to change things on the end as far as electronics and interfaces, that is really something that people expect, but the infra-

Jeff: Well, yes. Convincing bankers was easy. The bankers love it because their kids are helping them. Everybody wants higher bandwidths and they are wanting to know how all of this stuff works. No longer is it the dark days of cable TV and the big phone companies. It is more "how do we get more service and add more choice," so the bankers love it. But it is a separate business. It is one thing for me to be a lot developer and to put the infrastructure in the ground, sell lots, and leave the development and not be involved any more. That is what lot developers

do for the most part.

So the argument for developers is a different matter. They get a little maintenance or service cost in the development, but they sell all the lots and move on the next lot development, okay? Well, with the fiber to the home deployment, you are in there for the long haul, so have to set the fiber up and present it as a separate business to the bankers. It is not as easy as just walking in the door saying, "I want to do this." You have to have a business plan; it has to be focused to this particular type of business.

There are a few small groups like us around the country that are doing this, but there are not any big groups yet that are deploying this technology in neighborhoods. And no one that I know of yet, there might be one or two, are deploying it in the US in the manner that we are, which is much more like Japan and which is going to provide choice. If BellSouth sold VoIP and they want to use my last mile, I am more than happy to work with them. You know, give me a price and I will offer that choice to the homeowners. Same with Charter TV. We are going to be providing DirecTV.

So, we are going to have an open architecture system whereby, no matter where we go in the country, we will work with other developers. The system we put together with AFL and with our business plan is going to be able to be seamless and adapt to that environment. We are not trying to lock the homeowners in, and that is the difference.

BBP: Now, you are helping to produce these kinds of business plans.

Any feeling about the amount of lead-time that people should take for doing this?

Jeff: Well, I wouldn't say that we are producing business plans for others *per se*; we are going to do the development. Sunset Summits is a beta site and a model with AFL and our other partners and we are going to work with other developers across the country and enhance our business and grow it with other developers. Most developers don't want to be in another business, okay? They just want to enhance

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the value of their property and have, maybe, an ongoing revenue stream if they can. And really, the play in this for developers is enhancing the value of the property, which enhances the value for a homeowner.

BBP: Any other developers and builders in your area taking notice of what you are doing and maybe competing?

Jeff: Well, they are taking notice for

sure and we are in the process of talking to them as we unfold our marketing and advertising in the area. You cannot compete unless you are in the same stage that I am. Meaning, unless you have put the fiber in the ground and the infrastructure in the ground before your streets are in, you are not going to go back and put it in afterwards, you are not going to overbuild BellSouth, you are not going to overbuild Charter. That is not going to happen. So, we really don't have any competition. We are the first and that was the main reason that we did it. We wanted to be the first and we wanted to make sure that we did it the right way so that we didn't have to go back and undo or change down the road.

BBP: Would you have done anything differently now with the benefit of a little bit of experience?

Jeff: The only significant thing that I would have done differently is we would have made the decision much sooner on the type of FTTH deployment technology we wanted to put in and the choice to go with AFL. In hindsight, not to beat ourselves up, we had to basically come up to speed on the global fiber deployments around the world to understand, long term, what was the

best solution.

We have been at this for a year and a half, and looking at it not as being a hog, but as being a Cheetah, and a Cheetah that wants to run in a long race and win the prize at the end. We are not trying to be a hog, to capture the homeowner and be the only service provider in the neighborhood. We want to carry 50 TV or cable or phone providers over time. But because of certain regulations in this county,

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this is not going to happen right away. Kent, do you know of any others that you think we missed?

Kent: Well, to touch on some of the discussion in the last couple of questions, what the business plan shows is that there really is a revenue return that can be generated from investment in fiber. There also is a lot of evidence

to show that there is definitely increased valuation to the properties and increased absorption and attention. Certainly the attention has been something that we have all felt here in the local area as Jeff has unfolded his local marketing for the community.

And there are definitely a number of other developers in this area interested in doing the same thing and a lot

of these folks are going to follow the leader. And in this case, Sunset Summits is the leader for the Upstate of South Carolina. And the process that Sunset Summits has gone through is not unlike the process the industry is going through, because this is rapidly emerging as a wonderful business opportunity for developers.

But that learning process is going to shorten up dramatically as people gain expertise and are able to articulate the way that this business case can work, and Jeff has gone through all that cycle, so part of that learning curve that you are talking about, Jeff, I think was just, unfortunately, how it had to be. I don't know of any other way that we could have avoided some of that. The fact that you are creating what we commonly call a "wholesale business model," where basically you build the infrastructure and you are welcoming other source providers to come and ride your network so to speak.

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In five years it's going to shake out and the developers are going to demand an open architecture system. They're not demanding it yet because they don't have choices. They don't have big enough companies offering to install systems. But that's what we look to do, to be one of those big companies but very selective. We won't be there for every developer in the country by any stretch of the imagination.

That really is very, very cutting edge. There are projects in North America occurring where it is a different source provider than the incumbent phone company or incumbent cable TV, but it is a one-service provider. It is not going to be open access, to any one that can offer valuable content. So Jeff is creating a business case, frankly, that is looking for content. So there is a little bit of a vacuum here. I think that is going to be rapidly filled, but without doing any investment on the front end and building a network, you cannot go back and do it. This is not something that you can come back five years from now when it is all the rage and wish you had it in the ground. You have to make those decisions on the front end to do it cheaply.

Jeff: We sit in the middle of 180 foreign corporations' North American headquarters and they talk around the world, their managers, engineers, architects. I think that more patents are issued out of this area with the US Patent office than in any other area in the country. Now, we got some people that talk globally here. And we have got to provide solutions and empower our people in order to be able to work

out of the home. So once our advertising really takes hold in 2006, it is going to make a huge difference in deployments with other developers in this marketplace like it is happening in others.

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We'll put in the headend and the fiber in the ground or invest our own money in the infrastructure and of course we have stricter criteria if we're going to do that. If you want us to invest in the infrastructure and take all the risks then we'll be more critical about the development we go into.

BBP: There are a lot of developers among our readers setting up CLEC

ISPs, and working with cable and fiber. Do you see the CLEC model having legs? Or is it just not open enough?

Kent: I've seen some projects where CLECs are involved but what I've seen is that the CLEC is like another business entity controlled by the same people controlling the project. And what being a CLEC does is to allow them basically to transport. Jeff is going further; he's going to build a headend so if there's a development that's 3 miles away and he wants to support that development from that headend, he can, if regulations allow it.

BBP: Is there any part of the country that is particularly hot on this?

Kent: We don't necessarily have the same radar for the whole country that we do in the Southeast. These projects are complex and they take a long time to incubate relative to our standard sales cycles. But we're certainly seeing a lot of activity in the Southeast and we're seeing projects in the Southwest. Frankly when you do one and you do it right, the word spreads very quickly, people benchmark each other, they're all hungry to share what they've learned. They're not really competing with one another necessarily. It's regionalized. So they all want to help each other succeed. So when we do a good job with one project, word of mouth spreads it everywhere. **BBP**

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