

## High Speed Internet in Hawley: 2/28/17 Update

After more than two years of work, the Hawley Communications Committee is now in a position where the best action it can take for the good of the Town is to put the High Speed Internet (HIS) project in a holding pattern pending future developments. There are three reasons why this is so:

- 1. The Economics of Running the Network.** When the Committee ran the numbers for operating the proposed fixed wireless network (once it was built), the monthly break-even cost<sup>1</sup>, based on 85 users<sup>2</sup>, came out to \$8,636 per month overall, or \$102.00 per month per user:

Total MLP Operating Expenses/ year	\$97,688	\$100,618	\$103,637	\$106,746	\$109,948
Total MLP Operating Expenses/month	\$8,141	\$8,385	\$8,636	\$8,896	\$9,162

The most recent survey conducted by the Communications Committee<sup>3</sup> came up with 90 people interested in HIS, at a range of rates:

Max Rate Paid	\$ 120	17			\$ 2,040	
	\$ 115	3			\$ 345	
	\$ 110	4			\$ 440	
	\$ 105	2			\$ 210	
	\$ 100	14			\$ 1,400	
	\$ 90	9			\$ 810	Avg= 85.72
	\$ 80	3	52	61%	\$ 240	
	\$ 70	9			\$ 630	
	\$ 60	12			\$ 720	
	\$ 50	12	33	39%	\$ 600	
Total 'Rate' Respondents:		85				
Other (Specify) :	\$280					
#, Avg. Amt.:		5	\$ 56		280	Totals: Monthly \$ 7,715    Annually \$ 92,580

Source: Hawley Communications Committee High Speed Internet Survey Analysis

This table (just above) shows how many survey respondents indicated interest, and the monthly fee levels they would be willing to pay<sup>4</sup>. If we could

<sup>1</sup> This break-even analysis was generated by the Hawley Communications Committee based on Hawley cost estimates using a spreadsheet format developed by the Massachusetts Broadband Institute (MBI).

<sup>2</sup> This number is based on the June 6, 2015 High Speed Internet Survey conducted by the Communications Committee, which came in with 84 Hawleyites expressing interest.

<sup>3</sup> This is based on the Nov./Dec./Jan. 2016-2017 Internet Survey conducted by the Communications Committee.

set prices to the exact amounts shown in this table, then the total revenues generated (green box, bottom right) would be \$7,715 per month – which is \$921 / month (or \$11,052 / year) less than the breakeven amount.

If we were to charge the average of \$86 / month per user, however, then the survey also says that we would lose a little over 39% of our participants, or \$2,350 in monthly revenues. That would put us in the hole by \$3,271 / month -- or almost \$40,000 per year.

We could possibly mitigate some of this shortfall by offering different levels of service at different prices, but such an offering could also cause a general migration to the “lower-priced spread” that would further undermine revenues.

To be viable, HSI needs to break even or make a little money for the Town each month. The alternative – which we are currently facing -- is unacceptable. It would be irresponsible for the Communications Committee to recommend a network that would generate these kinds of losses.

- 2. Capital Costs Keep Rising.** As time has gone by, our consultant’s estimates of the cost of building the wireless network have continued to increase. While wireless is still about one-third of the cost of fiber, it may require as much as \$500,000 to build the Hawley network. Currently, \$250,000 of that money is earmarked to be supplied by MBI, and the other half would need to be raised by the Town<sup>5</sup>.

The following items are contributing to increases in capital costs:

- ◆ General price increases over time
- ◆ Strict regulatory requirements and procedures regarding construction, which raise labor and administrative costs
- ◆ Need to find alternative pole locations (requiring additional and taller poles) to service the network, as some of the originally-targeted pole locations are unavailable.

- 3. Continued Flux in MBI’s Position.** The Massachusetts Broadband Institute has changed its position, funding scope and emphasis several times over the past two years. One of those changes was good for the Town of Hawley, when MBI agreed to include fixed wireless as a fundable network solution. Others have just caused delays, as when MBI issued an RFP<sup>6</sup> to find a

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<sup>4</sup> Not shown in the table are the individual amounts for five respondents who specified monthly rates other than those that are shown: one was at \$150, two were at \$40 and two were at \$25.

<sup>5</sup> MBI is holding another \$270,000 in reserve for “Professional Services” for Hawley, some of which could conceivably be paid directly to the Town, if MBI was willing to change its policies.

<sup>6</sup> “RFP” = Request for Proposal.

company to deliver on the engineering and design portions of its Professional Services allocations, and got no takers.

Most recently, MBI issued an RFP looking for vendors to provide the entire service for the Towns. Six vendors replied. Here's how they responded:

Vendor	Relevance to Hawley
1 Charter Communications	Wouldn't cover Hawley
2 Comcast	Wouldn't cover Hawley
3 Crocker Communications, Inc.	@ \$2,700 - \$3,000 initiation fee per user
4 Fiber Connect, LLC.	Wouldn't cover Hawley
5 Mid-Hudson Data Corp.	Wouldn't cover Hawley
6 Westfield Gas & Electric (Whip City Fiber)	Possible coverage of Hawley.

While two of the respondents (Crocker and Whip City) are of possible interest to Hawley, one – Crocker -- is proposing to charge an up-front fee of \$2,700 – \$3,000 to each user to cover capital costs, and the other – Whip City -- hasn't provided specific per-Town pricing yet. Perhaps more important, neither is considering wireless, meaning that Hawley's total network cost would be vaulted back up into the \$1.5 Million range.

MBI held a hearing in Worthington, MA on February 16 where representatives from about 20 Towns had a chance to sound off on the most recent RFP's and related topics, including Hawley's Lark Thwing.

Lark's report on that meeting contained four items that were agreed on by most participants:

- i) Very few Towns are interested in the Crocker proposal because of the initial \$2,700 – \$3,000 subscriber cost.
- ii) Most Towns are interested in Whip City – i.e., a system owned by the Town that would be built and operated by an MLP<sup>7</sup>-owned utility.
- iii) All Towns want MBI to release the Professional Services funds so they can plan and execute their own solutions.
- iv) Most Towns want a regional operating solution – with MBI working with the Towns to create such an entity.

**4. Possible Fixes.** Here are some ways Hawley could get back into the HSI picture:

- Find 20-30 more Hawley subscribers who need the service and would be willing to pay between \$90 & \$120 per month. If you are one of them and

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<sup>7</sup> An "MLP" is a "Municipal Lighting Plant," a corporate entity created by a Town to provide its residents with electrical power, gas or telecommunications services. 'Whip City' is a trademark of the Westfield Gas & Electric MLP.

haven't yet filled out the Hawley High-Speed Internet Survey, please let us know [HERE](#).

- Find an internet services provider who is willing to take the project on (and make a long-term investment in wireless network infrastructure) on our behalf.
- Become part of a regional group that is willing to share significant network construction and operating costs across a larger population, thus lowering unit costs.
- Team up with a bordering Town to build a single system that serves the needs of a larger (combined) population.
- **Working in concert with a large number of other Western Massachusetts Towns, prevail upon MBI to make all or most of the “Professional Services” allocations available for direct Town spending.**<sup>8</sup>

Unless some of the factors enumerated above change in the next few months, the Communications Committee will not be applying for MBI funding, nor asking for funding support for High Speed Internet from the Town of Hawley, during 2017. We will continue to monitor the situation, and are prepared to reactivate the project when conditions warrant.

Respectfully Submitted,

Hawley Communications Committee

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<sup>8</sup> Note: As this report was being written, MBI changed its policy with regard to Professional Services moneys, which it now says are available for direct use by the Towns. The details of this change are not yet clear. The Communications Committee will publish a revised report once they become so.