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Fibertech shifts strategy to seek enterprise clients

By MIKE DICKINSON

Rapid changes in the telecommunications arena have prompted Fibertech Networks LLC to push into a new area: selling dark fiber-optic network capacity to connect schools, colleges and businesses.

Fibertech began as a firm focused on building and providing metropolitan fiber-optic networks to telecommunications firms in midsize cities.

The expanded focus results partly because of demand from large organizations looking to add flexibility and reduce the cost of their bandwidth needs. It also partly reflects the drastically shrunken pool of competitive local telecom firms to use Fibertech's networks.

"Yes, the decreased number of CLECs was part of it. We saw the same decline in the capital (to fund CLECs and equipment)," said Michael Hurley, vice president of sales and marketing. "But because we are a fiber construction firm, it was easy to extend our business model."

Large, multisite "enterprise" organizations benefit from the virtually unlimited bandwidth of dark fiber—or inactive fiber—for applications that include data disaster-recovery efforts, extending local area networks and high-bandwidth file transfers, Hurley said.

"Hospitals, schools and larger businesses are finding it increasingly beneficial to economically link or share resources and databases among locations," he said. "Basically, we hand them the keys to the car, and they drive as much bandwidth through the network as they want."

Fibertech has more than 15 enterprise customers across its Upstate New York markets, including state government, financial institutions, school districts, law firms and large corporate clients.

The clients chiefly use the fiber to connect buildings, and for imaging-type applications and database verification work.

"There are 20 prospects, tops, that carry enough data in any market (to warrant the expense)," Hurley said.

"The enterprise sales channel represents an important initiative for Fibertech," he added. "Now that we're close to completing our initial build plan, the company's efforts this year will focus on selling to a wider customer base in those 13 markets."

Fibertech has completed construction of its first metro-area network rings in Syracuse, Rochester, Buffalo and Albany, N.Y.; Pittsburgh, Pa.; Indianapolis, Ind.; and Hartford, Conn. The company in the second quarter expects to complete networks in Columbus, Ohio; Providence, R.I.; Binghamton; New Haven, Conn.; and Worcester and Springfield, Mass. Preliminary engineering work has been completed for 10 additional cities.

Initially targeting carrier customers with wholesale network services, Fibertech first launched its enterprise business last August. Its customers include Rochester Institute of Technology and the Monroe County Board of Cooperative Educational Services No. 1.

RIT is using dark fiber from Fibertech to connect its main campus to newly acquired property roughly five miles away.

"After looking at multiple applications, dark fiber will afford us the most flexible and cost-effective solution as our communications needs and business requirements continue to evolve," says Emilio DiLorenzo, director of technical support services at RIT.

RIT looked at both dark fiber from Fibertech and packages from other telecom firms after E.J. Del Monte Corp. last September donated the Rochester Marriott Thruway Hotel to the school. Most of the property was converted to a residence hall.

"It was our first real off-site building," DiLorenzo said. "Being a technical school, the demand for connectivity is quite high."

"We needed the flexibility to easily upgrade bandwidth," he added.

The school currently sends data using a 1 gigabit Ethernet connection, but expects to look at upgrading to 10 megabit Ethernet and potentially voice over Internet protocol.

Another enterprise customer is John Poland, supervisor of research and development at BOCES.

"Primarily it is used within a district connecting schools together. You get a lot more bandwidth for the buck," he said. "All the districts are connected, mostly with T1s. But as districts can afford it, it will definitely be a growth area."

Both BOCES and RIT found it easy to "light" the fiber—install optronics equipment—and monitor it, officials said.

"For us, it wasn't a question. We do it

internally for all the fiber we have on campus," RIT's DiLorenzo said. "(The dark fiber) gets us through the next three to five years, with the built-in ability to upgrade."

Companies without in-house staff to do the optronics work might opt for packages with other telecom providers.

"That's when a potential Time Warner and Frontier solution is attractive," he said.

Hurley said the enterprise channel uses the company's existing networks and then constructs laterals off the network, utilizing its fiber construction capabilities. A key part of Fibertech since its start has been White Knight Communications, a fast-growing local fiber-optic network builder it acquired.

"When we first started the business in spring 2000, a couple of people locally caught wind of it and ask us to put fiber (for them)," he said.

Company officials declined, preferring to focus on serving telecom carriers.

The firm decided to expand into enterprise sales after a Cisco Systems Inc. conference last summer in Connecticut. Cisco had started selling optronics equipment, but found the telecom provider there would not sell the fiber to potential customers.

After Fibertech presented at the conference, a line of people formed to talk with company officials about obtaining dark fiber. That convinced the firm to look again at the enterprise segment, Hurley said.

The enterprise sales staff remains small. The company has added three people to handle enterprise sales—in Columbus, Upstate New York and Connecticut—and by year's end plans to add a second person in New England.

Hurley said the company long-term seeks an even split between carrier and enterprise customers.

John Purcell, president and CEO, said Fibertech has closed sales contracts with carrier and enterprise customers totaling more than \$175 million since the firm began in June 2000.

"We closed last year cash positive from operations, are debt-free, and expect to be operational in all of our first 13 markets by midyear," he said. "These are major accomplishments for a start-up company in this economy."

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