



Lots of little places

EIRA HAYWARD TALKS TO FIBERTECH'S MIKE HURLEY ABOUT HOW THE US METRO PROVIDER HAS BUILT A SUCCESSFUL BUSINESS WHEN SO MANY OTHERS HAVE STRUGGLED TO DO SO

US metro fibre provider Fibertech has begun this year well – in March it announced both its expansion with a network build in New Jersey and that it had posted record sales the previous year. And the company now reports that in 2008 it will build more fibre than in any other year.

Based in Rochester, New York, Fibertech provides metro dark fibre and fibre-based transport services in mid-size cities throughout the eastern and central United States, connecting local telco central offices, carrier hotels, data centres, office parks, and other high-traffic locations. The company also extends its core infrastructure directly into local businesses to create optical networks for end-user customers.

Vice president of sales and marketing Mike Hurley explains how the company started: "In 1999 our CEO Frank Chiaino recognised the need for infrastructure in medium-sized cities, that CLEC businesses would need to backhaul traffic." Chiaino, a former president and CEO of Time Warner's cable and telephone operations in Rochester, and John Purcell, former corporate vice president of Frontier Corporation, started the business in 2000 with \$60 million of equity and debt funding. It had 12 staff, of which Hurley was one, and began with building optical fibre networks in Syracuse, Buffalo, Albany, Worcester and Springfield, Massachusetts, and Providence, Rhode Island. It also had Choice One as an anchor tenant, signing a 20-year lease for dark fibre in at least 13 cities and it was in business.

Eight years on and the tale is very different. Fibertech now has 4,000 route miles of fibre and operates metro networks in 23 markets, with its largest market being Pittsburgh and its smallest Syracuse. "We're in lots of other little places, we try to avoid the top 20 markets," says Hurley. It has built and operated \$110 million in network assets. It was cash positive in 2002 and 2003, and posted its first operating profit in 2004.

And the company is no longer solely a carrier's carrier providing dark fibre, it provides bandwidth services to Fortune 500 companies, colleges and universities, major healthcare facilities, state and local government agencies among others. "At the moment 50% of our business comes from the carrier sector, but this year we're aiming for 70% to 75% of business to come from enterprise customers," says Hurley, "and we'll build more fibre this year than any other year, entering new markets, with builds in New Jersey, Philadelphia and Maryland."

It's a model that goes down well with its customers, according to Atlantic-ACM CEO Judy Reed Smith. "Fibertech is a very clever



Mike Hurley
VP, sales and marketing, Fibertech

business model with very satisfied customers. They build fibre on contract for both retail and wholesale requests. In our research over the past two years, they came out with stellar ratings from their customer bases, with even better retail than wholesale scores. In both operations categories and product categories, the customers scored them above the average. Their highest scores from retail customers came from customer service, sales reps, and network performance. From wholesale customers, their highest scores were on sales reps, with network performance and SLAs above the mean," she says.

So Fibertech would seem to be that rare beast – a metro carrier which has not made any missteps or encountered any financially hard times. Hurley says he knows why: "It's a simple business about connecting things. We have a healthy mix and we've stuck to what we're good at. In 2001 there was a big temptation to go off in different directions and lots of people got into trouble. By contrast we've run the company fairly conservatively, we've never taken down any debt, we've built on what we're best at."

And Fibertech's business will continue in much the same way. Hurley says the transport business will continue to be healthy and grow, as "the FCC is moving towards a position where the ILEC doesn't have to share its network so alternative infrastructure will become more important". "We have a bigger footprint than many metro players, so it's easier to strike up a relationship with us," he adds.

So the company will keep extending its reach. "In most of our markets our competition is either the phone company or the cable company, in bigger markets there might be a power company spin-off," says Hurley. But he believes that the consolidation in the US metro market over the past couple of years will continue: "We will see metro assets come together between different markets – the carrier market sees what we see from the FCC and needs some alternative access."

What about Fibertech's role in this potential future consolidation? "We've never successfully acquired anything," jokes Hurley. But he adds that the company's original VC investors are still involved in the company, so it could possibly be up for sale one day. He says: "All privately held companies are ultimately for sale, but we're not on the block and we have no immediate plans to be. Right from the beginning we've never had an exit strategy: we've always said let's run the business like we're going to run it for life." ■