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Citing Economies of Scale, viNGN CEO Says It's Not Cost Effective For ISPs to Provide Fiber-to-Home Internet in USVI

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Laying fiber cable for highspeed internet. By. GETTY IMAGES

Stephan Adams, president and CEO of the V.I. Next Generation Network (viNGN) and director of the USVI Broadband Office has told senators that it is not commercially viable to provide Virgin Islanders with fiber-to-home internet and for internet service providers (ISPs) to offer higher internet speeds at a cheaper rate in the territory.

Fiber-to-home internet requires the connection of underground fiber directly to individual buildings in order to provide fast and reliable service; but it is a less cost-effective method when compared to providing internet using coaxial cables.

Mr. Adams told legislators on Tuesday that “fiber-to-home is the last mile” and that what is important now is to ensure that every neighborhood has some connectivity to broadband through the expansion of viNGN's WiFi service.

“Fiber-to-the home is a very laudable exercise and it’s something that should occur, however we don’t know what that price is going to be,” Mr. Adams said, adding that the idea of 5G would also be “extremely difficult” to construct in the Virgin Islands.

According to the CEO, wireless internet, which has proven to be less dependable particularly during disasters, is more realistic in the current environment, highlighting that service providers will never get their return on investment for the middle-mile networks they have already laid down.

“The population density isn’t here to get the economic return on that type of investment,” he noted, explaining that “we have three middle mile networks and we have 100,000 residents on a good Census day. The math doesn’t work from the standpoint of investment. Each one of these networks cost \$100 million. So, we have \$300 million worth of fiber in the ground for 100,000 residents so you don’t get the economies of scale on the investment.”

“The ISPs are challenged because their infrastructure cost for equipment is the same for one island as it would be for one neighborhood in Oakland, but we in Oakland we have so many people who use that so the economics aren’t there,” explained Mr. Adams, who is from Oakland, California.

His comments were in response to a slew of questions asked by some members on the Committee on Housing, Transportation and Telecommunications during a hearing Tuesday.

Senators Janelle Sarauw, Kurt Vialet, and Dwayne Degraff all questioned the unavailability of proper internet service island-wide.

"We talk about remote work, you can't afford \$150 in slow boat-to-China internet and still paying an exorbitant WAPA cost and everything else," Ms. Sarauw said.

“When I hear that viNGN has some of the fastest speeds in the world, as a Virgin Islander I stick my chest out. It makes some proud to hear that but I'm not seeing it," Mr. DeGraff added.

Asked by Mr. DeGraff about increasing its own internet speeds, Mr. Adams noted that viNGN cannot provide last-mile service based on its charter agreement and so is limited in the service it can provide. And while Mr. Adams noted that he was not advocating for that outcome, he also suggested that a more practical way to get higher internet speeds at a more affordable cost, is to eliminate the use of multiple internet service providers in the territory.

The discussion, prompted by Mr. DeGraff, veered into possibly changing legislation to make viNGN a carrier but Senate President Donna Frett-Gregory and Chair on the Committee on Housing, Transportation and Telecommunications, Senator Marvin Blyden, quickly turned it down noting that passing such legislation would mean the loss of jobs.

Mr. Adams was hopeful, however, that with viNGN subsidizing the cost of operations, internet service providers will be able to lower their costs eventually.

“One of the goals of this program and one of the central aims of mine with the ISPs is to be able to help them with their cost structure. The more monies that viNGN can help the ISPs lower their capital cost in building up their networks and providing fiber, the better it is,” he said.

Mr. Violet however noted that there was no way to guarantee that after spending so much money, that the ISPs would lower their prices.

“At the end of the day after receiving all of these federal funds, if we still paying the same thing and getting the same service then to me it just doesn’t make sense,” remarked Mr. Violet, who wanted to know how viNGN was proposing to use a \$10.8 million grant from ARPA to support telemedicine and to increase the general community's WiFi access.

Meanwhile, prompted by a question from Ms. Frett-Gregory regarding the expansion of the territory’s middle mile infrastructure to other Caribbean islands, Mr. Adams shared that viNGN is currently running tests to verify the capability of connecting internet from the USVI to Tortola in the British Virgin Islands.

“I personally have written a strategy document for that and some of the new technologies that we are using from Google is an experiment to be able to connect the Virgin Islands to Tortola specifically,” he said.

Mr. Adams said that in the meantime, the V.I. Water and Power Authority continues to build conduits to homes that viNGN can use to provide fiber to residents in Frederiksted.