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State swimming in bandwidth

By [John Duchemin](#)
Advertiser Staff Writer

When the Southern Cross Cable Network landed in Hawai'i last year, Internet providers predicted the undersea fiber cable would spark a communications revolution on O'ahu that would dramatically improve Internet access and cut online costs for businesses and consumers.

After six months of waiting, the revolution may be on. The Southern Cross cable, "lit" and live since November, has been selling portions of its massive capacity to local Internet service providers — and for some of the lowest prices ever offered for fiber circuits.

Many of these local providers are now firing up their Southern Cross capacity and reselling that high-speed bandwidth capacity to their customers — businesses and consumers. The intense competition is forcing providers to cut rates for high-end Internet access, opening up a whole new group of users, particularly small businesses, to the high-speed market.

Speeds that were once out of reach are now affordable, said Nonie Toledo, a spokesperson for Sprint Hawaii.

For example, prices for a dedicated T-1 line have plummeted from more than \$2,000 per month to less than \$1,000 per month during the past year, several providers said. Point-to-point high-speed access — often used by organizations with multiple locations — also will get cheaper. And high-speed Internet service for consumers eventually will become less costly as well, despite a short-term local and national trend toward higher prices.

"It's just like the personal computer market: The speeds are going up, and

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the prices are going down," said Burt Lum, the founder of

NetEnterprise, a Honolulu data center and business Internet systems design company. "You're able to get a 500-megahertz PC for last year's 300-megahertz price; that's what will happen to Internet access."

NetEnterprise doubled its online capacity by purchasing an OC-3, or 155-megabyte-per-second circuit on Southern Cross. NetEnterprise "lit" its new fibers in April, Lum said, and has plenty of bandwidth for more customers, even though Time Warner cable-modem provider Roadrunner, one of NetEnterprise's customers, is taking up a chunk of the new capacity.

Others are jumping into the game. Communications companies Sprint and AT&T, for instance, each bought chunks of Southern Cross. SystemMetrics, a small local systems integration company and rival of NetEnterprise, bought OC-3 capability that it will turn on within a few weeks. The new circuits expand SystemMetrics' bandwidth from about 8 megabytes per second to more than 155 megabytes per second.

With all this new capacity floating around, SystemMetrics founder Earl Ford predicted a price war.

"There's going to be a lot of jockeying for position, and some very competitive pricing," Ford said. "This is really going to transform the market."

The new low prices are largely possible because Southern Cross' circuits are far cheaper than those previously available on high-speed cable lines connecting Hawai'i and the Mainland, said Bill Santos, regional carrier account manager for Verizon Hawai'i. Verizon, the local phone company, has two sister companies — Internet provider

Genuity and long-distance phone service Verizon Hawai'i International — that bought capacity on Southern Cross.

The circuits are cheaper because technological advances in fiber optics make the latest cables capable of transmitting vast amounts of data on ever-smaller lines to remote parts of the globe.

For example, Southern Cross, a figure-eight-shaped cable loop running from Australia and New Zea-

land through Hawai'i to the U.S. Mainland, now has a capacity of 160 gigabytes per second reserved for Hawai'i-to-Mainland traffic.

Within a few years, Southern Cross plans to upgrade that connection to 640

gigabytes per second. Current capacity, Southern Cross says on its Web site, is enough to simultaneously transmit eight motion pictures or the equivalent of 3-kilometer-high stack of documents along the 18,000-mile cable loop.

The Japan-U.S. fiber cable, another undersea conduit, is scheduled to land in Hawai'i later this year on its way between continents, and has even more capacity: 1,000 gigabytes or more.

In the last year or so, Santos said, fiber purchase costs for Hawai'i communications companies have dropped to one-third or one-fourth their previous levels, thanks to pre-sales of the new Southern Cross bandwidth and the pending Japan-U.S. cable, which is being financed by a consortium of communications companies.

Several factors may keep consumer Internet prices from dropping too much, however.

For example, Sprint Hawaii bought rights to enough Southern Cross fiber circuits to double or triple its Internet capacity, Toledo said. Sprint bought that cable at a relatively low price, but to take advantage of the higher capacity, the company had to invest in costly new "last mile" equipment — the routers, switches, wireless nodes and cables that connect the high-speed underseas cable with customers' businesses and homes. That investment will cut into Sprint's ability to lower its prices, Toledo said.

Consumer prices for high-speed Internet access appear to be going up nationwide, mostly because of these costly last-mile upgrades.

AT&T, for instance, in June will raise its rates nationwide to about \$46 per month for cable-modem access, up from \$40. In Honolulu, Oceanic Cable on June 1 will raise its rates for Roadrunner cable-modem service to \$44.95 per month, up from the current \$39.95 per month, Oceanic sales officials confirmed.

Complexities and short-term price increases aside, network users view the increased capacity as nothing but positive — assuming prices go down and stay down.

"Clearly, there's more capacity now, and pretty much every provider in town is making arrangements to tap into it," said David Lassner, director of information technology services at the University of Hawai'i. "The big question is, what will happen to prices in the long run."

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