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## Aerial Assault

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Wi-Fi's emergence was enough to at least temporarily scare the 802.11-bejesus out of major wireless carriers that viewed the technology as a threat to their 3G investments. But now — even before the paint on the new house of wireless broadband has dried — Campbell, Calif.-based EtherLinx and its co-founders, Layne Holt and John Furrier, have upped the ante on carriers once more, introducing a wireless solution that some insiders say could mount an assault on large cable operators and phone carriers, and perhaps render 3G obsolete.

Using modified and cheap 802.11b equipment, low-cost antennas and inexpensive customer premises equipment (CPE), Holt and Furrier said they've taken Wi-Fi several steps further. By mounting a small repeater antenna virtually anywhere and installing a \$150 receiver at a customer's residence or business, EtherLinx effectively solves the last-mile problem by shooting signals up to 50 miles.

"We can actually bring the Internet to people long-distance through the airwaves, and enable hot spots where it would otherwise be cost-prohibitive to have them," Holt said.

EtherLinx's solution broadcasts signals from a transmitter or standard antenna to the CPE, which acts as a receiver. Data is transmitted via the unlicensed 2.4 GHz spectrum band, and a standard 802.11b access point in the receiver lets signals travel directly into the CPE, creating an instant hot spot. And because its signal is proprietary, Holt said EtherLinx doesn't interfere with Wi-Fi's signal.

To the extent that EtherLinx can leverage low 802.11b prices and use Wi-Fi as a backhaul connection, the company's technology is both inexpensive and compelling, said Colby Goff, vice president of network strategies at Wi-Fi network aggregator Boingo Wireless, which Goff said is in early discussions with EtherLinx.

"You can't get DSL everywhere, and it's expensive to run fiber long distances," Goff said. "If EtherLinx can reach locations that otherwise wouldn't be able to get some sort of cable, they're going to really be adding an amenity to rural locations."

Some industry watchers say that EtherLinx's dramatically longer signal range and total CPE installation and provisioning costs of less than \$300 make it a potential 3G killer. While Holt — a software designer with more than 20 years experience, including a stint with Lockheed — insisted that the company's spoiler role is an unintentional (albeit possible) scenario, Furrier downplayed EtherLinx's ability to bring the big guys to their knees.

According to Furrier, EtherLinx doesn't undermine the efforts of major carriers or Wi-Fi start-ups but instead brings down barriers to entry in the wireless market by extending wireless Internet delivery capabilities to anyone that wants it.

"People think that we have to kill Wi-Fi to be successful, when in fact we're huge fans of Wi-Fi," Furrier said. "If someone wants to become a service provider for downtown Palo Alto, we would feed those Wi-Fi spots with our signal. Or if GM wants to be a service provider for their cars, we can work with them, too."

Compared with the millions poured into many start-ups, EtherLinx's budget is decidedly

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short on zeros — only \$200,000 in seed funding in 2000. Shortly after receiving that relatively paltry sum from angel investors, Furrier and Holt turned to Silicon Valley venture capitalists to pitch EtherLinx to big-money investors, but they came up empty-handed.

Holt said their timing was bad, and because of spectrum interference concerns, the words “unlicensed band” sent up red flags. Furrier agreed, saying that the combination of their disruptive technology and the still-fresh wounds from the dotcom implosion made VCs wary.

Now as word about EtherLinx spreads, however, Holt said that almost all the VCs that once dismissed the company are banging down its door. “We entertain them, but we’re not going to give away the company to the vulture capitalists at this point,” he said. “The terms wouldn’t be anything that we would take seriously.”

While EtherLinx is listening to VC offers, Holt said that it’s more likely that funding will come from a strategic partner than a VC firm — which doesn’t appear to be a challenge EtherLinx will struggle with. Over last few months, the company has entered into partnership discussions with mega-companies such as AOL Time Warner, Microsoft, Starbucks, Disney and a “major manufacturer of automobiles” based in Detroit, Holt said.

Both Holt and Furrier said that EtherLinx is better off now than if it would be if it received funding early on — Furrier said the business plan has changed drastically in the past year and a half, and the absence of a VC management team looking over their shoulders has made life easier. “If we had institutionalized our company to the extent of not having creative license to make adjustments, then we wouldn’t be in the position we are,” he said.

EtherLinx has conducted an ongoing trial in Oakland, Calif., for a year and recently began a trial in a neighborhood near its Campbell offices. Furrier — whose resume includes domain-naming company RealNames and venture management firm GoNet2K, which he founded and led as CEO — said EtherLinx is currently cash flow-positive, but needs funding eventually. “We can do some organic growth now, but it’s going to take partnerships,” Furrier said.

In addition to offering a last-mile solution, EtherLinx is tackling an emerging “middle-mile” segment, Furrier said. Because broadband Internet adoption depends on a wired connection of some sort, delivering signals to locations such as automobiles, set-top boxes and laptops is more attractive to customers. “We see the industry evolving and segmenting where the last mile is much closer to the client,” he said.

Furrier said he’s heard groans from a number of companies that feel threatened by EtherLinx’s technology, mostly from outside the U.S., where 3G’s rollout is further along. He admits U.S.-based companies that spent billions on spectrum licenses and need to recapture those costs may fail to find the humor in EtherLinx’s cheap, unlicensed spectrum technology.

Boingo’s Goff said he isn’t convinced EtherLinx will derail large wireless carriers or cable operators. Market expansion — and the time it would take EtherLinx to build its brand — will keep major players safe.

“There will always be people who go with AOL Time Warner or Covad because they know the name,” Goff said. “EtherLinx can be a big player, but I don’t know if they’re going to steal market share.”

But for Holt and Furrier, the goal has never been to compromise the efforts of others or cash in quickly with a great technology idea anyway. Both men said their aspirations have more to do with helping to close the digital divide — although getting rich in the process wouldn’t be bad, either.

“This is more of a visionary thing of providing broadband to the masses who can’t get it,” Holt said. “But if we make money... that’s great, too.”