



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

June 30, 2008

Thomas Hoemann
Secretary
Washington State Senate
P.O. Box 40482
Olympia, WA 98504-0482

Barbara Baker
Chief Clerk
House of Representatives
P.O. Box 40600
Olympia, WA 98504-0600

Re: Broadband Study of the Utilities and Transportation Commission in Compliance with Section 149 of the 2007-09 Omnibus Operating Budget

Dear Secretary Hoemann and Chief Clerk Baker:

On behalf of the Utilities and Transportation Commission ("commission") I am pleased to submit the attached Broadband Study (Study) prepared by the commission's consultant, CBG Communications, Inc. ("CBG") to identify impediments to broadband availability and use in Washington state. The UTC prepared the Study as required by Section 149 of the 2007-09 Omnibus Operating Budget.¹

The UTC designed the Study in consultation with numerous stakeholders. Through the summer and fall of 2007, UTC staff met individually with representatives of telecommunications companies (including wireless and cable companies), universities, local governments, office of Public Counsel, public interest groups, public utility districts, state agencies, and others to discuss desired outcomes, potential study designs, cost issues, and other matters related to preparation of the Study. The UTC also held a public workshop in early September attended by these stakeholders and legislative and commission staff.

¹ Specifically, the Commission was directed to:

conduct a survey to identify factors preventing the widespread availability and use of broadband technologies. The survey must collect and interpret reliable geographic, demographic, cultural, and telecommunications technology information to identify broadband disparities in the state. The commission shall consult appropriate stakeholders in designing the survey.

SHB 1128, Sec. 149(3). The UTC concluded early that the six-month period would not be sufficient to undertake the required stakeholder work, design the survey, conduct a competitive bid process, conduct the survey, and analyze its results. After discussions with the Governor's office, legislative committee chairs, and other interested lawmakers, we amended our planning schedule to anticipate that the survey and findings will be completed by June 30, 2008.



To ensure that a robust and reliable survey could be completed with the available funding, and to provide a proof of concept for future research, the commission focused the Study to five counties chosen based on their unemployment levels as reported by the Employment Security department in June 2006. Those counties are Columbia, Ferry, Grays Harbor, Lewis, and Stevens.

On November 30, 2007, the commission issued its Request for Proposals for an outside consultant to conduct the study and prepare the report. On February 15, 2008, CBG was selected as the winning bidder.

Findings of the Report

CBG identified several key factors affecting broadband availability in Washington. These are:

- low or extremely low population densities,
- the relative distance of consumers from a major transportation corridor,
- the physical impediment resulting from mountainous and heavily forested terrain,
- problems encountered by broadband providers seeking to obtain public and private right of way in timely fashion,
- broadband providers not being included well in the community planning process,
- the prospect of longer than acceptable returns on investment (ROI) for private providers, and,
- there are tangible limitations of existing broadband technology.

CBG also determined that broadband adoption follows availability; meaning that where broadband availability and options are plentiful, consumer use of broadband service and the value of such use expands significantly. CBG found that there is a segment of residential consumers that do not want or require broadband service or access to the internet, even where it is available. Notwithstanding the lack of interest by these consumers, GBG also determined that a certain percentage of residential consumers would embrace broadband service enthusiastically but they lack access to computing devices or training to take advantage of the opportunity offered by broadband services and the applications that are available through broadband access.

Significantly, CBG noted that even if a high percentage of the people in rural areas wanted to obtain broadband service, there is simply not sufficient demand or revenue available to justify economically the level of private investment needed for deployment in such areas. The commission believes this is a crucial finding of the Study. According to CBG, without technological changes that might reduce broadband infrastructure costs, some level of government support will be necessary to expand broadband service throughout the rural areas of the five counties subject to the Study.

The commission accepts the conclusions and findings of CBG's Study. Many of the findings are not surprising given the varying economic, demographic, and topographical characteristics of the state of Washington. There are many rural areas where broadband service either does not exist or is only available in limited fashion. While the Study offers several suggestions regarding possible avenues to stimulate private investment in broadband technology, the commission believes that any legislation aimed at increasing or promoting broadband services in rural Washington will require establishment of mechanisms to provide substantial subsidies from

government such as the federal funding mechanisms used historically to promote the universal availability of basic wire line telephone service.

Next Steps


In 2008, the Legislature passed E2SSB 6438, which directs that upon completion of this report, the Department of Information Services, in coordination with the UTC and the Department of Community, Trade, and Economic Development, shall convene a work group to develop a high-speed internet deployment and adoption strategy for the state and submit a report to the fiscal committees of the Legislature by December 1, 2008. The main objective of that report is to outline, based on the efforts of the work group, what legislation is needed to implement the high-speed internet deployment and adoption strategy, including a range of potential funding requests to accompany the legislation.

The work group will convene for the first time on July 9, 2008. DIS has contracted with CBG to assist in the preparation of the new report.

In addition to this work at the state level, several efforts are underway in Congress and the Federal Communications Commission to expand the deployment of broadband services to underserved areas. We would be pleased to brief any interested member on developments at the federal level.

If you have any comments or questions regarding this Study, please call me at (360) 664-1208 or Brian Thomas, Senior Policy Advisor, at (360) 664-1212.

Sincerely,



David W. Danner
Executive Director

cc: The Honorable Marguerita Prentice
The Honorable Jim Zarelli
The Honorable Phil Rockefeller
The Honorable Jim Honeyford
The Honorable Jeannie Kohl-Welles
The Honorable Helen Sommers
The Honorable Gary Alexander
The Honorable John McCoy
The Honorable Larry Crouse
The Honorable Zack Hudgins
Sam Thompson, Senate Water, Energy and Technology Committee
Kara Durbin, House Technology, Energy and Communications Committee