



# Oregon Citizens' Utility Board

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HB 3065 - COLR Public Proceeding - Workshop #3 - 05/14/2020

Presentation from Samuel Pastrick, Advocacy & Development Manager

## **1. Regarding “decreasing landline customers”**

There is no question that “competition from multiple providers using various technologies” has increased over the past 20 years, particularly over the last ten. And it is also true that there appears to exist a strong, positive relationship between wireless telephony adoption and residential wireline loss.

As of 2018, there were an estimated 3.7 million wireless subscriber “lines” in Oregon. At the same time, big and small telecommunications utilities and cooperatives, when combined, experienced a 66 percent decline in the total number of residential wirelines between 2008 and 2018.

To be clear: We are all generally aware of these figures and they are not under dispute.

Yet at the same time, within the context of any meaningful discussion regarding wireline loss, it is incredibly important to highlight, and for the Commissioners themselves to understand, that there still exist today in Oregon well over 250,000 (284,000 as of 2018) residential wirelines, as well as several-tens-of-thousands of additional business lines. It is also worth noting that the number of business lines in Oregon has remained remarkably constant for the past decade.

And while wireline loss certainly continues, and may continue into the future, the pace does appear to be slowing, at least somewhat, particularly for the small utilities and cooperatives. In fact, during the same 2008-2018 period, small telecommunication utilities and cooperatives experienced a comparatively modest 25 percent overall decline in residential lines.

These numbers, which again are not in any way under dispute, do in fact speak to more than just a positive relationship between wireless or other technological adoption and the potential relationship to wireline loss. Indeed, the numbers speak to the fact that there does still exist a not insignificant market in Oregon, among a certain constituency of residential customers, for voice service that is “wired” to the home. And the existence of this market speaks to either one of two dynamics: lack of relative service competition or that customer preference is simply not monolithic.

Small telecommunications utilities and cooperatives have for decades served many of Oregon’s lowest population density, rural, and lowest-income communities. Wireline voice (both POTS and over IP) service remains relatively affordable and, depending on where customers live, can be much higher quality than wireless telephony service. And considering the fact that federal lifeline support

for voice service is on a steady decline in favor of support for broadband internet access service (BIAS), CUB views the provision of relatively low-cost, safe, and reliable voice service(s) as being incredibly important for low-income customers, in particular.

Larger point being, to the extent there are still in excess of a quarter million Oregonians who continue to not only utilize, but rely upon, wireline voice service, we should all be mindful of why that is: These customers either live in areas of the state that lack relative competition for service or they cannot, or potentially choose not, to participate in an otherwise competitive marketplace offering wireless service and BIAS offerings.

## **2. Regarding “competition from multiple providers using various technologies”**

It’s important to highlight that Oregon statute already requires PUC Staff to compile a “Local Telecommunications Competition Survey and Annual Report.” [The last such survey](#) and annual report was published in January of last year, though does utilize 2017 data. The figures referenced earlier are all from the [2018 Oregon Utility Statistics Handbook](#).

While CUB might argue that the PUC staff who compiled the most recent survey and annual report (and are presumably working on the next) are in the best position to articulate findings, a handful of points from the Executive Summary are indeed worth our highlighting for this brief presentation.

“Using the Herfindahl-Hirschman Index (HHI), which is a measure of market concentration, the Oregon wireline market would be considered moderately concentrated when measured by share of revenues. The overall HHI index for Oregon...indicat[es] the market is concentrated and not competitive [and] customer options in most areas are limited.”

The report further notes that while wireless providers, which again had over 3.7 million subscribers in Oregon as of 2018, were not included in the above HHI calculations, they were left out “because wireline and wireless companies are not [necessarily] considered full substitutes for each other.”

Moreover, the survey and report proceeds to note that the HHI index for wireless providers indicates a concentrated market with few customer choices, with two of six wireless companies operating in Oregon accounting for over 70 percent of market share.

## **3. Regarding “customer demand for broadband service and mobility”**

CUB would again point to (very) recent outside and objective reporting, and strongly encourage Staff to invite a unique presentation on the matter. Strategic Networks Group (SNG) authored a January 2020 report - “[Oregon Statewide Broadband Assessment and Best Practices Study](#)”- at the request of The Oregon Business Development Department (OBDD). OBDD presented the report to the Oregon Legislature earlier this year.

Key findings of the report include that “Oregon’s broadband landscape has distinct splits between urban and rural areas...[and that]...areas with low population density and difficult terrain still remain unserved, or even unconnected.” The report further acknowledges that while urban areas are generally well-served in terms of terrestrial broadband, there are still urban communities that show significantly less coverage, and that low household income is a factor for this lack of urban coverage.

The report, early-on, does explain that 95 percent of Oregon’s population live in areas that have potential access to at least basic BIAS (FCC minimum threshold of 25/3 megabits per second). Yet this number can be misleading given that potential or reported access is a far cry from utilization and adoption because access is determined by the availability of service to even just one location in a given census block.

More to the point, even if Oregon were to achieve 95 percent adoption for the FCC minimum - which would make the state the unquestioned national BIAS adoption leader - that success story would still indicate that 400,000-plus Oregonians cannot access or utilize BIAS.

SNG did independently reach the conclusion that, in fact, only 64 percent of urban Oregon households (not individuals) reliably utilize (as opposed to just having access to) BIAS that can produce speeds in excess of 25/3 megabits per second. SNG also found that roughly 42 percent of rural households utilize FCC-minimum BIAS. By lowering the speed threshold below the FCC minimum to at least 10/1 megabits per second, the utilization numbers do increase, though only modestly, to 79% urban household utilization and 57% rural household utilization.

Once again, and to be clear, “utilization” or “adoption” and “access” are very different measures. But each tells an important story. Lack of access speaks perhaps more to economic incentive on the part of the provider, whereas utilization considers external factors such as income and digital literacy. Nevertheless, this recent report should, in CUB’s view, serve as a useful basis for any further discussion around broadband availability and utilization and the relationship to incumbent providers’ carrier of last resort obligation.

#### **4. Regarding “current technology” as well as “future technology”**

The fact remains that one-quarter-million residential customers continue to either need or insist upon using wireline telecommunications services. This cannot be overlooked, particularly since our shared understanding of this market constituency will inform this public process.

Again, CUB understands and appreciates the interconnection among, and potential market impacts from, existing technologies. On the other hand, we are concerned about prognostication regarding various future technologies. CUB does not employ a “futurist”, and our concern continues to be that forecasting the potential ubiquity, safety, reliability, and affordability of technologies such as satellite or fifth generation wireless network deployment may not inform this public process.

Circling back to the Oregon Statewide Broadband Assessment and Best Practices Study conducted for OBDD: The conclusion from that report is clear regarding the satellite technologies currently available to Oregon customers. Both speed and service quality are inadequate.

The study identifies that 64 percent of satellite subscribers report that their BIAS is “not fast enough.” On a related point, 71 percent of subscribers report “frequent or occasional problems” with service. Considering that nearly three-fourths of survey respondents report “frequent or occasional problems” with their satellite BIAS, CUB is concerned that these same customers may well experience similar issues with regard to their satellite voice service.

As a point of technological comparison, the same study identifies that 79 percent of Oregon subscribers using terrestrial fiber report either “very fast” or “fast enough” service. 80 percent of subscribers report “always excellent” or “very good” service “most of the time.”

This concludes CUB’s remarks.