

SENATE BILL REPORT

SB 5628

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 25, 2009

Title: An act relating to internet protocol services.

Brief Description: Concerning the regulation of certain internet protocol services.

Sponsors: Senators Haugen, Kastama, Delvin, Hobbs, Shin, Jacobsen, Kohl-Welles, Marr, McAuliffe, Berkey and Stevens.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 2/04/09, 2/25/09 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5628 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Jack Brummel (786-7428)

Background: The internet protocol is the method or protocol by which data is sent from one computer to another on the internet. Voice over Internet Protocol (VoIP) is a technology that allows voice calls to be made using a broadband internet connection instead of a regular, or analog, phone line.

The Federal Communications Commission (FCC) has enacted regulations to ensure that VoIP providers comply with public safety requirements and public policy goals. The regulations cover enhanced 911 service, consumer privacy, contributions to a universal service fund, accessibility for persons with disabilities, and local number portability requirements.

The state of Washington does not currently have regulations covering VoIP.

Summary of Bill (Recommended Substitute): The Utilities and Transportation Commission (UTC) is to conduct a comprehensive analysis of the structure of the state's

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telecommunications and information industries. The study is to include recommendations to improve telecommunications services, promote investment, and protect consumers, and is to be submitted to the Legislature by December 1, 2009.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): The original bill provided definitions of "VoIP service" and "internet protocol-enabled service" and prohibited the state as well as its agencies and subdivisions from regulating VoIP or internet protocol-enabled service regarding rates, the terms and conditions of service, or market entry. The bill that passed out of committee directs the UTC to study the telecommunications and information industries.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: VoIP is a service that allows email to talk. It is ripe for continued innovation. This bill will allow for uniformity of regulation across the nation. This is about broadband deployment and family wage jobs. This bill preserves the existing environment and allows for the leveraging of VoIP technology. Unregulated VoIP is a pillar of the internet, allowing companies to compete at a global level. Competition leads to innovation and consumers benefit. This will create a positive business atmosphere and promote economic development.

CON: If voice service is to be deregulated, it should be deregulated for all voice service providers. The bill goes further than preserving the status quo. VoIP is not an internet-only platform; it relies on the public switch network to be effective. The issue of compensation for the use of a network is not resolved by this bill. The FCC has not determined whether VoIP is a telecommunications service or an information service; if it is telecommunication, then the state UTC has jurisdiction but if it is an information service, then the UTC would not be able to assist in enforcement. It is prudent to let the FCC explore the classification issue further. Competitive technologies are disfavored in the bill because they are subject to regulations that VoIP would not be. The two types of VoIP covered in the bill are widely deployed; to blanket deregulate this service you deprive customers of protections, fair rates, non-discrimination and 911 service. The Legislature has provided clear pathways to deregulation for competitive purposes; this bill is an end-run around this process. An unintended consequence of the bill could be the loss of cable franchises – this could negatively affect municipalities through the loss of income and jobs. In the UTC's view, this bill is really a fundamental change of policies and regulations that protect consumers and promote competition among telecommunication providers.

OTHER: The telecommunications statute is outdated. Any deregulation scheme should be comprehensive, not piecemeal.

Persons Testifying: PRO: Senator Haugen, prime sponsor; Milt Doumit, Gregory Romano, David Valdez, Verizon NW; Ray Egelhoff, IBEW LU 89; Melissa McCabe Gombosky, Communication Workers of America; Michael Arntzen, Woodbridge Home Owners Association; Patrick Pierce, Everett Area Chamber of Commerce.

CON: Rick Finnegan, Washington Independent Telecommunications Association; Gregory Kopta, Integra Telecom, Tw Telecom, XO Communications; Jeff Oxley, Integra Telecom; Simon Ffitch, public counsel, Washington Attorney General; Jon Funfar, city of Enumclaw/WATOA; Jeff Lueders, city of Tacoma; Genesee Adkins, city of Seattle; Philip Jones, Commissioner, UTC.

OTHER: Jim Jesernig, Century Tel.