

RATIONALE

The Economic and Public Safety Needs

In 2003, the average wage in Jefferson County was \$25,879. That is 66% of the Washington state average wage.

In 2003, almost half of the Jefferson County workforce was employed in services and retail trades with an average annual wage of \$17,000; hovering close to the poverty level...

Telecommunications upgrades are needed for public safety. Better communications between public agencies allowing video, audio, and data interchange are vital for day to day operations and in emergency situations especially in the rural areas of the County.

A Public Fiber Network will Improve the Economy and Enhance Public Safety

Not only is a well designed public fiber network an essential utility to sustain and grow the economy but it also will enhance public safety by connecting all public agencies.

Today a company looking for a great place to locate and do business asks about available infrastructure: Along with questions about water, electricity, and roads availability comes the question; Is there access to a Fiber Network?

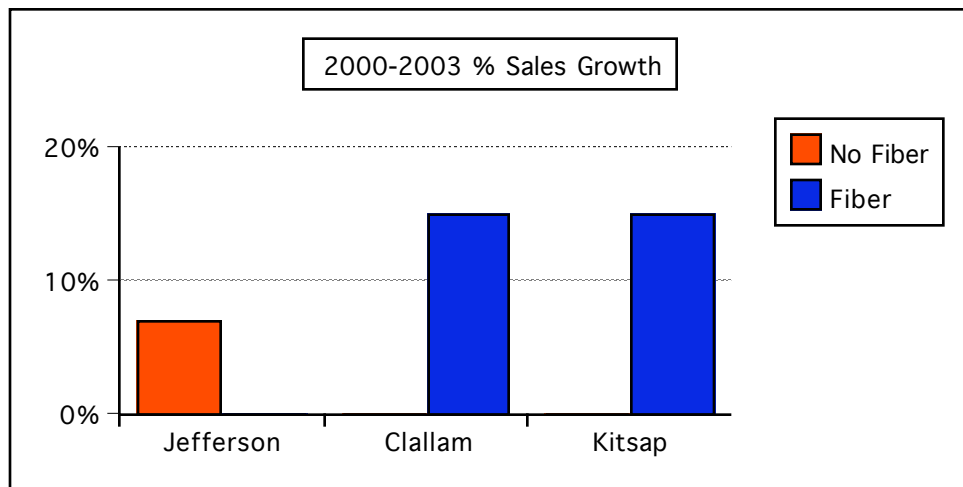
Existing companies that do regional, national and global business are now recognizing that without Fiber Network capacity their clients will go to the competition.

A Fiber Network:

- Increases the opportunities for entrepreneurs just starting from their home offices.
- Enhances the opportunities to increase business for existing companies.
- Encourages companies of clean industry and good family wage jobs to start, grow and/or relocate in Jefferson county and Port Townsend.

The Impacts

A Possible impact: In 2000, Clallam and Kitsap Counties initiated the building and use of public fiber networks. Retail Sales figures in 2000 compared to 2003 show Jefferson County grew at 7.1% while Clallam and Kitsap Counties growth were around 15%.



Version 1.1, September 16, 2005

Although, too soon to tell this may be an indicator of the fiber impact as illustrated in the
 • “Economic Impact Study of the South Dundas Township Fibre Network” produced for the Department of Trade and Industry, United Kingdom (Canada) and in the “Municipal and
 • Broadband Networks and Economic Development: A Case Study from Florida.”
 (See the Attachments Section after the last tab in this binder.)

Probable Impacts of JCPFN:

- Internet Service Providers will have the option to use JCPFN to deliver enhanced Internet services, broadband wireless and very high speed cable service options.
- Companies will discover the day to day advantages of a high speed connection.
- Jefferson HealthCare will be able to extend health care to remote sites.
- Port of Port Townsend sites may attract sophisticated marine and aviation businesses.
- JCPFN enhances local education and distance learning for current and future employees.
- In emergencies, public officials can form a virtual video command post without travel.

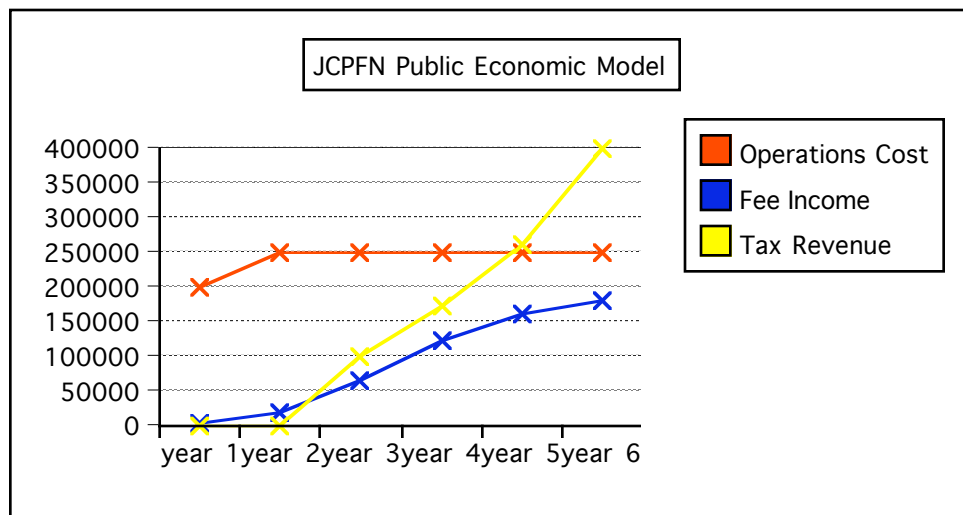
An Impact fact: The Dalles, Oregon Public Fiber Network attracted Google in spring 2005. Google will bring 50-100 jobs with an average wage of \$60,000 to their community!

Understanding the Return on Investment (ROI)

JCPFN as a private business model: The total ROI must be generated from fees charged to users under a business model. In rural areas, fees are not enough to make an ROI. That explains why incumbent telcos have not built rural fiber networks. They can’t afford it.

JCPFN as a public economic model: a public fiber network is akin to the public road system in this country. Both allow commerce to flow, which increases tax revenue while providing a secure public safety network.

The public economic model is clearly validated in the two impact studies mentioned above. They indicate local and state jobs and tax revenue growth due to the public fiber network.



Version 1.1, September 16, 2005

In summary, a rural fiber network does not “pencil out” as a business proposition but, it makes perfect sense as a public investment in the economy and public safety.

Other Reports as Rationale References (See the Attachments Section)

There are two important feasibility reports in the Attachments section to read:

- “Jefferson County Conceptual Metropolitan Area Network (MAN) Project Evaluation/Feasibility Study” was produced for Jefferson County by Black and Veatch Telecom in April of 2003.
- “Jefferson County P.U.D. #1 Telecommunications Network Business Plan” by David Evans and Associates produced in April 2001.

The Black & Veatch report for the County approached the fiber network issue from a typical business model stand point. It would have set the County into competition with the private sector and as a business model, showed little hope for bottom line profit--wrong approach. There are a couple of good points in the report about the rationale for building such a network. While reading those areas of the report ignore the design and cost sections. They are different from the design & costs used here and they are incomplete.

The David Evans & Associates report for the PUD #1 is a very good report. There are many sections of the study including surveys that apply directly to the rationale for this report and are offered here to save redoing the work. Unfortunately, this report also sets up the PUD in competition with the private sector and once the business model doesn't work.

A final Point: Some other Public Fiber Networks built in Washington and in other states have not attempted to partner with existing private telecommunications entities. In most cases, this non-partnering approach has had negative results for those communities. Private telecom companies aggressively tried to stop the building of the networks. This produced a “Them or Us” wall-building relationship between the public and private sectors. 2nd, the private telecom companies abandoned some of those communities leaving the public holding the bag to meet all telecom needs--an unplanned burden. Unfortunately, the stories of these failures make the headlines. This and the negative pressure from big telecom companies to stay out of public fiber networks makes it a “hard sell” to some public officials.

By the public agencies partnering with those private telecommunications companies in the creation of the fiber network, needs of both sides are addressed. The public needs for the economy and public safety and the private telecom needs to enhance their service delivery at low cost to them. The public entities win. The Telecom companies win. The people win...

Private telecom companies are approachable. This entire body of work has been possible because of the active involvement from management of Millennium Digital Media (MDM) and the Northwest Open Access Network (NoaNet). See their Letters of Intent in the front of the IRU Agreement section of this report. Contact with Qwest engineering department in Denver shows partnering interest (although, Qwest corporate policy may not have caught up with the spirit in their engineering section...). We shall keep asking.

Finally, the two feasibility/engineering reports sited in the attachments tended to follow out dated or incomplete network designs. The Proposal and Guide section of this binder will cover the network design philosophy and why it is needed.