



Oregon Military Department House Bill 2036

**House Committee on Revenue
14 March 2013**



Presentation Overview

- Industry Insight
- Revenue Decline vs. Wireless Growth
- Prepaid Estimated Revenue
- Agency Recommendation



Industry Insight

- Sprint / Nextel ⁽¹⁾
 - 56 Million Total Wireless Customers as of 3rd Qtr. 2012
 - 32.1 Million Postpaid
 - 15.4 Million Prepaid – 27% of Total Wireless Customers
- Verizon Wireless ⁽²⁾
 - Prepaid Customer Counts up 30% from 1st Qtr. 2011 to 4th Qtr. 2012
 - 402,000 new Prepaid Subscribers in 2011
 - 675,000 new Prepaid Subscribers in 2012
 - Does not include Re-Sale / Wholesale Customers
 - Verizon has approximately 3.7 million Wholesale Customers as of Dec 2009
- Per a 2012 USATODAY.COM article ⁽³⁾
 - “No-contract phones now account for 25% of the U.S. Market”

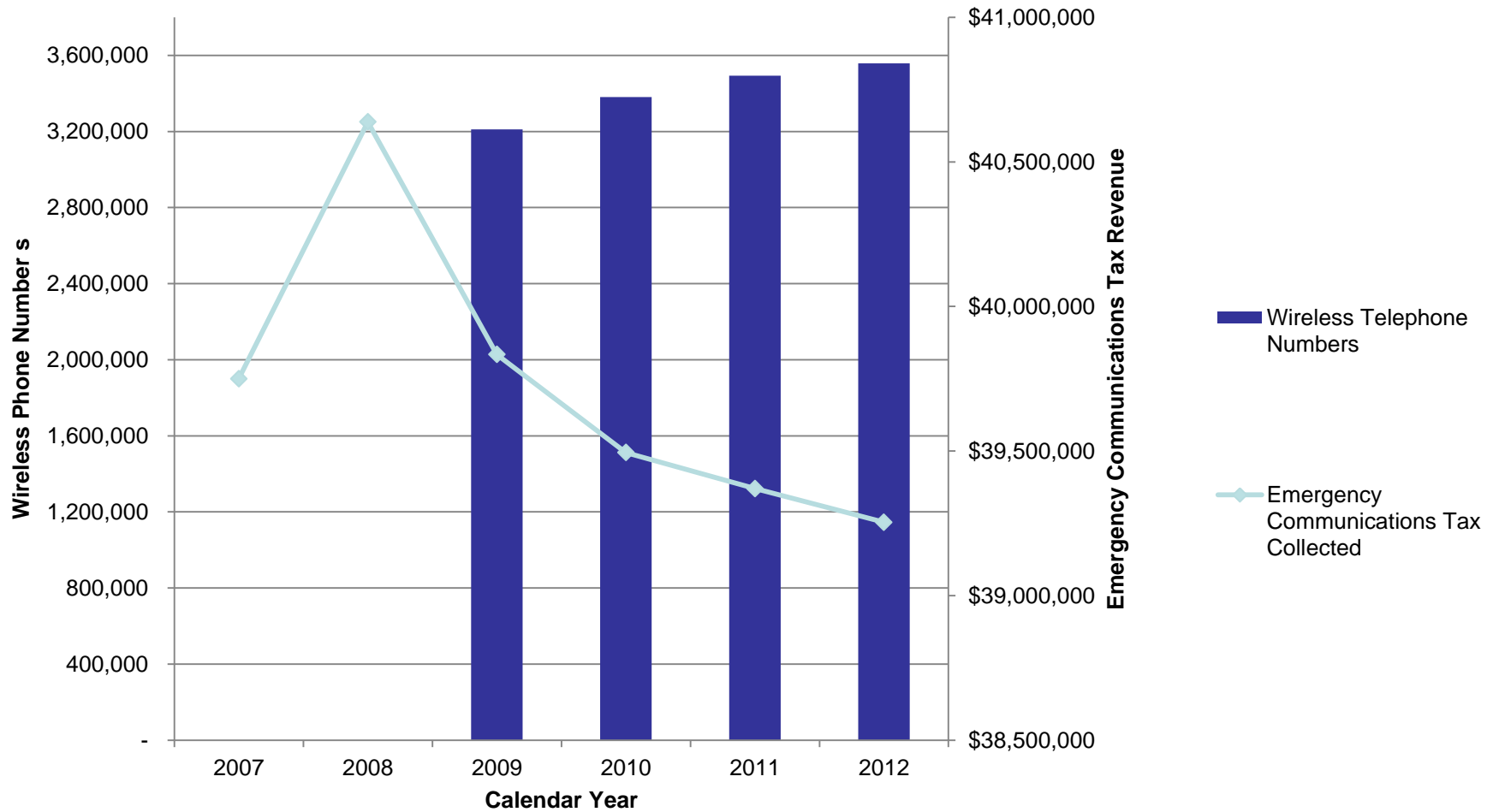
(1) - SPRINT NEXTEL Report of Third Quarter 2012 Results

(2) - Verizon Wireless 4th Qtr.2012 Earnings Results

(3) - USATODAY Article written by Kim Komando - <http://usatoday30.usatoday.com/tech/columnist/kimkomando/story/2012-07-06/prepaid-wireless-phone/56033654/1>



Revenue Decline vs. Wireless Growth





Prepaid Estimated Revenue

- 3,558,260 Wireless numbers in Oregon (Per OPUC in 2012)
- Estimate that 25% of Wireless numbers are prepaid (Per USATODAY Article)
 - 889,565 Numbers
- Estimate that 10% of the prepaid numbers cannot access 9-1-1 (Agency Estimate)
 - 88,957 Numbers
- Revenue Estimate is based on 800,608 prepaid wireless numbers:
 - Estimated Biennial Revenue of \$14,410,944



Agency Recommendation

- HB 2036 provides the necessary authority for the Department of Revenue to collect the Emergency Communications Tax on Pre-Paid Devices. This is made clear in Section 2(4) and 2(4)(a).
- The Military Department recommends eliminating Section 2(4)(b) lines 28-35. The necessary authority for the collection of the tax resides in section 2(4) and 2(4)(a).
- As an alternative method for collecting revenue the Military Department is proposing language which states “The providers shall remit the emergency communications tax on each wireless number operating on their network in Oregon.”



Questions