



Representative Phil Barnhart  
Chair, House Committee on Revenue  
900 Court St. NE, H-279  
Salem, Oregon 97301

March 10, 2015

**RE: SB 611- Adjustments Needed**

Chair Barnhart and members of the Committee:

TechNet represents over 70 of the nation's leading companies in the fields of information technology, green technology, internet media, e-commerce, and venture finance. I am grateful for the Committee's thoughtful consideration of SB 611 and willingness to work with the technology community to understand the impact of central assessment on the innovation economy in Oregon. Broadly, TechNet is supportive of the goals and intent of SB 611, however, I am writing today to address the provision of the bill relating to high-speed internet.

TechNet supports the development of high speed internet in Oregon and agree with the goals of the legislation. Ideally, the incentive would open the door for new investment by multiple companies, creating economic development opportunities, and a robust competitive landscape for consumers. However, there are several calibrations needed to provide certainty for companies seeking to invest hundreds of millions of dollars in infrastructure and development, if our State wants to accomplish the stated goals of the bill.

The requirements placed on high speed internet providers in the bill create a scenario that would be very difficult for a company to achieve in order to enter the market. Specifically, the provision requiring recertification creates uncertainty regarding ongoing qualification for a company to achieve qualification for exemption and potential tax liability and is a material restraint on the ability to do business in the state. It is extremely high risk for a company to invest tens or hundreds of millions of dollars to build out infrastructure that could be deemed unqualified for exemption. Further, the requalification provision is inconsistent with other exemptions in the bill that continue indefinitely.

Additionally, other provisions in the bill create difficulties for providers to enter the market. The price controls outlined in the bill for high speed internet would limit the ability to offer varied services based on subscriber demands and restrain innovation in the market. The conditions based on "standard" or "market pricing" are impractical

based on the heterogeneity of offerings and multiple factors such as widely-used starter discounting and bundling practices along with varied service levels.

Further, the Federal Communications Commission, the United States Department of Justice, and other authorities have found that build-out requirements can constitute an unreasonable barrier to competitive entry into internet and video services. Most build-out requirements are actually preempted by Federal law. Because Oregon is a local franchising state and the State has given power to regulate those services to the cities, any state-imposed build-out requirements will likely conflict with local franchise agreements, granted by each city. Providers are put in a position of uncertainty on compliance if a city imposes particular requirements that conflict with the State imposed regime.

The creation of incentives for high speed internet development in Oregon has the potential to attract massive economic development and provide consumers with additional choices and robust competition. With some small adjustments, Oregon could open the market for the investment high speed internet providers can make so that the intent of the bill becomes an achievable reality.

Thank you for the consideration, and please contact me with any questions or for further clarification. I can be reached at [mschrader@technet.org](mailto:mschrader@technet.org) or (253) 961-4854.

Sincerely,

Megan Schrader  
Executive Director, Northwest Region  
TechNet