



February 23, 2018

Co-Chair Representative Nancy Nathanson, Presiding  
Co-Chair Senator Chuck Riley  
Members of Joint Committee on Information Management and Technology  
Oregon State Capitol  
900 Court Street NE  
Salem, OR 97301

RE: HB 4023A – Relating to Broadband

Dear Co-Chairs Representative Nathanson and Senator Riley and Members of the Committee:

My name is Tre Hendricks and I work for CenturyLink as Director of Government Affairs and Senior Counsel in Oregon. CenturyLink appreciates the opportunity to provide this testimony to the Joint Committee (“Committee”) on Information Management and Technology. The company also appreciates the opportunity to serve so many of Oregon’s schools and understands that broadband is an important tool for students and teachers. CenturyLink therefore urges the Joint Committee on Information Management and Technology to approve the engrossed version of HB 4023, which includes the -2 and -6 amendments. The A-engrossed bill will allow the state to secure funding to deploy additional broadband in Oregon schools.

CenturyLink urges the Committee not to approve the -3, -4 and -A13 amendments (“Overbuild Amendments”). As I explain below in greater detail, the Overbuild Amendments would have a chilling effect on the incentive for companies to make private investment in Oregon’s telecommunications infrastructure and will place an undue burden on Oregon taxpayers to support a state-owned broadband network.

The Overbuild Amendments raise significant technological, economic, and policy issues, and a full review of them and the facts by all those who might be affected should be undertaken before any decisions are made. The short session does not provide nearly enough time to identify all, or sufficiently vet, the issues. It is very likely that not all stakeholders even know that this bill is being considered by the legislature in this short session. As a lawyer who has worked with expert state agencies in telecommunications for the last 20 years, I have never seen an agency take on a complex issue like this one, which would have a significant impact on stakeholders, without devoting 6 months or more to the effort. CenturyLink therefore urges the Committee to approve the A-engrossed bill, without the Overbuild Amendments. If it believes that we should still consider the Amendments, it should establish a task force so all stakeholders can consider whether the concepts in the Overbuild Amendments are workable and, if so, how they can be effectively and fairly implemented.

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Even though CenturyLink agrees with the policy objectives of the -3, -4 and -13 amendments offered by the Office of the CIO, and it applauds the CIO for its intent - to try to bring affordable, high speed internet to areas in places where it is difficult and expensive to provide - CenturyLink opposes the amendments because of the chilling effect they will have on private telecommunications investment. The amendments would put at risk millions of dollars of investment that CenturyLink, and many other providers, have invested in Oregon. The Overbuild Amendments would have this effect because they would use Oregon taxpayer dollars to subsidize a government owned network that would directly compete with CenturyLink's own expansive middle-mile fiber network. As noted in the Office of the CIO's testimony on this issue last week, a major detractor of its proposal is that it would result "in direct competition with private investment."

Moreover, it appears from the very limited information we have that anchor institution end-users would still need to acquire last mile access to the state owned network which is almost always the most expensive and difficult portion of the network to provide. This raises the question of cost and CenturyLink is also concerned about assertions that services provided using the state's network will reduce costs from \$53 per unit to \$1 per unit. CenturyLink has substantial expertise in providing telecommunications services and has deployed hundreds of thousands of route miles of fiber, achieving economies of scope and scale that allow it to provide service, even with a margin, at low prices. CenturyLink has not seen any evidence that a more than 5000% reduction in cost is technically or economically feasible.

The fact is that the middle-mile telecommunications business is already very competitive. Margins are small and the investments required to maintain those networks are very high. Adding a new provider into the mix that offers service at below cost pricing will put a crunch on the market and will harm the existing providers that have built the network to the over 85% of Oregonians who have access to broadband. CenturyLink agrees that we should strive to ensure that all Oregonians have access to broadband, but not at the expense of harming the very carriers that built, and continue to maintain, the network to the vast majority of the state. CenturyLink wants to be of the solution to that problem and hopes the Committee will act with prudence and reason in helping to reach that goal.

Sincerely,



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