

## Proponents of Repealing the Cell Phone Tax Mount Legislative Effort With the End of the Fiscal Year in Sight

With state revenues flowing in at a pace to give Pennsylvania a \$500 million surplus, many state lawmakers and consumer groups are calling for the repeal of the five percent gross receipts tax on cell phone use. The year and a half-old tax has dampened the economy and stunted the growth of high technology industries, the advocates said at a press conference in Harrisburg on Monday.

“The cell phone tax makes Pennsylvania uncompetitive. It burdens Pennsylvania citizens at a time when we need every competitive Advantage,” said Kelly Lewis, the President and CEO of the Technology Council of Pennsylvania. “The cell phone tax deprives our citizen's access to the latest technologies and technology tools. The timely rollout of broadband and wireless technologies is a mission critical to all of Pennsylvania.”

Sponsors of House and Senate legislation, state Senator Rob Wonderling, R-Montgomery and state Representative Mario Scavello, R-Monroe, (SB 691 & HB 338) that would repeal the tax were also present at the news conference. The bills will have to move in the next few weeks to be part of the state spending plan for fiscal year 2005-06, which begins on July 1. Legislative leaders and the Governor's office are beginning negotiations to craft that plan and also how to spread the half a billion dollar surplus predicted by caucus budget experts when all revenues for the 2004-05 fiscal year are reported at the end of June.

At the press conference, Wonderling and Scavello noted that the five percent gross receipts tax is levied in addition to the state's 6 percent sales tax, taxing Pennsylvania consumers and businesses twice for cell phone service. These taxes give Pennsylvania the eighth-highest cell phone taxes in that nation.

“This double-taxation harms the state's economy and hinders our economic development efforts across the Commonwealth,” Sen. Wonderling said. “It's time for us to eliminate this tax so we can draw new businesses into the state and keep our existing businesses here in our communities.”

According to an economic impact study, the increased tax on cell phones has led to the loss of almost 2,400 Pennsylvania jobs. These jobs would have paid more than \$117 million in wages to Pennsylvania workers.

“Pennsylvania needs to create an atmosphere that attracts these jobs,” said Scavello. “The more a state taxes an industry, the less likely it is that they will decide to locate in a state. We need to cut this tax while there is money in the budget to do so. Lower taxes encourage high-tech investments in Pennsylvania that will bring in jobs and lower the cost of doing business for many companies and governmental entities.”

The gross receipts tax is estimated to cost Pennsylvania businesses and consumers more than \$225 million each year.

## National Broadband Policy Vital for Consumers, Verizon Executive Says

Verizon Executive Vice President Thomas J. Tauke is calling for a national broadband policy that accounts for the global nature of the service; is technology-neutral and encourages convergence; and treats broadband as a competitive market where economic regulation is unnecessary. He said reform of the video franchise process is important for consumers and the future of broadband.

Tauke’s remarks came at a panel discussion sponsored by International Engineering Consortium forum during SUPERCMM. Some 25,000 telecom industry executives are attending the three-day conference for communications service providers.

“There remains a real disconnect between the broadband market and broadband policy,” Tauke said. “The broadband market is global, while broadband policy is still local. The broadband market is converging, while broadband policy is still in silos. And the broadband market is competitive, while broadband policy is still stagnant,” he added.

Tauke said it is also critical that policymakers create a marketplace that encourages investment, innovation and risk-taking. “We need action in Congress and at the FCC,” he said.

Tauke said Congress should establish a new “national policy” that creates choice by eliminating barriers to competition. One of the requirements of that update should be a new video policy that encourages competition and treats telecoms as new entrants to the video marketplace – just as cable has been treated as a new entrant to the voice marketplace with VoIP.

Video competition “will result in an explosion of new services for consumers,” Tauke said. “But we need to change the policy on franchising.” The current process was built for cable companies that needed authority to build a network and received exclusivity to offer video services in a defined marketplace, he said.

But “we already have the authority to deploy the network, and we are entering the video market as a new player in a competitive marketplace. Applying the cable franchise rules to us is unfair and simply delays the day when consumers will have a choice of video providers,” he said.

In addition to Congressional leadership, Tauke said, “we need a fully functioning FCC,” adding that “it is hard to make bold policy when you have one vacancy and two lame ducks.” He called for the White House to be “active and attentive” on the matter.

In summary, Tauke said, “Businesses are ready for broadband. Consumers are ready for broadband. Policy has to catch up. As an industry, we must continue to remind policymakers and consumers that broadband is not just about megabit speed or franchising or DRM. It is about access [for consumers].”

## Spyware Prevention Act Wins Easy Passage in U.S. House

The U.S. House of Representatives recently approved the Internet Spyware (I-SPY) Prevention Act of 2005, H.R. 744, which was introduced by Representatives Bob Goodlatte (R-VA-06), Zoe Lofgren (D-CA-16) and Lamar Smith (R-TX-21). This bipartisan legislation, which passed by 395-1, addresses the most egregious activities that are conducted via spyware and makes those activities criminal offenses.

Spyware has been defined as “software that aids in gathering information about a person or organization without their knowledge and which may send such information to another entity without the consumer’s consent, or asserts control over a computer without the consumer’s knowledge.” In April 2004, the Federal Trade Commission testified before a House Subcommittee that “spyware appears to be a new and rapidly growing practice that poses a risk of serious harm to consumers.”

The legislation would make the following criminal offenses:

- Intentionally accessing a computer without authorization, or intentionally exceeding authorized access, by causing a computer program or code to be copied onto the computer and using that program or code to
  - Further another federal criminal offense (punishable by fine or imprisonment for up to 5 years)
  - Intentionally obtain or transmit “personal information” with the intent of injuring or defrauding a person or damaging a computer (punishable by fine or imprisonment for up to 2 years)
  - Intentionally impair the security protections of a computer with the intent of injuring or defrauding a person or damaging a computer (punishable by fine or imprisonment for up to 2 years)

The legislation also authorizes \$10 million to the Department of Justice to combat spyware and phishing and pharming scams. “Phishing” scams typically involve the use of fake e-mail messages and websites to lure consumers into providing bank account information, credit card numbers and other personal information. These fake e-mail messages and websites are often indistinguishable from the real ones and often request account information from consumers.

In “pharming” scams a hacker intercepts internet traffic and re-directs unknowing internet users to fake websites, where they often trick consumers into giving their account information and passwords.

“Spyware is a very real problem that has created an identity theft epidemic on the Internet. It endangers consumers, damages businesses, and creates millions of dollars of additional costs each year,” said Rep. Zoe Lofgren. “I am thrilled by the passage of this bipartisan legislation that will identify the truly unscrupulous acts associated with spyware and subject them to criminal punishment without unduly burdening technological innovation.”

Spyware encompasses several potential risks including the promotion of identity theft, by harvesting personal information from consumers’ computers. Additionally, it can adversely affect businesses, as they are forced to sustain costs to block and remove spyware from employees’ computers, not to mention the potential impact on productivity.

Rep. Lamar Smith commented, “The I-Spy Act addresses spyware through the regulation of bad behavior rather than the regulation of technology. It provides strong penalties for those who engage in the illicit activities of spyware and phishing, and authorizes money to the Department of Justice to prosecute these crimes.”

There is also a growing concern that persistent computer security vulnerabilities may expose U.S. critical infrastructure and government computer systems to cyber attacks, which would ultimately jeopardize national security and the economy.

“The Center for Democracy and Technology has seen several egregious examples of spyware being used in ways that most Americans would think clearly ought to be criminal. The Goodlatte, Lofgren, and Smith bill will help make sure that there are strong deterrents to using spyware to defraud or injure consumers,” said Ari Schwartz, Associate Director of the Center for Democracy and Technology, part of a broad coalition of consumer groups addressing the spyware problem.

## Internet Viewed as Most Trustworthy Source for Health Information

A new study of consumer attitudes toward healthcare information finds that the Internet is seen as the most trusted media source for consumers, decisively outstripping offline media when consumers want credible health information. Sponsored by Medical Broadcasting Company (MBC), the study was fielded by Nielsen//NetRatings in the first quarter of 2005, using WebIntercept survey technology across the 20 most highly trafficked health websites. Survey data is based on the input of 991 respondents gathered over a 30-day period.

While research shows that consumers trust their doctor first when it comes to health information, patients are increasingly using the Internet to inform the doctor-patient dialogue. In this new survey, 42% of respondents said they trusted health information they found on the Internet, compared to just 16% for information found in other forms of media. Consumers are also taking advantage of the great depth of health information on the Internet. More than 85% of respondents said they look at two or more websites when searching for health information.

"In increasing numbers, patients and consumers are using the Internet, searching multiple websites to find and consume the most reliable information," said Linda Holliday, president of MBC. "Given the current environment of pressure and constraints on DTC television advertising, we're surprised that spending on Internet marketing still lags so far behind actual use. The Internet is an undeniable solution for pharmaceutical marketers."

"We've had solid data regarding the overall usage of the Internet for healthcare information seeking for years," said Jon Gibs, Senior Project Manager at Nielsen//NetRatings. "Now, based on this research, we have developed models that identify distinct segments of healthcare information seekers that can be efficiently targeted online."

The survey also found that over 65% of respondents said they use the Internet to research important health topics before and after they visit a doctor. And despite recent challenges to the credibility of the pharmaceutical industry, nearly one-third of respondents said they use the Internet to visit pharmaceutical company websites for information about prescription products.

"These healthcare consumers are online, they trust the medium more than other media, we can segment them more efficiently than we can in other media, and with the advent of rich media, the online experience takes on some of the more impactful attributes of television," said Larry Mickelberg, MBC's senior vice president of marketing and media services. "The Internet is simply the perfect place to express the kind of complex health condition and treatment messaging that's unavailable in other, more finite media."

"We created this survey," Holliday concluded, "to continue to demonstrate to our clients how powerful and truly exceptional the Internet is for their marketing needs. Data like this validates important Internet trends, gives our clients the kind of facts they need to harness the power of this emerging medium, and helps them make critical resource allocation decisions."