



## **BY ELECTRONIC FILING**

October 1, 2018

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St. SW  
Washington, DC 20554

**Re: Impact of Tariffs on U.S. 5G Leadership and Broadband Deployment;  
Protecting Against National Security Threats to the Communications Supply Chain  
Through FCC Programs, WC Docket No. 18-89;  
Promoting Investment in the 3550-3700 MHz Band, GN Docket No. 17-258;  
Reassessment of Federal Communications Commission Radiofrequency Exposure  
Limits and Policies, ET Docket No. 13-84;  
Accelerating Wireless Broadband Deployment by Removing Barriers to  
Infrastructure Investment, WT Docket No. 17-79;  
Expanding Flexible Use of the 3.7 to 4.2 GHz Band, GN Docket No. 18-122;  
Use of Spectrum Bands Above 24 GHz for Mobile Radio Services, GN Docket No.  
14-177**

Dear Ms. Dortch:

On September 27, 2018, Cinnamon Rogers and Dileep Srihari of TIA met with Nirali Patel, Special Counsel to Chairman Pai, to discuss the issues and dockets referenced above. TIA highlighted the potential harmful effects of tariffs on U.S. 5G deployment, urged the Commission to take further action in its USF national security proceeding, and urged the agency to take additional steps to promote 5G services, as described in further detail below.

### **I. Impact of Tariffs on U.S. Leadership in 5G and Broadband Deployment**

TIA expressed our serious concern about the impact that tariffs on information and communications technology (ICT) imports from China would have on U.S. 5G deployment. We filed extensive comments with the Office of the United States Trade Representative (USTR) on this matter,<sup>1</sup> which are summarized below. Moreover, uncertainty about the timing or applicability of existing or potential tariffs makes it difficult for ICT companies or their

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<sup>1</sup> Telecommunications Industry Association, [Written Comments re: Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation](#), USTR-2018-0026, filed Sept. 6, 2018.



customers to properly plan their deployments. We therefore urge the Commission to advise the Administration regarding the strategic need for U.S. leadership in 5G and to seek paths for avoiding, eliminating or mitigating tariffs on ICT products and components for the reasons described below.

First, tariffs could undermine the American adoption of strategic technologies including 5G, exacting longer-term economic costs and hurting U.S. strategic competitiveness. The items potentially subject to tariffs include network infrastructure that is essential for the functioning of not only broadband internet but also the next generation of 5G technology. By hiking the cost of the underlying hardware, the U.S. government could inadvertently slow the adoption of 5G. This would have serious long-term implications for the U.S. economy and could weigh on the introduction of highly sophisticated 5G-enabled technologies including AI and IoT.

The United States has led the world in 4G technology and reaped very substantial benefits. By one estimate, winning the race to 4G boosted America's GDP by nearly \$100 billion and spurred an 84 percent increase in wireless-related jobs; it also gave rise to an entirely new app economy.<sup>2</sup> However, the U.S. faces fierce competition in the 5G race, particularly from China. Beijing has not only designated 5G as a strategic priority in multiple industrial plans. It has also outlined funding mechanisms to support the next generation of networks.

If the U.S. government proceeds with imposing tariffs on products used in 5G networks, there is a risk that resulting cost increases may artificially depress demand, especially among more budget-conscious American consumers. Higher price tags might prompt smaller companies or schools or government agencies, for example, to consider delaying upgrades or making smaller investments. Such a result would only serve to strengthen China's hand in the technology sphere and bolster its standing in the 5G race relative to the United States.

Second, tariffs would ultimately hurt consumers, making it more expensive to access broadband internet and impeding efforts to narrow the digital divide in the U.S. The first-order effect of levying double-digit tariffs would be to disrupt sales growth and decrease business visibility for the ICT companies that have slowly built out global supply chains, including in China, over decades. It is important to recognize that for many of the products that appear on the tariff list, there are few if any U.S.-manufactured alternatives. The imposition of Section 301 duties therefore would not protect American jobs, but merely raise American prices.

It is not economically feasible for ICT vendors to absorb in full substantial price hikes caused by duties. In some cases companies may be able to absorb a portion of the cost, but this would reduce funds available for longer-term business investment, including in R&D. The U.S. ICT

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<sup>2</sup> *How America's 4G Leadership Propelled the Economy*, Recon Analytics, April 16, 2018, at 1, [https://api.ctia.org/wp-content/uploads/2018/04/Recon-Analytics\\_How-Americas-4G-Leadership-Propelled-US-Economy\\_2018.pdf](https://api.ctia.org/wp-content/uploads/2018/04/Recon-Analytics_How-Americas-4G-Leadership-Propelled-US-Economy_2018.pdf) ("Recon Analytics Report")



industry is an outsized investor in R&D, which in turn generates substantial long-term economic benefits for the broader American economy. The ICT industry accounted for over 40 percent of R&D spending by companies in the United States in 2013.<sup>3</sup> Decreasing the pool of potential funds available for U.S.-based R&D would, at the margins, provide an edge to other economies.

Moreover, tariffs on core network equipment will have a disproportionate impact on lower-income Americans, who are already more likely to lack broadband internet access, and will impede efforts to narrow the digital divide. According to the Commission's data, over 24 million Americans still lack fixed terrestrial broadband -- a challenge that makes it harder to access good jobs, health care and education.<sup>4</sup> The gap disproportionately affects those living outside cities -- around 30% of those in rural areas don't have broadband access. Tariffs on network infrastructure stand to substantially increase the cost of network build-outs and upgrades. They would also raise costs for the Commission's nearly \$9 billion-dollar Universal Service Fund that provides funds for broadband deployment in underserved areas.

For these reasons, TIA urges the Commission to weigh in with the Administration to seek paths for avoiding, eliminating, and/or mitigating tariffs on ICT products and components.

## **II. National Security and Universal Service Programs**

TIA urged the Commission to move forward in its USF National Security proceeding. We reiterated our support for various recent actions by the U.S. government, and that the focus of any FCC security efforts should be on the trustworthiness of specific suppliers rather than supply chain management in general. We referenced our very extensive comments and reply comments previously filed in the proceeding.<sup>5</sup> We also discussed the implications that Section 889 of the recently-enacted John S. McCain FY 2019 National Defense Authorization Act,<sup>6</sup> which bars procurement by federal agencies of equipment from certain vendors within two years, would have on the USF security proceeding.

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<sup>3</sup> Brandon Shackelford, "Information and Communications Technology Industries Account for \$133 Billion of Business R&D Performance in the United States in 2013," National Science Foundation, April 2016, <https://www.nsf.gov/statistics/2016/nsf16309/nsf16309.pdf>

<sup>4</sup> FCC, *2018 Broadband Deployment Report*, at 22, February 2, 2018, <https://www.fcc.gov/reports-research/reports/broadband-progress-reports/2018-broadband-deployment-report>

<sup>5</sup> See [Comments of the Telecommunications Industry Association](#), filed June 1, 2018 in WC Docket No. 18-89; [Reply Comments of the Telecommunications Industry Association](#), filed July 2, 2018 in WC Docket No. 18-89.

<sup>6</sup> [John S. McCain National Defense Authorization Act for Fiscal Year 2019 § 889](#), 132 Stat. 1636 (2018) (link provided for enrolled bill).



### III. FCC Actions to Promote 5G Deployment

3.5 GHz CBRS. TIA urged the Commission to resolve any remaining issues in the Citizens Broadband Radio Service (CBRS) proceeding as promptly as possible. Protracted delays in finalizing the rules have affected the ICT community which stands ready to begin bringing more CBRS devices to market.

Equipment Authorization Guidance. TIA urged the Commission to provide ICT manufacturers with all necessary equipment authorization guidance for 5G devices, including in ET Docket No. 13-84. While the Commission's recent or planned actions regarding infrastructure and spectrum represent important steps toward 5G deployments, those deployments could be affected if 5G device manufacturers are not provided with regulatory certainty on these issues.

Wireless Infrastructure. TIA applauded the Commission for its recent vote to adopt key reforms to the wireless infrastructure siting process. These common-sense reforms follow a balanced approach that will promote 5G deployment while preserving the authority of state and local governments to conduct reasonable aesthetic reviews, among other steps.

C-Band Spectrum. TIA noted that the Commission has proposed several options for moving ahead in the C-Band spectrum, and that taking some action in that band would likely be important for future U.S. spectrum policy.

Spectrum Frontiers. TIA appreciates the Commission's continuing work to rapidly make millimeter-wave (high-band) spectrum available for next-generation services. TIA has recently filed comments and/or reply comments in response to the Third and Fourth Notices of Proposed Rulemaking in this proceeding.

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Thank you for your consideration, and please feel free to contact me with any questions related to the above matters.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Rogers", written over a horizontal line.

Cinnamon Rogers  
Senior Vice President, Government Affairs

Cc: Nirali Patel