Before the
Federal Communications Commission

In the Matter of	)	
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Restoring Internet Freedom	)	**WC Docket No. 17-108**
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Y Combinator

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Executive Summary

Y Combinator provides seed funding for startups. Seed funding is the earliest stage of venture funding. We have proudly supported thousands of entrepreneurs and more than 1,400 businesses, including companies like AirBnB and Dropbox. Over the years, we have expanded into areas such as hardware, biotech, and education technology.

We support a truly open Internet, and the existing, strong net neutrality rules provide essential certainty for investors like us. Today, we can work with entrepreneurs, and they can focus first and foremost on building something people in love. But under the FCC's proposed rules, big cable and wireless companies will have undue control over which businesses succeed and fail online.

We urge the FCC to sustain the existing, strong net neutrality rules, based on Title II of the Communications Act. The FCC should maintain bright line rules against blocking, throttling, and paid prioritization on both fixed and mobile connections, as well as maintain ongoing oversight of other types of discrimination.

I. Who We Are and What We Do

To get a sense of Y Combinator's unique perspective, we first describe who we are and what we do. We have funded over 1,400 startups, have met thousands more, and work within a dense network of investors.

All venture investors supply some combination of money and help. In our case the money is by far the smaller component. In fact, many of the startups we fund don't need the money. We think of the money we invest as more like financial aid in college: it's so people who do need the money can pay their living expenses while Y Combinator is happening.

The most important thing we do is work with startups on their ideas. We're hackers ourselves, and we've spent a lot of time figuring out how to make things people want. So we can usually see fairly quickly the direction in which a small idea should be expanded, or the point at which to begin attacking a large but vague one.

The questions at this stage range from apparently minor (what to call the company) to frighteningly ambitious (the long-term plan for world domination). Over the course of three months we usually manage to help founders come up with initial answers to all of them.

The second most important thing we do is help founders deal with investors and acquirers. Yes, we can make introductions, but that part is easy. We spend much more time teaching founders how to pitch their startups to investors, and how to close a deal once they've generated interest. In the second phase we supply not just advice but protection; potential investors are more likely to treat you well if you come from YC, because how they treat you determines whether in the future we'll steer deals toward or away from them.

We also get the startups we fund incorporated properly with all the standard paperwork, avoiding legal time-bombs that could cause serious hassles and delays later. We introduce founders to lawyers who will often agree to defer payment for legal work. We regularly help startups find and hire their first employees. We can help with intellectual property questions, like what to patent, and when.

II. The FCC Should Sustain Its Existing Strong Net Neutrality Rules and The Existing Legal Framework Under Title II

Affordable, fast internet access creates big economic opportunities across the country. The promise of the internet is that it gives everyone the power to compete and grow their ideas into businesses or products available to anyone. Today, internet-empowered businesses create millions of jobs and contribute over a trillion dollars to our economy's GDP — and that number is growing.

Those benefits stem from the way internet access works. Think of it like electricity in your home. You buy electricity from a utility, and you're charged based on how much electricity you use, not whether you use it for a toaster or a TV, or whether you choose a Sony TV instead of a Vizio. Similarly, when you buy internet access from a cable or wireless company, you're generally charged for a given speed and the amount of data you use, without discrimination among different applications and content providers.

But the FCC's proposed plan would erode the existing legal framework that prevents discrimination, allowing big cable and wireless companies to impose new tolls on internet businesses.

We've already seen instances where internet access providers have tried to block or interfere with online content. In the 2000s, providers tried to stop new entrants, like voice-over-internet service and video and file distribution services, that directly competed with their products. In both cases the Republican-led FCC intervened. But the NPRM's proposal questions whether there is a "continuing need for a no-blocking rule" and would limit the FCC's ability to create strong rules against it.

What's more, some cable and wireless companies have said that they want to introduce pay-to-play prioritization systems. This approach has rightly been prohibited; while big companies could afford to cut special deals to get in the so-called fast lane, everyone else would be relegated to a slow lane. Even though federal courts ruled that the FCC's current approach is the only way to effectively ban this practice, Pai wants to discard it.

Instead, NPRM's new approach would give a green light to cable and wireless companies that want to discriminate in a variety of ways. His proposal ignores how cable companies have tried to choke off access to services like Netflix. The FCC chair also would permit wireless companies' practice of exempting their own video services from data caps, while charging competitors for the same treatment.

Chairman Pai says his plan is necessary to drive investment in new infrastructure, but it could very well do the opposite. To get big companies to pay for what amounts to a first-class ticket for their data, internet access providers would have an incentive to make coach class worse and worse for competitors. Instead of building new infrastructure with faster speeds and abundant capacity for the entire internet, cable and wireless companies might ration what they've already built.

It's certainly critical to remove barriers to the construction of new networks, but the existing net neutrality rules are not the problem here. Some of the biggest cable and wireless companies themselves have already said that the current legal framework hasn't hurt them, and capital expenditures across the industry continue to rise.

Meanwhile, the NPRM's proposed would create uncertainty that would certainly depress investment in new Internet businesses. As noted above, we work with startups on the various legal issues they already face. Even with our support, these companies would not have the legal resources to address instances of discrimination, absent the existing bright line rules and authority for ongoing oversight. By the time the lengthy process of case-by-case review of anti-competitive behavior is complete, a startups like theirs would simply not exist.

The FCC's existing framework works well. It should sustain its current approach under Title II; ban blocking, throttling, or paid prioritization of Internet traffic; and continue ongoing oversight of other discriminatory conduct.

Respectfully submitted,

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