USTELECOM
THE BROADBAND ASSOCIATION
WALTER B. MCCORMICK, JR.
President and Chief Executive Officer

October 24, 2014

EX PARTE

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Protecting and Promoting the Open Internet, GN Docket No. 14-28

Dear Chairman Wheeler:

I would like to bring to the Commission's attention an analysis conducted by the United States Telecom Association of the latest Internet Protocol (IP) traffic data from Cisco's annual Visual Networking Index that is good news for the nation, and for the broadband goals held by you, the Members of the Commission, and the Administration. It shows that over the last five years, under a Title I regime, consumer and business usage of the Internet has tripled on a per user basis. Bigger pipes and compelling content and applications are driving more consumers to the Internet in a virtuous cycle fueled by massive investments in broadband infrastructure. The broadband industry invested $75 billion in 2013, up approximately 10 percent from the previous year and surpassing the pre-recession level of $71 billion in 2008. Similarly, under today's Title I regime, the ICT sector – including software, computers, digital content, and communications infrastructure – invested over $565 billion in 2013. This virtuous Title I cycle has created the condition for the U.S. to have a world leading ICT sector, benefitting U.S. consumers and businesses.

Many measures of broadband performance, including international comparisons, largely ignore actual usage of the Internet and focus on more theoretical measures based on capacity. In fact, usage is a particularly good, common sense indicator of the overall health of the broadband and information technology ecosystem. It demonstrates the extent to which consumers and businesses are utilizing innovative applications and services, as well as the extent to which networks are providing the capacity needed to meet demand. The Federal Communications Commission's 2010 *National Broadband Plan* (at p. 4) emphasized the importance of looking at usage data, stating, "We should lead the world where it counts—in the use of the Internet and in the development of new applications that provide the tools that each person needs to make the most of his or her own life." Our industry and the entire ICT sector, including edge and content providers, are doing just that under today's Title I regime.

In the last several years the U.S. has closed the usage gap with the world leader, South Korea, while expanding its lead over other industrialized countries. (See attached chart.) Some who are calling for aggressive regulatory intervention in U.S. broadband markets hold the view that the nation is falling behind and needs government regulatory intervention to catch up. The Cisco

data show the opposite. Cisco's projections indicate the U.S. may take the lead over the next five years. Compared to global peers the U.S. is gaining ground, not falling behind.

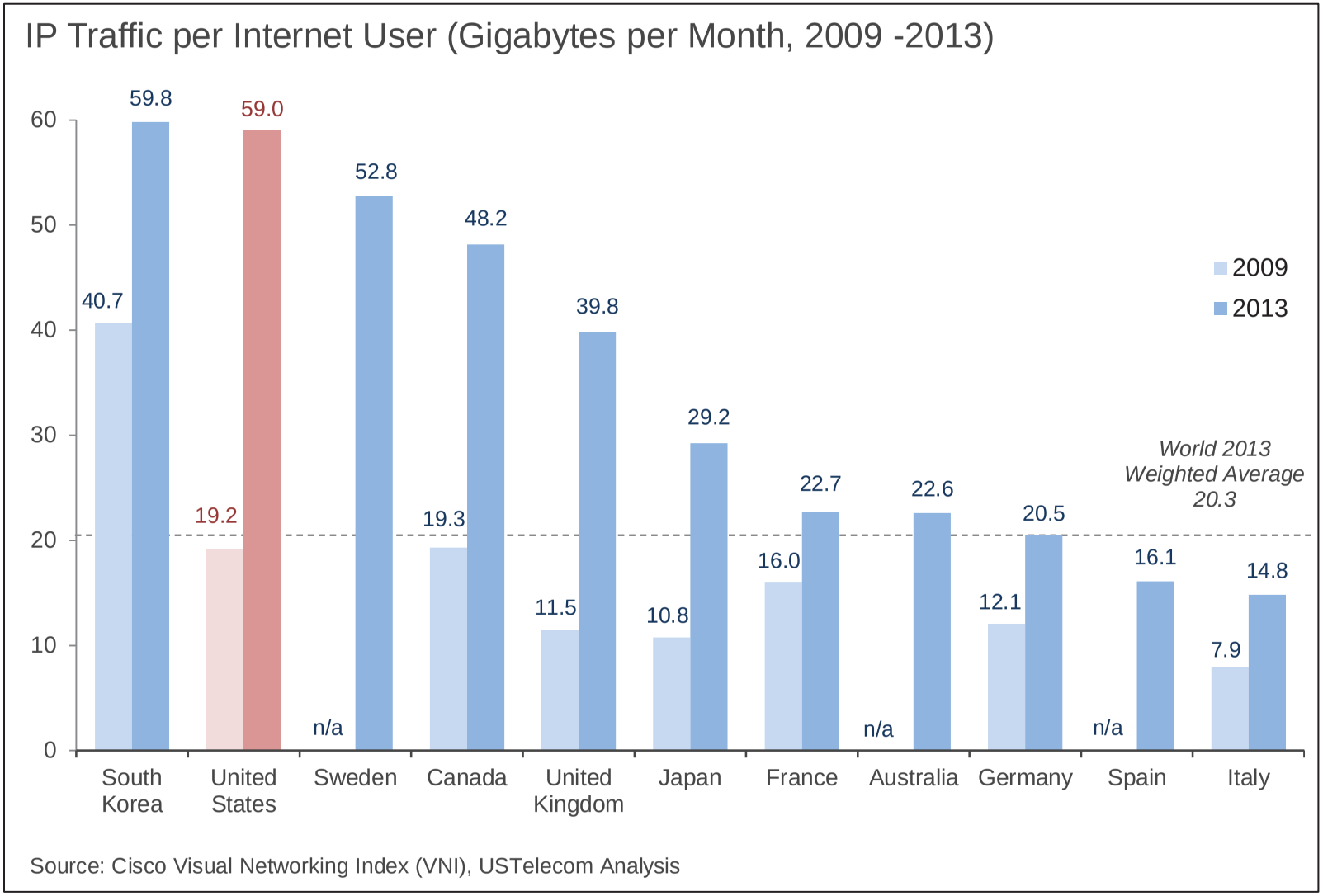
This growth is poised to continue, according to Cisco, with traffic projected to increase two-and-a-half times again over the next five years. To accommodate this surge in traffic, wireline investment will be critical. While mobile data is the fastest growing segment of U.S. traffic with a 50 percent compounded annual rate expected over the next five years, it remains a small portion of overall traffic: 2 percent in 2013, growing to 7 percent in 2018. Nearly all traffic depends on fixed networks, either through direct wired connections, Wi-Fi routers attached to fixed lines, or fixed lines connected to cell towers. Consumer video, which depends heavily on fixed lines, generates the largest share of traffic growth by volume. It represented nearly three-quarters of 2013 traffic and will account for almost three-quarters of traffic growth in the next five years.

Given these growth projections and the success the nation has enjoyed under a Title I environment, we urge the Commission to avoid any proscriptive regulatory policy that would threaten future investment and innovation. Proponents of extreme measures, such as Title II reclassification of broadband, have not provided evidence to indicate that investment and traffic growth would be better under Title II, or that the entire sector – edge, content, and broadband – could be any more vibrant under Title II than it has been under the current longstanding Title I regime. On the contrary, an aggressive move to regulation under Title II will unnecessarily put investment and innovation at risk, to the detriment of consumers, businesses and U.S. leadership. Continually exploding growth in usage of the Internet by American businesses and consumers shows that the Commission is on the right path with Title I, and that rules governing the delivery of Internet traffic are best developed under the current Title I framework.

Sincerely,

Walter B. McCormick, Jr.

Attachment

cc: Commissioner Mignon Clyburn
Commissioner Ajit Pai
Commissioner Jessica Rosenworcel
Commissioner Michael O'Rielly
Ruth Milkman
Jonathan Sallet
Daniel Alvarez
Rebekah Goodheart
Nick Degani
Priscilla Argeris
Amy Bender
Julie Veach

Change in Internet Usage for Selected Industrialized Countries