



October 14, 2010

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: *Ex Parte* Notice

GN Docket No. 10-127

Dear Ms. Dortch:

The Telecommunications Industry Association (TIA) hereby submits an updated independent economic impact study conducted by Cambridge Strategic Management Group (“CSMG”), commissioned by TIA, to explore potential effects on private investment of the Commission’s reclassification Notice of Inquiry. The original study was filed with TIA’s comments in this proceeding.¹ The updated CSMG study is attached to this *ex parte* notice.

The updated study now includes an assessment of the potential impact of of regulation stemming from a Title II classification of broadband Internet access service² on a suburban wireline telecommunications operator considering Very-high-bitrate DSL (VDSL) over a Fiber to the Node (FTTN) network in its existing territory to enable heightened services such as IPTV or “triple play” offers. This case study demonstrates that the introduction of potential Title II regulations, particularly mandated unbundling, turns a profitable business case unprofitable. In a rural case, the impact is even greater and investment would likely require universal service funding to establish a viable business case.

As a whole, the study’s business case models show how increased regulatory burdens hamper the commercial case for network investment. In any form, implementation of the proposed “Third Way” would result in uncertainty, discouraging

¹ See CSMG, *FCC Reclassification NOI: Economic Impact Assessment* (July 15, 2010), appended to TIA Comments.

² 47 U.S.C. § 201 *et seq.*

the National Broadband Plan’s policy goals, and ensuring unneeded forbearance-related litigation.

The overall study, further exemplified by the newly-included VDSL case study, shows how increased regulation requires additional Universal Service Fund (USF) support to make a business case viable in rural areas. Regulations puts stress on already-burdened business models in rural areas, necessitating higher USF level to operators on the same footing they would be at pre-“Third Way.” Potential reclassification regulations could contravene many FCC efforts to pilot universal service funds to support new broadband investment.

TIA emphasizes the critical role private capital will continue to play in expanding service to unserved and underserved Americans, and notes the existing regulatory framework’s responsibility in driving billions of dollars of private capital into next-generation broadband networks. The existing framework can continue to do so without risk to the Commission’s most critical objectives.

Respectfully submitted,

/s/ Danielle Coffey

Danielle Coffey

cc: Commissioner Meredith Atwell Baker
Jonathan Baker
Mark Bykowsky
Christopher Killion
Zac Katz
Marcus Maher
Charles Mathias
Doug Sicker
William Sharkey
Royce Sherlock
Christi Shewman
David Tannenbaum
Julie Veach