September 9, 2014

The Honorable Penny Pritzker
United States Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, D.C. 20230

Dear Madam Secretary,

As manufacturers and suppliers of the high-tech equipment used by broadband providers, content providers and users, the undersigned have a unique perspective on the impact that Internet regulation has had and could have on the past and future innovation and opportunities in the broadband marketplace. Computer and electronics manufacturers are a critical part of a positive cycle of investment, innovation, and consumer demand that has made the Internet the world's biggest driver of economic development. The Administration must act to protect against calls for utility-like common carrier regulation that would threaten demand for Internet infrastructure, reduce incentives for investment, hinder innovation and jeopardize this success.

Broadband Internet deployment and adoption grew and flourished in a light-touch regulatory environment that encouraged heavy investment in the infrastructure needed to support the innovative new services that have become the trademark of the Internet economy. When broadband Internet service providers sought to invest billions of dollars over the past decade to develop and deploy advanced broadband services, they turned to the manufacturing industry, which creates and builds all the myriad physical components of broadband infrastructure from routers and servers to amplifiers and fiber nodes.

The high-tech manufacturing industry has created more than 600,000 jobs in the past four years, [1/] contributing nearly $450 billion to the U.S. economy in 2012 alone.[2/] In his 2014 State of the Union address, President Obama emphasized the important role that high-tech manufacturing has had, and will continue to have, in the nation's economic recovery by announcing a $140 million initiative to promote job growth in the high-tech manufacturing sector.[3/] Overall, infrastructure equipment spending is expected to grow from $38.6 billion in 2013 to $42.9 billion in 2017.[4/] Between the physical assets that serve as the foundation of the Internet and the devices used by consumers to connect to the Internet, high-tech manufacturing has led the way to ensure that "the United States is better-positioned for the 21st century than any other nation on Earth."[5/]

Continued investment in the build-out and improvement of existing infrastructure will lead to even better broadband services and innovations, resulting in greater consumer demand and greater economic growth. It is expected that IP traffic in North America will grow from 16,607 petabytes of data in 2014 to 40,545 petabytes in 2018.[6/] This rapid increase in demand will require significant private investment. But continued investment is by no means guaranteed.

Proposals to reclassify broadband Internet access as a "Title II" service – today reserved largely for landline telephone service – threaten to remove incentives to invest in broadband growth and improvement. Because Title II allows for so little flexibility and innovation, it would undercut substantially the broadband providers' incentives to make the investments necessary to fund network deployments and upgrades. Indeed, the Federal Communications Commission's determination to leave Internet access services largely unregulated incentivized both investment and innovation and the Internet's potential as a mechanism for economic growth was realized.

Reclassifying broadband Internet access service as a Title II service would be harmful to the economy and would create unnecessary obstacles to achieving the Administration's goal of promoting broadband deployment and adoption. A sudden shift from the existing light-touch approach – which has been an unqualified success and the basis for billions of dollars in investments – to the prescriptive regime of Title II would be extremely disruptive to the broadband marketplace. Resources that would normally be spent on building and improving infrastructure would instead be spent complying with burdensome regulatory obligations, and uncertainty regarding future profitability would deter additional private investments. If investment in broadband services declines, it will set off a domino effect of decreased investment and innovation throughout the manufacturing sector and into the economy as a whole. Title II reclassification would likely delay the full potential for additional broadband investment during the uncertainly resulting from further court scrutiny. If the Commission nonetheless determines that it must fashion ISP regulations, we urge it to exercise authority under Section 706 rather than Title II.[7]

[1/] Katie Lobosco, *Why Obama is pushing high-tech manufacturing,* CNN Money, http://money.cnn.com/2014/03/03/smallbusiness/high-tech-manufacturing-obama/ (March 3, 2014)

[2/] U.S. Department of Labor, Bureau of Labor Statistics, Employment and Output by Industry, *available at* http://www.bls.gov/emp/ep_table_207.htm.

[3/] President Barack Obama, State of the Union Address (Jan. 28, 2014) (*"2014 State of the Union"*)

[4/] Telecommunications Industry Association, TIA's 2014-2017 ICT Market Review & Forecast 3-9 (2014).

[5/] 2014 State of the Union.

[6/] Cisco, Cisco Visual Networking Index: Forecast and Methodology, 2013–2018 1 (2014), *available at* http://www.cisco.com/c/en/us/solutions/collateral/service-provider/ visual-networking-indexvni/VNI_Hyperconnectivity_WP.html.

[7] 47 U.S.C. § 1302(b); see also *Verizon v. FCC*, 740 F.3d 623, 635-42 (D.C. Cir. 2014).

The Federal Communications Commission has previously declined past invitations to regulate broadband Internet service as a Title II service, wisely recognizing the essential role that flexibility and innovation would play in the success of the Internet economy. We urge the administration to support our efforts to ensure that the Internet economy can continue to thrive.

Sincerely,

ACS Solutions
ADTRAN
ActiveVideo Networks
Alcatel-Lucent
Alticast
ARRIS
BlackArrow
Blonder Tongue
Broadcom
Cisco
Commscope
Concurrent Computer
Drake
dLink
Ericsson
Gainspeed, Inc.
Harmonic
IBM
ILS Technologies
Intel
NetCracker Technology
NSN
Pace
Panasonic Corporation of North America
Penthera Partners
RGB
Rovi
Sandvine
Sumitomo Electric Lightwave
Synacor
This Technology
Universal Remote Control
Walker & Associates