



July 17, 2017

To: Chairman Ajit Pai
Commissioner Mignon Clyburn
Commissioner Michael O’Rielly
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

From: Pete Sepp, President
National Taxpayers Union
Massachusetts Avenue, NW Suite 140
Washington, DC 20001

RE: WC Docket No. 17-108, Restoring Internet Freedom

Chairman Pai, Commissioner Clyburn, and Commissioner O’Rielly:

On behalf of the supporters of National Taxpayers Union (“NTU”) across the country, I write to express our strong support of the Federal Communications Commission’s (FCC) proposal in the *Restoring Internet Freedom Notice of Proposed Rulemaking* (“NPRM”) to end the investment-killing regulation of the internet as a public utility. Returning to the sensible light-touch regulatory regime that had been in place for two decades under the leadership of both parties is good for American taxpayers, consumers, and the businesses that invest in the high-speed fixed and mobile broadband networks that power the economy.

The FCC’s recent efforts to roll back unnecessary regulations, and streamline other rules impeding broadband infrastructure deployment are exactly the sort of pro-growth, pro-job creation measures that our free enterprise system needs to thrive. The most important effort, however, still lies ahead: The repeal of Title II public utility-style regulation of the internet. There is simply no way to justify regulating the internet using outdated 20th century monopoly telephone network rules based on standards that governed the 19th century railroad system. Regulations tailored for slow moving, highly concentrated industries of the past are inappropriate and harmful in today’s highly competitive and rapidly evolving broadband marketplace.

The hands-off approach for governing broadband internet access over the past several decades has yielded many benefits to consumers, taxpayers, and the economy at-large. There is no rationale for a shift to backward-looking and restrictive Title II regulations. Additionally, the current regime does not provide the regulatory certainty that businesses need – and had previously depended on – to invest in broadband networks and the services enabled by such networks. While ultimately, a permanent legislative solution to the net neutrality debate is needed, by returning broadband to the decades-long consensus classification as a Title I

information service—a light-touch status quo supported by many past FCC Chairmen and Members of Congress on both sides of the aisle, until the misguided *Title II Order's* enactment—the FCC will stop unnecessary government intervention from holding back America's otherwise-thriving digital economy.

NTU fully supports an internet that is open to the free exchange of information, open to consumer choice, open to new forms of competition, and open to unforeseen and unforeseeable innovations that spur economic growth. At the same time, we are equally concerned at the negative impact that increased government involvement and control of the internet has on taxpayers. Expanded government interference in the internet - or any sector of the economy for that matter - costs Americans more of their hard-earned tax dollars at the expense of diminishing the value of the services being offered. Simply put, the current regulatory system is a “lose lose” for consumers and taxpayers alike.

We would add that taxpayers have often won the most from the technological innovations in government that an internet unencumbered by excessive regulation has delivered. At federal agencies, cloud-based email and data management has dramatically reduced overhead costs by as much as 50 percent compared to older technologies. FCC's own current budget proposal envisions savings from such modernization efforts. Other e-government initiatives such as the Electronic Federal Asset Sales system has generated measurable increases in returns to taxpayers. The IRS Free File program, a public-private partnership for federal tax return preparation and online filing, has been remarkably successful. According to best estimates, some \$1.3 billion in filing expenses have been saved, including \$100 million in the government's own paper-return handling costs.

Nor are benefits like these confined to the federal level. NIC, a private technology provider, lists numerous “case studies” on its own website of how state and local governments (and in turn taxpayers) reaped rewards from technology as well. These include improved management of facilities, better matching of vehicle insurance and licensing methods, and paperless permitting and regulatory compliance systems.

To be certain, the evolution of “e-government” has had many facets that go beyond the internet itself. Nonetheless, we would contend that few of these demonstrable gains for taxpayers would have been achievable in an environment that consistently hampered the development of the internet backbone that often helps to support them. Such will be the case with future breakthroughs such as 5G wireless, which could make massive leaps in cost-efficiency for government-based traffic management services, facilities, and first responder communications.

Historically the U.S. government's hands-off approach encouraged a free and open internet, and a comparative analysis of the results of our freedoms with more restrictive regimes elsewhere yields stark results. For example, the European Union has exercised greater control over the internet, while the U.S.—prior to 2015—protected internet freedom with a light touch. The results? European broadband providers have invested dramatically less, and consumers in Europe have fewer choices for wired broadband connectivity and 4G LTE mobile broadband service.

And yet this amazing success story that has made America the envy of the global internet ecosystem and the birthplace of countless innovations, is exactly what the *Title II Order* puts at jeopardy. A recent study concluded that, if not for the *Title II Order*, U.S. broadband speeds would be 10 percent higher than they currently are.¹ Moreover, the very investment that has put the U.S. on top of the world's internet economy is now threatened by these heavy-handed

¹ Ford, George S., “Broadband Speeds Post-Reclassification: An Empirical Approach,” Phoenix Center for Advanced Legal and Economic Public Policy Studies, June 27, 2017, <http://www.phoenix-center.org/perspectives/Perspective17-07Final.pdf>.

regulations. To this point, domestic broadband investment actually dropped by nearly \$4 billion last year.

The FCC must take stock of such data and its negative implication on consumers and taxpayers, rather than allowing the open internet debate to continue to be an “economics-free zone” as described by the agency’s former chief economist. It is clear that power grabs of the FCC under then-Chairman Tom Wheeler, whether through the use of Title II rules or misinterpretation of section 706 of the Telecommunications Act of 1996, were not based in sound economic reasoning, but rather a misguided ideological slant.

NTU is pleased that the NPRM seeks comment on the potential costs and benefits of regulating broadband internet access as a Title I information service versus the current Title II regime. Chairman Pai’s commitment to undertaking such a cost-benefit analysis is to be commended, as is the broader focus on data and economics across the agency as it considers how to approach the regulation of a vibrant communications marketplace with humility. NTU strongly supports the announcement that the FCC will be setting up a new Office of Economics and Data before the end of the year to better integrate economics into policy decision making. Based on the data and facts summarized above, NTU is confident that the record will demonstrate the benefits of a return to a light regulatory touch over the internet far outweighs the costs and any purported benefits of utility-style Title II regulations.

Ultimately Congress should settle once and for all the net neutrality debate with predictable and clear legislation that simultaneously promotes an open internet, innovation and investment. In the meantime the FCC cannot sit idly by while consumers and taxpayers are harmed. The FCC must move forward with its proposal to restore internet freedom by protecting Americans from Title II regulation of the internet.

Included, please find the comments of 165 NTU supporters, consumers, and taxpayers, who share these views. I hope you will find these comments useful in your deliberation.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Sepp". The signature is fluid and cursive, with a long horizontal stroke at the end.

Pete Sepp
President