

The Truth about Title II and Investment

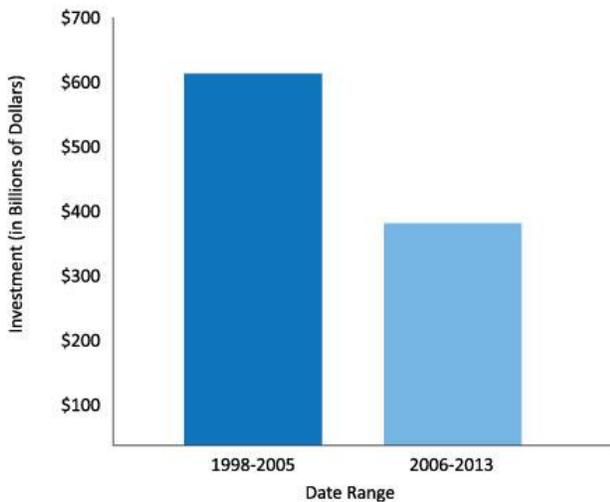
Common sense safeguards against Internet discrimination will have no business impact on investment in broadband networks. Here are the facts:

More investment occurred under Title II

Both phone and cable companies had much higher investment rates before the FCC declared their broadband services to be “information services.”¹ Following years of Title I treatment, only about 1 percent of total cable company revenues are devoted to network investment.²

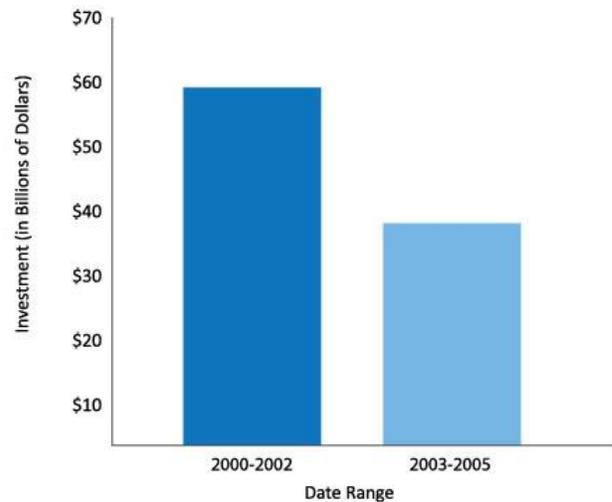
In 2005, phone companies were moved from Title II to Title I.

Look what happened to investment.



In 2000, a court ruled that cable Internet was a Title II Service. In 2002, the FCC ruled it was an information service.

Look what happened to investment.



Competition drives investment

Despite the alarmist rhetoric from phone and cable lobbyists, the fact is that market factors like competition and access to capital -- not regulatory classification -- are the key drivers of investment. Cable and phone executives routinely convey these facts to stock analysts and investors, telling Wall Street that regulatory decisions don't drive their investment decisions.

For instance, cable companies' investment in the late 1990s and early 2000s was in response to competition from the emerging satellite industry. As a Cox Communications engineer told the FCC in 2002:³

"Upgrading to 750MHz has enabled cable operators to offer hundreds of video channels in both analog and digital formats, thereby permitting them to compete effectively against the video program packages offered by DBS. Cable video services could not have remained competitive without the cable system upgrades that operators undertook. The provision of cable modem services has no impact on cable operators' decisions to upgrade to increase their cable system bandwidth."

Numerous industry sectors remain under Title II authority and continue to thrive

Title II currently applies to a variety of deregulated and competitive telecom services like mobile phones, rural broadband, and data connections for large business. Indeed, investment analysis Bernstein Research recently stated *"We think investors are overly concerned about both the likelihood of Title II reclassification and the consequences on the sector if it were to occur."*⁴ It's no wonder providers in all of these industries have thrived under this "light touch" Title II model.

- The cellular industry had nearly \$200 billion in revenue in 2013 alone, the majority of it for mobile voice services that always have been and still are under Title II.⁵ The number of mobile voice customers went from 25 million in 1995 to nearly 300 million today, with more than a quarter trillion dollars of investment in that time.⁶
- More than 1,000 rural broadband providers today are serving 2 million customers in 47 states with DSL services that remain under Title II.⁷
- The business broadband market is expected to grow to \$48 billion in 2015 from \$31 billion in 2008, the year after the FCC affirmed many of these services remain Title II.⁸



Big ISPs are “Crying Wolf”

Despite repeated doomsday predictions, these same companies now express no such concern with open Internet rules. The more recent attempt to employ these unfounded scare tactics should be rejected.

Comcast in 2010:⁹

“The real risk to private investment, jobs, and the future upgrade and further deployment of broadband networks seems far greater than the theoretical risks of misbehavior posited by supporters of net neutrality regulation”

Comcast in 2014:¹⁰

“[W]hile some have been led to believe something else, we support net neutrality. And we’ve been consistent in expressing our strong support for an open Internet”

AT&T in 2006:¹¹

“Proposals to depart from the ‘hands off the Internet’ and deregulatory broadband policies...could cause harm of truly extraordinary proportions – putting the brakes on investment and delaying or foreclosing innovative new Internet offerings that would greatly benefit consumers”

AT&T in 2014:¹²

“AT&T has been committed to the open Internet since our endorsement of the FCC’s statement of Internet freedoms in 2004. We worked constructively to help craft the FCC’s net neutrality rule, and testified in support of it in the Congress”

1 Data collected by SNL Kagan.

2 See e.g. Comments of Free Press, GN Docket Nos. 14-28, 10-127, 09-191, July 17, 2014, <http://apps.fcc.gov/ecfs/document/view?id=7521701227>.



3 Reply Comments of Cox Communications, CS Docket No. 02-52, Aug. 6, 2002, <http://apps.fcc.gov/ecfs/document/view?id=6513285452>.

4 Paul de Sa *et al.*, "U.S. Internet and U.S. Telecoms: Why the Current Net Neutrality Debate Does Not Matter for Investors," Bernstein Research, July 9, 2014.

5 CTIA, "Annual Wireless Industry Survey," 2014, http://www.ctia.org/docs/default-source/Facts-Stats/ctia_survey_ye_2013_graphics-final.pdf;

Marina Lopes, "U.S. mobile data revenue surpasses voice call revenue: analyst," Reuters, <http://www.reuters.com/article/2014/03/13/us-usa-mobilephone-data-idUSBREA2C24J20140313>.

6 CTIA, "Annual Wireless Industry Survey," 2014, http://www.ctia.org/docs/default-source/Facts-Stats/ctia_survey_ye_2013_graphics-final.pdf.

7 NECA, *Trends: A Report on rural telecom technology*, July 2013, <http://usa.son-conference.com/files/2014/01/Rural-Telco-Trends-in-the-US.pdf>.

8 MetroEthernet Forum, "Carrier Ethernet 2.0 pioneers pave way for Ethernet access surge," Jan. 29, 2013,

<http://www.businesswire.com/news/home/20130130005629/en/MEF-Carrier-Ethernet-2.0-Pioneers-Pave-Ethernet>; Alcatel Lucent, "Ethernet Business Access – Services Without Boundaries," Feb. 9, 2009, <http://www3.alcatel-lucent.com/campaigns/eba/index.html>.

9 Comments of Comcast Corporation, GN Docket No. 09-191, WC Docket No. 07-52, Jan. 14, 2010,

<http://apps.fcc.gov/ecfs/document/view?id=7020376090>.

10 David L.Cohen, "Surprise! We agree with the President's Principles on net neutrality: Reiterating our strong support for the open Internet,"

Nov. 11, 2014, <http://corporate.comcast.com/comcast-voices/surprise-we-agree-with-the-presidents-principles-on-net-neutrality-reiterating-our-strong-support-for-the-open-internet>.

11 Letter from Gary L. Phillips, AT&T and Bennett L. Ross, BellSouth Corporation to Marlene H. Dortch, Secretary Federal Communications

Commission, WC Docket No. 06-74, Oct. 4, 2006, <http://apps.fcc.gov/ecfs/document/view?id=6518524469>.

12 Comments of AT&T Services, Inc, GN Docket No. 14-28, March 21, 2014, <http://apps.fcc.gov/ecfs/document/view?id=7521094665>.

