

consumers, through a model that should not be readily discarded.

In order for free-market models to provide for the further development of broadband access, however, it is absolutely critical that government intrusion not prevent private capital from recouping its investment. If private capital becomes convinced that its ability to recoup its investments is less likely, it will be less likely to make the significant investments in broadband that is the very goal of this FCC inquiry.

In turn, recouping investment requires the ability to manage both delivery of services according to rights of contract, and flexibility in pricing mechanisms that allow for appropriate distribution of these costs. Most importantly, these decisions; network management and pricing formulas, can only be efficiently set by the free market, without government intrusion.

Therefore, constraining network management by broadband service providers at any level is completely incompatible with the FCC's (and Congress') stated goal of expanding broadband investment, deployment, and usage. In addition, it would be contrary to both sets of goals if the FCC were to pursue strategies that forbid appropriate pricing mechanisms from developing in a free-market environment.

The MFP has become particularly concerned with comments from the "free-culture" community that seek to reduce the complexities of broadband provision to the model of sewage removal or delivery of drinking water. A public-utility approach is precisely the wrong one for broadband for a variety of reasons, but one of the most important is the absolute necessity of prioritizing, and otherwise actively managing one quantum of data versus another. Many examples referenced in your Inquiry, including provision of medical services, immediately depend on this type of management, as do new mechanisms to allow providers to prohibit illegal

activity on their networks. But at the end of the day, every use of broadband requires some amount of successful traffic management. Constraining the ability of providers to manage this traffic will degrade networks, endanger services, and, as mentioned above, will discourage new investment in broadband—both in expanding current speeds and bringing access to unserved or “underserved” areas.

Americans for Tax Reform is deeply concerned that if the FCC pursues a strategy that burdens the Internet with regulation on the delivery and/or pricing side, the exciting innovation we have seen will grind to a halt. This, in turn, will result in calls for government funding to provide for what was formerly provided (more effectively and efficiently) by the free-market. All of this would add up to a greatly higher burden of government in an area of the economy considered by many to be the most free. Higher regulatory compliance costs and higher taxes should not bog down the national broadband plan.

In response to questions of definition raised by the FCC as it develops its plan, ATR and MFP strongly urge the Commission to reject any model which sees broadband adoption as anything other than voluntary. Those with access to broadband, but who refuse it, should not be assumed to have been offered an inferior product, or to be impeded somehow in adopting broadband. In other words, the strong presumption should be that in those many cases with broadband is available, but not adopted, we are simply seeing rational allocation of funds by individuals who value some things more than others. In fact, a recent Pew study shows that only 4.5 percent of adults cite availability as the reason they do not subscribe to broadband. Such an environment does not call for government intervention in order to solve some perceived problem.

In every case, ATR and the MFP urge the FCC to allow the free market to work. It has been responsible for the phenomenal growth in broadband and is the most effective and efficient

way to encourage investment, and then allocate the scarce resource of bandwidth. The greatest danger today is that the government will proactively damage what is a functioning, relatively free market. For this reason, ATR will reserve additional comments to the reply period.

Respectfully Submitted

A handwritten signature in blue ink that reads "Christopher Butler". The signature is written in a cursive style with a large initial "C" and a long, sweeping underline.

Christopher Butler
Americans for Tax Reform