

**Before the Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)
)
Restoring Internet Freedom)

WC Docket No. 17-108

**REPLY COMMENTS OF THE NATIONAL ASSOCIATION OF STATE UTILITY
CONSUMER ADVOCATES ON NOTICE OF PROPOSED RULEMAKING**

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EXECUTIVE SUMMARY

The National Association of State Utility Consumer Advocates (“NASUCA”) submits these reply comments responding to multiple parties’ comments on the questions presented by the Commission’s Notice of Proposed Rulemaking (“NPRM”).

Industry claims that the Commission is compelled by statute to classify broadband Internet access service as Title I are incorrect and grounded in inaccurate interpretations of key court decisions. Contrary to these claims, the courts have been clear that the types of protections necessary to insure an open Internet can only be achieved through the Title II classification adopted in the 2015 Open Internet Order.

Assertions that Title II has harmed investment are not grounded in fact and studies cited to support this argument have been thoroughly rebutted. There is irrefutable evidence that significant harms occurred under the prior Title I regime. Parties have presented examples of these harms and the Commission itself has repeatedly found that, absent the net neutrality requirements only available under Title II, the potential for harm is great. The D.C. Circuit upheld these findings when it upheld the 2015 Open Internet Order.

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NASUCA stands by its statements. In these reply comments, NASUCA focuses on commenters' failure to show that broadband should be reclassified as Title I, and commenters' failure to show that the recently implemented Title II regime has harmed broadband investment.

Also, NASUCA remains concerned that the Commission has provided parties with inadequate time to fully address the analysis and the large number of questions posed in the NPRM, and responding to other parties' reply comments. NASUCA supports the August 1, 2017 request of Public Knowledge, et al. for additional time.³

II. BROADBAND SHOULD REMAIN CLASSIFIED AS A TITLE II SERVICE.

Many of the industry comments argue that broadband should be,⁴ or indeed *must* be,⁵ classified as a Title I information service. The idea that there is a statutory compulsion to Title II, as expressed by AT&T, is contrary to *Brand X*⁶ and *USTelecom*.⁷ In *Brand X*, the Supreme Court analyzed the 2002 decision for Title I under the *Chevron* stage 2 framework, which is appropriate only where there is a statutory ambiguity.⁸ The *Brand X* Court found the FCC's choice of information services to be a reasonable (but not necessarily the most reasonable) interpretation of an ambiguous statute.⁹ AT&T's arguments that *Brand X* found no ambiguity in the statute¹⁰ bear little relation to the facts. Indeed, AT&T's quotation from *USTelecom* shows the lack of compulsion in the statute: "[T]he Act left the matter to the agency's discretion. In

³ <https://ecfsapi.fcc.gov/file/1080223656569/Motion%20for%20Reply%20Extension%20FINAL.pdf>.

⁴ E.g., Charter Comments at 13-17; Comcast Comments at 12-24; NCTA Comments at 8-26.

⁵ See AT&T Comments at 59-89.

⁶ *National Cable & Telecommunications Ass'n. v. Brand X Internet Services*, 545 U.S. 967 (2005) ("*Brand X*").

⁷ *United States Telecom Ass'n v. FCC*, 825 F.3d 674 (D.C. Cir 2016) ("*USTelecom*"), *reh'g en banc denied*, No. 15-1063, 2017 WL 1541517, at *1 (D.C. Cir. May 1, 2017).

⁸ *Brand X*, 545 U.S. at 986.

⁹ *Id.* at 1000.

¹⁰ AT&T Comments at 82-85.

other words, the FCC could elect to treat broadband ISPs as common carriers ... but the agency did not have to do so.¹¹

Contrary to the carriers' arguments, the statute does not compel classification of broadband access service as an information service. As the Electronic Frontier Foundation ("EFF") explains, broadband Internet access "matches the statutory definition of a Title II telecommunications service."¹² EFF's analysis is supported by evidence provided in other comments describing how broadband Internet access functions and content is obtained by customers, and the importance of recognizing the distinction between the common carriage transmission of content, plus the content itself.¹³ This is eloquently described by the Writers Guild of America West:

To put it simply, Internet service is the epitome of telecommunications. Consumers use BIAS [Broadband Internet Access Service] for its straightforward transmission capabilities so that they may access *third-party* websites and services without interference by their ISP. Extensive data confirm this fact. For example, according to Quantcast, 90% of the top 20 most popular websites are independent of a major ISP. The two that are not – Yahoo and BuzzFeed – were popular sites long before ISP investment. Similarly, Sandvine reports that in 2016, 57% of all peak period downstream Internet traffic was provided by three video services: Netflix, YouTube and Amazon. None of these online video providers are owned by a major ISP or is technically required to be tied to a vertically-integrated BIAS provider.¹⁴

The rationale for Title II was amply demonstrated in the 2015 *Open Internet Order*.¹⁵

These reasons were sufficient for the *USTelecom* Court to uphold that Order. And, as noted, the

¹¹ *USTelecom* Reh'g Denial, 855 F.3d at 384 (Srinivasan, J., joined by Tatel, J., concurring in denial of reh'g en banc); see also *id.* at 386 ("Brand X ... concluded that Congress had authorized the agency to decide whether to regulate ISPs as common carriers") quoted by AT&T at 59 and fn. 4.

¹² Electronic Frontier Foundation Comments at 17-21.

¹³ State Attorneys General Revised Comments at 12-16; Home Telephone Comments at 10-13, and Attachment 2; AARP Comments at 85-92; Free Press Comments at 45-53; INCOMPAS Comments at 44-57.

¹⁴ Writers Guild of America West Comments at 5.

¹⁵ Declaratory Ruling and Order, Protecting and Promoting the Open Internet, FCC 15-24, ¶ 77 n.121 (March 12, 2015) ("Open Internet Order").

NPRM did not set forth adequate grounds to reverse the 2015 Order¹⁶ – especially since less than two years have passed since the *Open Internet Order* was adopted.

Large carriers say they support “principles” for mass market internet services:

Transparency: We support rules that require providers to tell customers what the provider's policies and practices are.

Blocking: We support rules that prevent providers from blocking lawful content, applications, or services.

Throttling: We support rules that prevent providers from intentionally slowing down or throttling Internet traffic based on the traffic's source, destination, or content.

Paid prioritization: We support rules that prevent providers from charging content suppliers a fee to deliver their Internet traffic faster than the Internet traffic of others where the result is harm to competition or consumers.

Reasonable network management: We support rules that recognize that providers can manage their networks efficiently.¹⁷

NASUCA also supports such rules. Unfortunately for the carriers' arguments, such rules are available only under Title II.¹⁸

AT&T raises the specter of Title II price regulation.¹⁹ This rests on the tenuous assumption that prohibiting unreasonable and discriminatory behavior is “equivalent” to prohibiting deep discounts.²⁰ Deep discounts that are not unreasonable or discriminatory are not at issue. For the protection of consumers, unreasonable and discriminatory and anti-competitive practices should be prohibited. This would be necessary regardless of statutory classification.

¹⁶ NASUCA Comments at 6-10; State Attorneys General Revised Comments at 17-18.

¹⁷ Verizon Comments at 4; see also NCTA Comments at 4-6; Charter Comments at 2.

¹⁸ NASUCA Comments at 10-12. *See, also*, State Attorneys General Revised Comments at 11; AARP Comments at 11-20, 22-25, 40-44, 46; Free Press Comments at pp. 37-40; Electronic Frontier Foundation Comments at 21-22.

¹⁹ AT&T Comments at 6; see also Verizon Comments t 2; Comcast Comments at 1 (“onerous utility-style regulation”).

²⁰ *Id.*

Taking another tack, Verizon argues that it “faces competition nearly everywhere we offer broadband Internet access services.”²¹ Without delving into the specifics of Verizon’s claims,²² it should suffice to note that the harms that triggered the consumer protections adopted in the *2015 Open Internet Order* would not be preventable or correctable solely through increased competition. Further, the true extent of competition for broadband Internet access is debatable, varies widely among communities, and is compromised when the “competitor” is an affiliate of the wired provider.²³

Finally, carriers assert that Congressional action to resolve these issues would be preferable.²⁴ Congress has not acted and, in the meantime, there is no legal or policy justification for the Commission to suddenly abandon the rules and consumer protections adopted in the *2015 Open Internet Order* that were upheld in *USTelecom*.

III. THE “HARMS” FROM TITLE II CLASSIFICATION ARE UNFOUNDED AND GREAT HARM WOULD RESULT FROM REVERTING TO TITLE I.

A. Carrier's Claims that Title II Broadband Classification is Harmful Are Unfounded.

Verizon asserts that “Title II regulation of today’s broadband access services have [sic] injected uncertainty into the marketplace, restricted innovation, and chilled investment.”²⁵ As NASUCA’s filings have expressed, uncertainty is inherent in the telecom space.²⁶ More importantly, as Amazon explains, much greater uncertainty and harm would be caused by the

²¹ Verizon Comments at 1.

²² See Verizon Comments, Exhibit A, at 3-4.

²³ See, for example, AARP Comments at 73-80; Corrected Comments of Public Knowledge and Common Cause at 77-78; Free Press Comments at 113-114; INCOMPAS Comments at 26-27; Electronic Frontier Foundation Comments at 7-10.

²⁴ AT&T Comments at 7; NCTA Comments at 6; Verizon Comments at 3; Comcast Comments at 9-10. AARP Comments at 8-9, 13-14, 24-25.

²⁵ Verizon Comments at 3.

²⁶ CG Docket No. 14-28, et al, NASUCA ex parte (July 15, 2014) at 12.

Commission suddenly reversing course and eliminating the bright line protections necessary to ensure unfettered, nondiscriminatory access to the services and content delivered over broadband Internet access:

In order to deliver new products and services to consumers, companies need to know with a reasonable degree of certainty that a new product or service will be able to be deployed without undue interference by broadband service providers. Reopening established rules and policies catering to swings of the regulatory pendulum undermines that certainty and puts “at risk online investment and innovation, threatening the very open Internet” that the proposed rulemaking purports to preserve.²⁷

The NPRM cited studies as support for the notion that Title II caused reduced investment in broadband, but those were thoroughly refuted by AARP and Free Press.²⁸ NCTA reviews a number of industry-sponsored studies that claim to support the idea that Title II classification has reduced investment.²⁹ NASUCA is skeptical about the validity of the studies cited by NCTA. It has been only two years since the *Open Internet Order* was issued in March 2015. Regardless of the theoretical and factual issues raised by the various studies,³⁰ two years is too brief a time to assess such impacts. As discussed by the Center for Democracy and Technology, this point has been made by broadband Internet access providers themselves:

Even if it were possible to demonstrate a causal, or even a correlative relationship between either classification under the Communications Act and capital expenditures on broadband infrastructure, the timescale upon which such investment decisions are made precludes making this showing. As the NCTA points out, “two years is too short a time to fully evaluate the impact of a Title II regime because investment horizons are typically much longer than two years. Many of the investments made in 2015 and 2016 were set in motion several years before and may not have accounted for the prospect of Title II regulation.” In addition, broadband providers have themselves stated that classification under Title II would not affect their investment decisions.³¹

²⁷ Amazon Comments at 2, fn omitted.

²⁸ AARP Comments at 47-61; Free Press Comments at 75-76, 86, 130-136, 143, and 145-154.

²⁹ NCTA – The Internet and Television Association (“NCTA”) Comments at 31-42; see also Comcast Comments at 27-33.

³⁰ See AARP Comments at 50-61, addressing those studies.

³¹ Center for Democracy and Technology Amended Comments, at 4, footnotes omitted.

Significantly, several non-dominant broadband Internet access providers report that Title II classification has not harmed investment but, instead, has brought much needed certainty to the marketplace by adopting bright line rules that ensure fair treatment of content. Home Telephone Company states:

Home raises concerns that the Commission is operating from false premises that current rules are discouraging investments and that broadband is being subjected to full Title II regulations. In its filing, Home indicates that as a small broadband provider it has NOT been hindered or discouraged from investing under existing regulations. Rather, the existence of rules of the road and an impartial referee has provided a degree of confidence that our investments will be allowed to compete fairly in the marketplace....³²

This point is echoed in a recent letter submitted to Chairman Pai by 41 small Internet Service Providers:

We write to inform you that as Internet Service Providers located across the country that we are in full support of the current Open Internet Order and its underlying legal foundation under Title II of the Communications Act. We have encountered no new additional barriers to investment or deployment as a result of the 2015 decision to reclassify broadband as a telecommunications service and have long supported network neutrality as a core principle for the deployment of networks for the American public to access the Internet.³³

The NPRM's assumption that Title II has deterred investment is not supported by facts and relies on studies that do not hold up under scrutiny. There is no basis to conclude that applying Title II classification to broadband Internet access deters investment.

B. Comments Demonstrate that Significant Harm Occurred in the Absence of Title II Broadband Classification and Reverting to Title I Would Cause Further Harm to Non-Dominant ISPs, Content Providers and The Public.

Comments provided by content creators, non-dominant ISPs and smaller carriers (who have no incentive to engage in the types of content discrimination prohibited in the 2015 Open

³² Home Telephone Comments at iii-iv.

³³ Letter from 41 Internet Service Providers to Chairman Pai, June 27, 2017, NECA *Washington Watch*, June 29, 2017.

Internet Order), and consumer and public interest advocates have demonstrated that substantial harm *did* occur under Title I. Those same harms would undoubtedly re-occur if the Commission reverses course and jettisons the Title II classification.

Home Telephone noted that the Commission attempted to put the 2015 Open Internet Order regulations in place in its 2010 Order, after "Comcast was found to be in violation of the Commission's Internet principles and was throttling services."³⁴ Because this occurred under Title I, the Commission's effort to enact the protections was rejected by the courts. The Electronic Frontier Foundation and the Writers Guild of America West documented numerous instances of harm to users and content providers under Title I.³⁵ Writers Guild of America West then provided detailed information showing that since these harms occurred, the large broadband Internet access providers now have even greater technical ability and incentive to engage in gatekeeping, discriminatory treatment and use of customer data in ways that negatively impact customer privacy.³⁶

As Home points out, "the evidence is clear there is a need for these regulations, even if they are designed to guard against providers' bad behavior and their incentives to engage in such behavior—which the D.C. Circuit has now agreed with the Commission that these incentives exist in both the Verizon and Title II Order cases."³⁷ This point was reinforced by INCOMPAS:

The harms posed by large broadband providers are real and tangible. As the D.C. Circuit concluded, "the threat that broadband providers would utilize their gatekeeper ability to restrict edge-provider traffic is not, as the Commission put it, 'merely theoretical.'" Through its review of a series of proposed mergers of the country's largest broadband providers, the Commission has a unique insight into the incentives and abilities of such companies to violate open Internet principles. Before undertaking the 2014 open Internet rulemaking, the Commission already had reviewed an extensive record in the Comcast-NBCU merger. Because of the harms to competition posed by the merger, the

³⁴ Home Telephone Comments, at 19-20

³⁵ Electronic Frontier Foundation Comments at 14-15; Writers Guild of America West Comments at 8-13.

³⁶ Writers Guild of America West Comments at 8-13.

³⁷ Home Telephone Comments at 20.

Commission adopted several open Internet principles as conditions to approving the merger, which it then referenced in the *2015 Open Internet Order*. The major factual findings underpinning the *Open Internet Order* were twice confirmed by the D.C. Circuit.³⁸

Amazon also notes that the Commission has repeatedly found that dominant broadband Internet access providers who control not only the vast majority of broadband Internet access connections, but also generate content, "have the ability and incentive to discriminate against unaffiliated content."³⁹

That incentive is now greater than ever as consumers are embracing SVOD [streaming video on demand]. Amazon Studios creates award-winning programming for customers, and Amazon Video Direct is a self-service publishing program for creators, storytellers, and rights holders to make their video content available to Amazon customers and earn royalties based on the hours streamed. A regime that allows a BIAS provider to engage in discriminatory conduct, at any time, including when BIAS providers own or have a special deal to provide content, directly interferes with a consumer's choice of content and destabilizes competition in this dynamic market. This type of regime undermines the degree of certainty that is needed to foster the tremendous creation of online video content that has flourished this decade.

This negative impact on the telecom and ISP industry of reclassifying broadband Internet access as Title I was explained by independent ISPs in their recent letter to Chairman Pai:

We wish to further express our opposition to the proposed plans to reverse course and again undergo another reclassification of broadband back into an information service. The federal courts have made it very clear that network neutrality depends on the FCC maintaining that broadband is a telecommunications service and that other approaches have already failed as a legal matter. We have always supported a neutral network approach to the Internet and see no reason why it should not be required as a matter of law.

Without a legal foundation to address the anticompetitive practices of the largest players in the market, the FCC's current course threatens the viability of competitive entry and competitive viability. As direct competitors to the biggest cable and telephone companies, we have reservations about any plan at the FCC that seeks to enhance their

³⁸ INCOMPAS Comments at 8.

³⁹ Amazon Comments at 5.

market power without any meaningful restraints on their ability to monopolize large swaths of the Internet.⁴⁰

The very real harms to innovation, competitors, content providers, and, most importantly, to consumers under the prior Title I regime have been confirmed by prior Commissions, the courts and discussed in comment. The harms that existed under Title I were significant. The incentives are stronger than ever for dominant broadband Internet access providers to engage in discriminatory actions once again if the prior Title I classification is restored.

IV. AT&T's ARGUMENTS ON MOBILE BROADBAND SHOULD BE REJECTED.

NASUCA supports the FCC's 2015 decision to extend protections to mobile broadband users.⁴¹ In its comments, AT&T argues that "[t]he Title II order erred in classifying mobile broadband as a commercial mobile service or its functional equivalent."⁴² AT&T's arguments are unpersuasive and are contrary to the findings of the DC circuit. AT&T's comments on this issue heavily rely on criticisms of the *USTelecom* majority, which is not an appropriate stance at this point.⁴³ Further, AT&T's classification argument addresses mobile broadband under § 332, and should not be broadened past that, or risk violating the APA.

As part of its argument on mobile broadband, AT&T, citing ¶ 391, argues that in the *2015 Open Internet Order*, the Commission erred in redefining the public switched network "as two mutually incompatible networks: the network using the North American Numbering Plan (the telephone network) and the network using 'public IP addresses' (the Internet)."⁴⁴ As explained below, ¶ 391 of the *Order* does no such thing.

⁴⁰ June 27, 2017 ISP letter to Chairman Pai.

⁴¹ See NPRM, ¶ 391.

⁴² AT&T Comments at 92.

⁴³ *Id.* at 94-96.

⁴⁴ *Id.* at 92, citing NPRM, ¶ 391.

AT&T claims that Congress used the terms "'public switched network' and 'public switched telephone network' interchangeably," and therefore, the term "public switched network" is a "term of art denoting the telephone system."⁴⁵ AT&T then argues that the 2015 Open Internet Order erred by defining "'the public switched network' to include two distinct networks - the telephone network and the Internet."

AT&T's argument was addressed and thoroughly refuted by the DC Circuit in *US Telecom*:

Mobile petitioners argue that Congress intended "public switched network" to mean — forever — "public switched telephone network," and that the Commission thus lacks authority to expand the definition of the network to include endpoints other than telephone numbers. We are unpersuaded. Mobile petitioners' interpretation necessarily contemplates adding a critical word ("telephone") that Congress left out of the statute, an unpromising avenue for an argument about the meaning of the words Congress used. . . . If Congress meant for the phrase "public switched network" to carry the more restrictive meaning attributed to it by mobile petitioners, Congress could (and presumably would) have used the more limited — and more precise — term "public switched telephone network." Indeed, Congress used that precise formulation in another, later-enacted statute. . . . Here, though, Congress elected to use the more general term "public switched network," which by its plain language can reach beyond telephone networks alone. . . .

Not only did Congress decline to invoke the term "public switched telephone network," but it also gave the Commission express authority to define the broader term it used instead. . . . Mobile petitioners conceive of "public switched network" as a term of art referring only to a network using telephone numbers. But if that were so, it is far from clear why Congress would have invited the Commission to define the term, rather than simply setting out its ostensibly fixed meaning in the statute. We instead agree with the Commission that, in granting the Commission general definitional authority, Congress "expected the notion [of the public switched network] to evolve and therefore charged the Commission with the continuing obligation to define it."⁴⁶

Also, with regard to wireless broadband, AT&T argues that the Commission should restore the pre-Open Internet Order rules for Title III (wireless) services.⁴⁷ The rule AT&T

⁴⁵ *Id.* at 92-93.

⁴⁶ *US Telecom v. FCC*, 825 F.3d 674 717-718 (2016). Citations omitted.

proposes to change – 47 CFR § 20.3 – explicitly applies to CMRS, not to any form of wireline broadband. And any such change would have to be based on a prior finding that Title II does not apply to wireless broadband. As discussed in NASUCA’s initial comments, such a finding is not possible here.⁴⁸

V. AT&T’s FORBEARANCE PROPOSAL SHOULD BE REJECTED.

In Section II.C. of its comments, AT&T supports the NPRM’s suggestion that forbearance from the entirety of Title II be granted for all broadband Internet access services, described as a “belt-and-suspenders” approach.⁴⁹ AT&T states that this is “to address the contingency that a court or future Commission might seek to reinstate the *Title II Order* and the self-executing regulatory consequences of a ‘telecommunications service’ classification.”⁵⁰

Contrary to AT&T’s view, such avoidance is not the purpose of forbearance. Forbearance is intended to allow for flexibility in the application of specific regulations or elements of a statute, not for use as a path to circumvent present or future consideration of what should be the proper statutory classification of a service. A decision to forbear must be based on a thorough consideration of the specific regulations, provisions, services, carriers and markets that are addressed in a petition and whether the proposal meets statutory criteria. The Commission may forbear from applying a particular regulation or provision to a class of carrier or service, provided that the proposed forbearance meets three tests: 1) that the regulation or provision is not necessary to ensure non-discriminatory practices or just and reasonable charges; 2) the enforcement of the regulation or provision is not necessary for the protection of consumers; and

⁴⁷ AT&T Comments at 98.

⁴⁸ NASUCA Comments at 18-20,

⁴⁹ AT&T Comments at 99. Under this proposal, forbearance would not limited to mobile broadband.

⁵⁰ *Id.*

3) forbearance from applying such provision or regulation is consistent with the public interest.⁵¹

It is questionable whether the proposed belt-and-suspenders approach meets any of the tests, and certainly it does not pass the public interest test.

VI. CONCLUSION

The facts and evidence developed by prior Commissions, upheld by the D.C. Circuit and addressed by parties in opening comments in this docket demonstrate that the types of protections necessary to insure an open Internet can only be achieved through the Title II classification adopted in the *2015 Open Internet Order*. There is no factual or legal justification for the Commission to reverse itself. To the contrary, if the Commission were to radically alter course and return broadband Internet access to Title I, it would be inviting discriminatory behavior by dominant Internet access providers on an unprecedented scale, to the detriment of the public, innovative content providers and competitors. There is no reason to follow that path.

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⁵¹ 47 U.S.C. § 160(a)(3).

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