Protecting Small Business Innovation

July 28, 2011

Honorable Julius Genachowski
Commissioner
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

Dear Chairman Genachowski:

I write today representing thousands of app developers in support of the AT&T-T-Mobile merger. With such a high profile merger you have undoubtedly seen ads, read commentary, and heard regularly from the merger's supporters and detractors advancing their positions. App developers tend to operate with a lower profile, but the massive growth of our industry, and its rising importance to the nation's economy, means our voice is critical in this debate.

Our industry continues to experience incredible success during a lagging economy. In the past two weeks, the companies providing the largest platforms for mobile apps sales announced huge profits, far exceeding Wall Street projections. This does not happen in a vacuum. Market analysts have also identified explosive growth in the apps marketplace, consistently revising their revenue projections upward. Research firm Canalys recently reported that direct app sales in 2011 are expected to reach $7.3 million, climbing to $14.1 billion next year and $36.7 billion by 2015. Including app development expenditures brings this total over $50 billion.

If these figures seem remarkable, consider the supporting data. Apple recently announced that the App Store recorded its 15 billionth app download. The Google Android Market topped the 4.5 billion mark in May. Since the mobile industry accounts for two percent of the world's GDP, the room for growth appears vast. And with the global transition from feature phones to smartphones occurring at a dramatic rate, the demand for apps is growing exponentially.

This is a demand being met by America's small business developers. App makers in the U.S. create most of the world's smartphone apps. And most of these companies are small businesses. An ACT study of the top 500 apps for the App Store and Android Market revealed that over 80% come from small businesses - and many of those from micro businesses. And while Silicon Valley continues to be a hub of innovation, we found that 70% of these companies operate outside California; in fact many are in remote rural areas

American small businesses in the app industry are riding the crest of this app economy wave, hiring coders, graphic artists, and assembling development teams. They are attracting investors as venture capital is enticed by the rapid growth in this marketplace. This investment provides the resources to hire new staff and expand companies. By all appearances, the U.S. app marketplace seems poised for sustained growth.

Surprisingly, this is not assured. We are at a transition point in our nation's mobile internet infrastructure. The increasing market share of smartphones and the rising use of data-intensive apps have put our wireless data networks under tremendous pressure. The 3G networks which most Americans use for mobile internet access were not built to handle the amount of traffic smartphones and tablets generate. U.S. mobile networks are approaching full capacity much sooner than any of our global competitors. Under current conditions, a busload of kids streaming video files can shut down a cell tower serving an entire neighborhood.

The major carriers have responded by transitioning away from unlimited data plans and now require a surcharge for high data usage. This step was taken to limit the incredible demand for mobile internet. The changes in data pricing actually reflect efforts to manage finite resources.

To address this issue, many in developed countries have begun upgrading their mobile infrastructure to new, scalable 4G networks. Among our global competitors, Long Term Evolution (LTE) has been adopted as the communications standard. In addition to providing much faster download speeds with significant room for improvement, LTE includes utilities that allow network administrators to manage traffic when bottlenecks occur.

Unfortunately, not all of our national domestic carriers are investing in LTE. Verizon and AT&T began building out LTE networks over a year ago, but Sprint has been committed to WiMax and T-Mobile to HSPA+, two high-speed technologies that are at the end of their developmental cycles. There is little room for improvement in these services, and three years from carriers now investing in their deployment will be offering customers the same performance they see today while LTE providers will have progressed far beyond.

To its credit, Sprint is reportedly seeking to build a dual WiMax/LTE network, although doubts remain about whether it possesses the resources to build two networks that can match the efficiency and reliability of the big carriers investing in a single platform. T-Mobile, however, is owned by German company Deutsche Telekom which steadfastly refuses to invest in LTE. Without a takeover and new investment, this would truly be the end of the road for T-Mobile customers.

AT&T's acquisition of T-Mobile includes a commitment to invest in the resources necessary to provide their customers access to new high-speed data services. The merger also ensures that the vast spectrum holdings of T-Mobile will not be under-utilized at a time of spectrum scarcity. T-Mobile's network serves many remote communities that are in danger of being left behind without the investment AT&T is prepared to make.

For mobile app developers, the internet is our bread and butter, the vital gateway to market, and any decision concerning it will shape the future of our business. Small business app makers are on the forefront of internet innovation and we rely on unfettered access to high-speed and reliable networks to serve our customers.

The United States currently enjoys a sizable competitive advantage in the global app marketplace. We are poised to experience dramatic growth, bringing jobs and investment to the U.S. economy. As a nation, we cannot risk sacrificing our competitive position through a failure to innovate and invest in our infrastructure. That is the surest way to squander the tremendous opportunity before us.

Sincerely,

Morgan Reed
Executive Director

cc: Honorable Michael J. Copps
Honorable Robert M. McDowell
Honorable Mignon Clyburn