Testimony of Robin Chase, CEO
GoLoco

Before the
U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Communications and Technology

Hearing On:
"H.J. Resolution 37, Disapproving the rule submitted by the Federal Communications Commission with respect to regulating the Internet and broadband industry practices"

Washington, DC
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Chairman Walden, Ranking Member Eshoo, and members of the Subcommittee, thank you for this opportunity to discuss the importance of network neutrality rules to job creation, economic development, and innovation. My name is Robin Chase, and I am the founder and CEO of GoLoco, an online ridesharing community; the founder of Meadow Networks, a consulting firm that advises city, state, and government agencies about wireless applications in the transportation sector; and the founder and former CEO of Zipcar, the largest carsharing company in the world. I also serve on the board of the World Resources Institute, the US Secretary of Commerce's National Advisory Committee for Innovation and Entrepreneurship, and the US Department of Transportation's Intelligent Transportation Systems Program Advisory Committee.

Introduction

When I received the invitation late last week to testify before this Committee, I was working across the Atlantic and later this afternoon I will need to fly back. Despite the significant

resources and travel time it took to come here, I accepted the invitation because I am very concerned with the course of action Congress is considering, namely repealing and eliminating the authority of the Federal Communications Commission (FCC) to enact policies that preserve an open Internet. I want members of this Committee to know that as an American entrepreneur and businesswoman who has successfully launched companies dependent on the Internet, I believe such repeal would harm our country's ability to innovate, produce jobs, and remain competitive in the world marketplace.

An Open Internet was central to Zipcar's existence and success

Eleven years ago, I co-founded Zipcar. The idea behind the company was to make renting a car as simple as getting cash from an ATM, and free and open access to the Internet was central to the company's existence. It is thanks to the Internet that Zipcar members can effortlessly locate a car near them, make a reservation based on real-time availability for a specific car in a specific location, and then unlock the right car at the right time at the right location. It is only because of the ease, speed, and zero marginal cost of this transaction that anyone would be willing to rent a car for an hour, or to sell only an hour of a car's time. Without an open Internet, a company like Zipcar simply would not exist.

Currently Zipcar Inc. employs 468 people full time and 225 people part-time, provides services in the United States, Canada, and the United Kingdom to more than 530,000 members with a fleet that exceeds 8,000 vehicles. The company's 2010 revenue projection will exceed $134

million. It is the largest car sharing company in the world. It's success has established carsharing as a credible, interesting, and mainstream service. Major auto manufacturers (Ford, GM, Toyota, Nissan, Honda, and Renault for example) and major car rental companies (Enterprise, Hertz and Avis) have followed our lead and have carsharing projects in progress. That has been quite the progression from our initial launch in the streets of metro-Boston, Massachusetts.

So as an American businesswoman and entrepreneur who started a small business and worked to make it grow into the multinational corporation that it is today, I can confidently say that eliminating the FCC's Network Neutrality rules will put future entrepreneurs and small businesses at a significant disadvantage. They will not be able to replicate the success that I enjoyed when Zipcar was just a startup, will not be able to test out novel and unproven ideas at low cost, and will not be able to compete with established incumbents. The result will be that the innovation potential from future businesses --the core of any thriving economy -- will be lost.

We cannot rely on the Telecommunications Industry to Define the Internet experience

The hallmark of an open Internet is the ability to create your own experience on the Web, without needing the permission of your Internet access provider. For example, if Zipcar had been forced to rely on the auto industry's definitions of car ownership – or worse yet, had to ask their permission – our vision of a fleet of personal cars being shared among unconnected individuals would have never made the cut. Our vision did not match their understanding of consumer demand, and our business model reduces the number of cars sold. Likewise, we cannot

rely on the telecommunications industry to define the Internet. The industry would almost certainly believe that they know definitely what consumers want, and they would define the Internet as their new preferred "triple play" – their telephone service, their video service, and their idea of your ideal Internet experience. Such an approach is a perfect receipt for stifling innovation in this country.

We need public policy to ensure that the Internet remains evolving, flexible and accessible. Without it, startups with crazy and novel ideas might not be able to reach consumers to try their wares. If Congress decides to disable the FCC's ability to enact polices that protect an open Internet, the Internet ***will*** become captured by the broadband Internet companies that provide access. These gatekeepers have strong incentives to establish the status quo of their choosing, to increase cost and access to the resource, and when profitable, to introduce friction into the way people and companies access the network. Such a situation would dramatically harm our nation's ability to innovate and remain competitive in a world marketplace, which ultimately will harm job creation.

This is not just mere speculation but rather firsthand experience. During the initial years of Zipcar, the wireless industry simply could not and would not think outside of the box. When we first approached them for a data plan in 2000, we were met with blank, non-responsive stares. Back then there was a lot of hype around wireless data with wireless operators offering relatively expensive plans for what they called "road warriors." Their pricing models seemed to presume one user per device with an exclusive focus on average revenue per user. What Zipcar needed

was an enterprise model where we were one technically sophisticated customer with many devices (our cars) that would only be incurring customer support costs on rare occasions.

Despite the paltry amounts of data that were being sent to and from our cars, our initial conversations on acquiring data access with industry representatives revolved around purchasing "minutes" instead of "kilobytes." I recall many representatives not actually understanding the difference between purchasing "kilobytes" versus purchasing "minutes." The industry had only one vision of wireless use and therefore only one product to sell. We were either a cell phone or we did not exist.

The experience Zipcar had with the Internet was practically the opposite. We were able to invent and use our own new protocol by building on top of the existing transport protocol User Datagram Protocol (UDP). On the Internet, our UDP packets were treated like anyone else's and we did not need to gain approval from our provider or anyone in order to do this. I can only imagine the possible bureaucratic delays or rejection we might have encountered without the Internet. One only needs to look at the relatively onerous and expensive testing procedures that wireless carriers require of equipment vendors to follow for new wireless equipment to see that arbitrary barriers to innovation are easily introduced within the private sector when left to its own devices.

Unlocking Innovation will Lead to Greater Economic Prosperity

Innovation is the life blood of a competitive economy and the Internet is the circulatory system that will carry that vital source to the whole economy. The Internet's capacity to allow individuals to share ideas effortlessly directly increases innovation. This is due to the fact that innovation is built on the following four factors:

1) The existence of problems and the desire to solve them
2) The ability to apply new ways of thinking to these problems
3) The cost of inputs needed to solve the problem (skills, data, resources, devices, networks)
4) The ability to iterate, adapt, evolve, and scale

There is no dearth of problems in our society and some individuals spend a great deal of time thinking about how to solve them. An open Internet gives everyone the ability to apply new ways of thinking to problems, especially problems that are kept hidden in discipline silos that often do not get any new thinking applied to them. In addition, the open Internet enables problem solvers to efficiently tap into their unused excess capacity (the time they have to solve problems) and multiply that effect across the network with other problem solvers at virtually no cost to themselves. Even with the first three factors fulfilled, the fourth step – the ability for innovators to iterate, adapt, evolve, and scale, is integral and an open platform like the Internet is the perfect tool that allows for truly global experimentation and evolution.

As Tom Watson, the founder of IBM once said "if you want to improve your success rate, double your failure rate." And a far less elegant way I would say this would be if you want to improve your innovation rate, open up more data, devices, networks, platforms, and sources.

Ensuring that the Internet can continue to perform this function of promoting innovation is the reason we are having this debate about the FCC's network neutrality rules. As someone who has been deeply involved in running companies in the private sector, I absolutely agree that excessive regulation stifles innovation and prevents free markets from innovating. However, it is important that members of this Committee recognize that the public policy enacted by the FCC that ensures an open Internet is ***not*** excessive regulation that will stifle innovation but rather a policy that ***prevents*** excessive regulation by powerful telecommunications companies who do not have an interest in enabling and promoting innovation.

In fact, I think the FCC's rules actually did not go far enough in terms of unlocking the innovative spirit of the American entrepreneur. It did not go far enough when it failed to apply non-discrimination and "no blocking" rules to mobile wireless Internet access as it did to wired Internet access. Consumers expect everything to be the same in terms of their Internet experience regardless of the medium they choose to access it. To say that my laptop will have a different Internet experience whether it is plugged in or receiving its access through a wireless network makes no sense. If Congress wants to truly unlock the economic and job creating potential of the Internet by fully tapping into the innovation potential of our country, it should do so by fixing the FCC's rules in this regard, rather than repealing them.

Conclusion

Twenty years ago, no one was thinking that the Internet would be used to share small numbers of cars among large numbers of people. I do not know what brilliant and unexpected uses the Internet will enable tomorrow. No one does. That is why it is critical to make sure that the fundamental characteristic of the Internet– its ability to accommodate, adapt, and evolve – remains as open as possible. It is crucial that there is a public policy by the FCC and Congress that ensures this outcome.

Most innovation and economic growth over the past 15 years has come from companies wholly reliant on the Internet or wireless data transmission. It's worth noting that the root cause of Wi-Fi's success was the basic FCC ruling that enabled unlicensed (i.e. free) use of certain bands that allowed market forces to decide which technologies would be the winners. The number of Wi-Fi chipsets will pass 1 billion units shipped annually by 2012. In three short years since Apple Inc.'s iPhone and then Google Inc.'s Android smart phones have come online, more than 500,000 applications have been built on these newly opened devices, resulting in a $5 billion marketplace.

Our country thrives on its ability to innovate and unfettered access to a free and open Internet is a critical part of our toolkit. Protecting the Internet by defining it as broadly as possible, and letting the FCC protect it from oligopoly interests, is in America's best interest.

For these reasons, I urge the Subcommittee to not move forward in its efforts to repeal the FCC's network neutrality rules and to not prohibit the agency from protecting innovators, entrepreneurs, and small businesses in the Internet marketplace. Thank you again for inviting me to testify. I look forward to your questions.