

Testimony of
Jonathan Spalter – Chairman, Mobile Future

“Apps, Internet Services, and the 21st Century Global Telecommunications Network”
Senate Committee on Energy, Utilities, and Communications
9:30 a.m., Tuesday, March 20, 2012

Introduction

Thank you, Senator Padilla for inviting me to participate today. I am Jonathan Spalter, chairman of Mobile Future, an association of cutting edge technology and communications companies, consumers and a diverse group of non-profits based here in California and around the country who share the common goal of encouraging investment and innovation and maintaining American leadership in wireless technologies. It is an honor to offer some insights for you on the remarkable evolution taking place in today’s broadband communications sector, and what it means for consumers here in California and across the country.

The Broadband Opportunity

I’ll start with the dramatic shift in the nation’s communications and technology sectors as new services and products come to market each day that both anticipate and respond to evolving consumer demands.

Most notable is the increase in Internet access and adoption both at home and on the go. The FCC reports that by the end of 2010, the total number of fixed location Internet subscriptions increased to over 84 million, at a compound annual growth rate of 29% per year over 10 years.¹ From 2000-2010 residential fixed-location connections grew from 3 per 100 households to 63 per 100 households.² Today, 84% of Californians access the Internet.

With growing broadband adoption and use, there has also been a significant shift away from traditional wired connections with consumers increasingly choosing wireless IP services, including voice applications. The FCC reports at the end of 2010, there were 32 million interconnected VoIP subscribers in the US, an increase of 22% in just one year. We have seen a similar shift in California with a dramatic drop off in switched access lines. In just four years, the number of switched access lines dropped from nearly 12.7 million lines in 2006 to less than 7.8 million in 2010.

There is also clear movement toward mobile voice and broadband services. In fact, FCC data shows that more than 30% of adults are now living in wireless-only households. And with faster networks and more powerful devices, wireless broadband is fast becoming a key on-ramp to the Internet. The Pew Research Center’s Internet and American Life Project reports that 46% of American adults now carry smartphones – pocket sized computers that can connect to the Internet from virtually anywhere. The FCC also explains that there has been a significant shift in Federal Lifeline support to wireless services since 2006. A clear example that all ages and income levels see wireless service as their connection of choice.

The consumer appetite for broadband and wireless technologies continues to grow, particularly for those who for far too long have been on the wrong side of the digital divide in our nation. Consider the following statistics:

¹ FCC Report at p. 10, available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-310261A1.pdf.

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- According to Pew, Hispanics and African Americans are adopting smartphones at a faster pace than the national average.
- Pew also reports that Internet usage among Americans over 65 has more than tripled in the past 10 years.
- A recent FCC order on Lifeline services recognized that wireless connections are of great importance to adults living in poverty or near poverty³. The CDC has found that these consumers were more likely than higher income adults to be living in wireless-only households.⁴

The communications revolution has enormous significance for California in terms of productivity, jobs, and innovation leadership. In 2011, Silicon Valley alone added 42,000 jobs, a significant increase well ahead of the national average.

And this is just the tip of the iceberg.

The U.S. already has more wireless subscriptions than people and attention is now shifting to connecting nearly every device we touch – Mobile internet applications that are improving energy efficiency, medical devices that are improving health outcomes and lowering healthcare costs, traffic lights that are addressing road congestion. Silicon Valley company Cisco predicts there will be 2 billion networked mobile devices in our nation by 2015 – that's six devices per man, woman, and child in the United States.

And we're connecting with faster speeds than ever, with 4G services that will soon rival wired broadband capabilities. Tablets are having an important impact on broadband connectivity for consumers. Adult ownership of a tablet or e-reader grew from 18% to 29% in just over a month during the 2011 holiday season. And 1 million new iPads were sold before launch day last week. The consumer demand for these continuously evolving services, products and technologies is driving this revolution and California is in a great position to ride the technology wave.

Conclusion

Whether you live in a rural area or an urban center, broadband connectivity is providing Californians opportunities not even dreamed of just a few years ago. From improved health monitoring, to eLearning opportunities, better access to municipal services and public safety, and increased economic empowerment, and civic engagement, our state is at the very forefront of the communications revolution. As a Californian, I'm proud of the role this State has played in the Internet revolution generally, and the mobile future specifically, and I am encouraged by and grateful for the determination of you and this legislature to ensure our continued world leadership.

As we look ahead to the possibilities of the future let us not forget what got us here. It wasn't technology visionaries alone who charted the path to this moment of enormous mobile opportunity. The success of the Internet – and of wireless broadband – didn't happen by accident but rather through

³ Lifeline Order at ¶ 21 (citing STEPHEN J. BLUMBERG & JULIAN V. LUKE, CENTERS FOR DISEASE CONTROL, NATIONAL CENTER FOR HEALTH STATISTICS, WIRELESS SUBSTITUTION: EARLY RELEASE OF ESTIMATES FROM THE NATIONAL HEALTH INTERVIEW SURVEY, JANUARY – JUNE 2011, at 3 (2011), available at <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201106.pdf>).

⁴ <http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201106.pdf>

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a government policy of disciplined restraint that encourages innovators, investors, and consumers to drive the entire process.

As the marketplace evolves, and as consumers continue dynamically to drive this progress, it is critical for both our state's challenged economy and continued global leadership in technology that we in government and in industry keep pace with this ever-changing communications landscape, and work hard to maintain a climate that allows this sector to continue to flourish.

Thank you.