



TESTIMONY OF CHAD DICKERSON
CEO, ETSY, INC.

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY
HEARING ON "PROTECTING THE INTERNET AND CONSUMERS THROUGH
CONGRESSIONAL ACTION"

JANUARY 21, 2015

Thank you, Chairman Walden, Ranking Member Eshoo, and Members of the Subcommittee for the opportunity to testify on this important issue. As the CEO of a rapidly growing technology company, I'm here today because the Internet, along with the millions of businesses who depend on it, is under threat.

Etsy is an online marketplace where you can buy handmade and vintage goods from artists, designers, and collectors around the world. We were founded in 2005, and now host over one million sellers, who collectively sold \$1.35 billion worth of goods in 2013. Fully 88% are women. Most are sole proprietors who work from home, and they depend on Etsy income to pay their bills and support their families.¹

Etsy has raised more than \$91 million in capital, and we employ over 600 people worldwide. Last year, we were listed as number three on CNBC's Disruptor 50 list. While I'm proud of our success, I can't take all the credit. Without the incredible power of the free and open Internet, we would not be where we are today.

We, like many startups, had humble beginnings. Our founder, Rob Kalin, was a furniture maker. Frustrated by the lack of opportunities to sell his goods online, he built the first version of Etsy out of his Brooklyn apartment in just a few months. Rob didn't have to ask for permission to launch Etsy, or pay for the privilege of reaching consumers at the same speeds as bigger companies. Instead, he demonstrated the value of the product on the open market, and used

¹ www.etsy.me/economicimpact

that success to attract investment and grow the company. This is the entrepreneurial environment that we, like you, hope to preserve.

Without clear, bright line rules that preserve a level playing field online, millions of startups will suffer. Etsy is a low margin business. We charge just twenty cents to list an item, and take just 3.5% of every transaction. We could not afford to pay for priority access to consumers, yet we know that speed matters. Research from Google and others demonstrates that delays of milliseconds have a direct and long-term impact on revenue.² This is not just about high-bandwidth services like video. This is about every company that depends on the Internet to reach consumers.

Without strong rules to prevent discrimination online, we would be forced to either raise our fees to have the same quality of service as our competitors, or accept the revenue loss that comes with delayed load times. And though this would hurt our company, it would hurt the micro-businesses who depend on our platform even more. Etsy has democratized access to entrepreneurship for over one million women who sell goods through our platform. 18% of our sellers support themselves full-time on Etsy, and they live in all 50 states.

Our members understand what's at stake. That's why 30,000 of them, along with fellow members of the Internet Freedom Business Alliance and millions of Internet users, contacted Congress and the FCC on a single day, urging them to protect the open Internet. Some of our sellers even made crafted comments to the FCC, embroidering pillows and engraving spoons that called for real net neutrality. In her comments to the FCC, Tina, an Etsy seller from Spring Valley, Illinois, captured the sentiments of many micro-businesses when she wrote, "We rely on all my sales to make ends meet. Any change in those and it's the difference between balanced meals for my children and cereal for dinner."³

We applaud Congress for recognizing that strong net neutrality rules are essential for innovation online. The discussion draft for legislation addresses many of our concerns, and we are encouraged to see bipartisan agreement on many points. In particular, we support the outright ban on paid prioritization, blocking and throttling. We agree that transparency must underpin strong rules, and were encouraged to see that the rules would apply to mobile. Given that the majority of Etsy's traffic now comes from mobile sources, it is essential that the same rules apply, whether you use your phone or your laptop to access the Internet.

At the same time, we are concerned that the proposal does not ban all types of discrimination online, leaving loopholes that could easily be exploited. For

² <http://radar.oreilly.com/2009/07/velocity-making-your-site-fast.html>

³ <http://apps.fcc.gov/ecfs/comment/view?id=6017996360>

example, under this bill, Internet companies could prioritize their own or affiliated content and services over others. Even more concerning, the legislation would remove the FCC's authority to address new, as-of-yet-unanticipated types of discrimination. Having worked in this industry for most of my adult life, I know how quickly technologies change. How can we be sure we've anticipated every possible type of discrimination today?

We also have serious concerns that by revoking the FCC's authority under Section 706, the bill would undermine the agency's ability to promote rapid broadband deployment across the country, particularly in rural areas, where the Internet allows entrepreneurs to reach a global marketplace. For example, Linda, an Etsy seller from Buchanan, Michigan, said, "A free internet is so important to me because, as someone who moved to a rural area from an urban center, I rely on fair and open access to the internet to grow my small web-based business. Living in economically depressed Michigan has limited my job opportunities."⁴ Revoking the FCC's ability to promote broadband deployment would be harmful to the burgeoning innovation economy in rural areas.

Finally, while we understand that this legislation is narrowly focused on the last mile connection, the door to that last mile is just as important. This bill doesn't prevent broadband companies from creating choke points at the entrance to the last mile, nor does it grant the FCC the authority to regulate this issue, often referred to as interconnection, leaving a loophole that would allow broadband companies to circumvent this legislation, despite its good intentions.

Our position today is the same as it has been all along. We encourage the government to establish clear, bright line rules that ban paid prioritization, application-specific discrimination, access fees, and blocking online, and to apply those rules equally to fixed and mobile broadband, and at the point of interconnection with last mile providers.

We believe the FCC has all the authority it needs to implement such rules, and that Congress has an important role to play as well, particularly in helping to address the litigation risk that will inevitably follow FCC action. We welcome the opportunity to work with you to protect the open Internet once and for all.

⁴ <http://apps.fcc.gov/ecfs/comment/view?id=6017997175>