

Before the  
Federal Communications Commission

In the Matter of

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Protecting and Promoting the  
Open Internet

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GN Docket 14-28

**Reply Comments of Linear Air**

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## **Executive Summary**

As President and COO of a startup digital marketplace, I am deeply concerned at the FCC's bowing to entrenched oligopoly interests at the expense of the true engines of innovation, small and growing companies like mine. This decision puts our future in jeopardy, and will be bad for America as a whole. I urge the FCC to classify broadband providers under Title II of the Communications Act and to enact bright-line rules which prohibit blocking, technical discrimination, and paid prioritization, applicable to fixed and mobile connections.

## I. Linear Air is Making Air-Taxi Travel Affordable

Linear Air is building a digital marketplace to enable the growth of the air-taxi travel segment, a one-half billion dollar market today in the U.S. that we believe we can grow to over \$17 billion in the next decade. Naturally, with that growth our success will stimulate tremendous job creation, and contribute to the dominance of leading U.S. aircraft manufacturers by creating demand for their most innovative new products.

Our mission statement says:

*Linear Air brings a personal travel alternative to those who've dismissed extravagant private jets and grown tired of disappointing airline service.*

Since January, 2013, we have rescued hundreds of passengers from the airlines, providing them with a flight experience they love and rave about, and have enabled our partner aircraft operators to buy more airplanes and hire more pilots. We expect to do over \$3 million in business this year, and are on track to raise \$10 million in venture capital to enable us to grow by almost a factor of 10x next year. You can search for air-taxi trips online at [LinearAir.com](http://LinearAir.com), [Hipmunk.com](http://Hipmunk.com) and [Kayak.com](http://Kayak.com).

Simply put, we are using the power of the Internet to revolutionize air travel. Traditional private charter is extravagantly expensive—the average trip price is over \$18,000. In contrast, we are developing an air-taxi model with an average trip price of **less than one-seventh of that cost**, making us price-competitive with the airlines on their expensive routes, but with a service level that is incomparably better, AND enabling us to serve routes and towns that the airlines have abandoned.

Charter companies can afford to hire salespeople to handle the transactions manually. At our prices, a manual sales model cannot be made profitable, and that is why we are developing a highly-automated, online channel to customers, with a sophisticated software platform at the center that will link their demand to the capacity represented by the over 800 operators of air-taxi aircraft in the U.S.

Our business, the innovation in air travel it promises, and all the good jobs that it will create, critically depend on the Internet continuing to be an effective conduit for our customers. If we get squeezed into the slow lane, all of that could be lost.

## **II. We Could Have Never Founded this Company Under the FCC's Proposal**

Our company was founded after our CEO, Bill Herp, spent a particularly torturous day being subjected to the agonies of modern airline travel. A trip that would have taken him just two and a half hours via air-taxi—and which was promised by the airlines to take just four hours—ended up consuming almost **thirteen hours**, many of which were spent sitting in broken airliners. Given his track record as a successful Internet entrepreneur, he realized that the combination of the Internet, the latest sophisticated air-taxi aircraft, and a proprietary software platform would enable us to bring consumers a truly viable third alternative in air travel.

We have made huge progress down that path. But it hasn't been easy. We've had to overcome numerous obstacles. One obstacle is our access to advertising in order to reach our target customers. There are a small number of key travel websites, and of key travel search terms, that we would like to be able to advertise on and with. The only problem is, all the good "inventory" (keywords and ad spaces and times) are bought up more than a year in advance, at prices we can't hope to afford. Who buys these? The entrenched big air travel players, of course. American, Delta, NetJets, Blue Star, etc. They are battling each other in their legacy markets, and have locked us out of reaching our customers through those channels.

This example is particularly relevant to our objection to the FCC's proposed rules on net neutrality. It is an example of how the incumbent players have several advantages already, against which we fight an uphill battle. The FCC proposes to give them **another** advantage. Fortunately, there are other channels we can use to market and advertise to our customers. But, **there is only one Internet**. If the FCC endorses the creation of paid-for "fast lanes," big players will battle each other, bid up the prices, and startups like us will be locked out of fair access to our customers.

In fact, if the FCC's proposal were in place when we were founded, it could have prevented Linear Air from getting off the ground altogether. In order to be competitive, we need to have Internet service which is just as good as our incumbent competition. Our competitive advantage is convenience; if visiting our site is inconvenient, our customers will be deterred. But at the time of our founding, we could not have afforded to put ourselves in the fast lane. We didn't have much cash on hand; and what cash we did have, we used to finance the capital-intensive parts of our business.

We went on to raise funds in several rounds of investment. Those investments, though, would have been jeopardized by the Chairman's proposal. Our investors would have realized that they would need to finance putting Linear Air in a fast lane, in order to keep us competitive. That would have substantially increased the riskiness of their investments. They would have been less willing to invest, and it is quite likely we would have failed to raise the capital we needed to get this far, and would have been forced out of business.

### **III. The FCC's Proposal Threatens Our Company's and Our Nation's Future**

I am a serial networking entrepreneur and inventor. I have four Internet patents, and prior to Linear Air, I spent a decade as the CTO of a networking company (Ipanema Technologies) whose product was designed to guarantee good performance across the Internet. That makes

me, as it happens, one of the world's foremost technical experts on Internet performance, the matter at the heart of this proposal, and I can state definitively that **the only way to create a "fast lane" on the Internet is to slow everything else down**. Anyone who claims differently is either mistaken, or lying.

Clearly, the major ISPs are attempting, through regulatory capture, to create a false scarcity of bandwidth that they can monetize. A less polite way to phrase this is, the oligopoly ISPs want the FCC to legalize extortion, and damn the collateral damage to startups like mine!

We at Linear Air would be forced into paying ransom to ISPs to keep ourselves competitive. That will only mean diverting money away from growth and hiring.

As bad as that would be, it would actually be our best case scenario. The Chairman's proposal permits ISPs to strike exclusive deals with edge providers, giving them the sole right to a fast lane within a certain sectors. We simply cannot outbid Delta, United, or American Airlines for such an exclusive right. We might be consigned to a permanent, regulated competitive disadvantage, no matter what we do, simply because we are small. That is not fair.

Linear Air is not alone. If this proposal is enacted, it, will

- stifle innovation;
- eliminate associated job creation;
- make the U.S. less and less competitive over time in the most valuable markets, industries and technologies for the future; and
- make the Internet terrible for U.S. citizens.

In short, this will be a disastrous policy mistake, deleterious to the common good, and transparent in its disingenuity.

We urge the FCC to enact bright-line rules against blocking, technical discrimination, and paid prioritization, which requires reclassification of broadband Internet access under Title II of the Communications Act.

Respectfully submitted,

/s/ Peter H. Schmidt

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President and COO, Linear Air