

Statement of Walter B. McCormick, Jr.
President and CEO of USTelecom
To the Senate Committee on Commerce, Science and Transportation
June 13, 2006

Introduction

Mr. Chairman, Co-Chairman Inouye, Members of the Committee: Thank you for this opportunity to appear before you today. I am Walter McCormick, President and CEO of the USTelecom Association. On behalf of our more than 1,200 member companies, I thank you for the work that this Committee has put into updating the nation's communications laws to expand consumer choice, encourage robust broadband investment and stabilize the future of universal service.

Last week the U.S. House of Representatives delivered an historic vote ... an overwhelmingly bipartisan vote to deliver the many benefits of video choice to American consumers... to continue down a path of vigorous investment in the nation's broadband future... and to ensure a broader funding base for universal service. These principles are embraced and advanced as well by ...S. 2686, the "Communications, Consumers' Choice and Broadband Deployment Act of 2006." So I thank you for your leadership and for this opportunity to appear before you today to talk about the broadband future... video choice... universal service... and this important effort to advance these national priorities.

It has been 10 years since this body last revisited the issue of U.S. communications policy. How much has changed. Broadband investment and adoption are surging ahead at an unprecedented rate today. According to the Pew Internet and American Life Project, the number of Americans with broadband at home has risen 40% over the past year. This rapid adoption is being driven by intensely competitive prices, with some introductory rates now below \$15 a month. Consumer choices—across a variety of platforms and services—continue to expand seemingly every day. This legislation—and the growing momentum for delivering reform this year in both the House and the Senate—represents an historic opportunity to continue that progress for consumers and for our nation's information economy.

USTelecom's membership ranges from the smallest rural telecom companies in the United States to some of the largest investors in America's broadband infrastructure today. We are united in our commitment to a modern communications policy in which all companies are encouraged to invest and compete head-to-head in the marketplace... with consumers determining the market winners based on who provides the most innovative, attractive packages of voice, video and Internet services to meet their needs.

We believe this market-based model—rather than a government-managed regulatory model—is best capable of encouraging significant investment in next-generation broadband infrastructure... in encouraging the arrival of new innovations... and the availability and numerous benefits of diverse market choices for consumers.

Video Choice

The companies I represent are particularly eager to bring new consumer choices to the video marketplace. No one in this room—or across America, I'd gather—needs a lecture in the

many benefits that would be derived from enhanced consumer choice in the video marketplace. A recent study by the Phoenix Center indicates that consumers would save as much as \$8 billion on their cable bill in the first year alone with TV freedom. In Keller, TX, the local cable company reduced the rates on its most popular bundled service package by nearly 50% in response to Verizon's announcement of a voice, video and Internet triple play.

Our companies would like to bring this innovation and competition to communities across the country. Standing in the way, as you know, are outdated regulations that were designed in a bygone era to protect consumers from cable monopolies. Unfortunately, today they frequently have the exact opposite effect—protecting cable companies from the market disciplines—on price, on quality of service, on innovation—of vigorous competition.

Removing barriers to our competitive entry into the video marketplace would deliver this much-needed consumer choice. Your legislation takes the right approach...maintaining local revenue streams and control over public rights-of-way...safeguarding local, education and government programming...and advancing video choice and competition.

Another critical byproduct of this updated policy would be a bright green light to the marketplace to continue investing in the nation's broadband infrastructure...creating jobs, increasing broadband penetration and fueling a continued revival of our high-tech economy.

Universal Service

Mr. Chairman, I also want to thank you for your long-standing leadership on universal service. There is nothing I can tell you about the value of this national commitment nor the challenges it faces today that you do not already fully understand. Representing a state with one-fifth of the land mass of the continental U.S. and only one-fifth of 1% of the nation's population, you require no lecture on the cost of providing essential services to a dispersed population...nor the importance of ensuring the nation remains connected through affordable, reliable communications. Our member companies, too, know the importance of universal service to rural and low-income communities across the country, so we welcome the reforms proposed in this legislation.

This legislation would stabilize universal service amid a rapidly evolving technology environment...ensuring new technologies contribute alongside established technologies...so universal service is a shared responsibility and one that receives adequate funding. Universal service reform, too, is a time-sensitive priority that should spur action in this Congress.

Net Neutrality

Mr. Chairman, I also want to thank you for the reasoned, measured approach taken in this legislation to the 'net neutrality' debate. This is a very complex technology debate that, I believe, has been unfortunately and inaccurately oversimplified in recent weeks. As I have stated before this committee many times, the companies I represent have been managing networks in this country for over 100 years. Consumers today have—and will continue to have—the freedom to call or e-mail whomever they choose... and to visit any legal website... without being blocked, without their service being impaired or degraded. It's the right thing to do in a country that values and cherishes the First Amendment. It's smart business...offering the greatest customer satisfaction and driving demand for broadband.

And, the FCC has demonstrated both the will and the capacity to safeguard Internet freedom. We are well aware that Congress and the FCC are watching our companies closely.

The measured approach of the watchful eye that your legislation proposes is reasonable and pragmatic. The notion that Congress should rush to regulate the Internet—in anticipation of a problem that may never manifest—is dangerous. This extreme position would not preserve the free and open Internet we enjoy today, it would most certainly stifle its future development and growth. And, to hold the consumer benefits of video choice hostage to this extraneous debate over internet regulation makes no sense.

Mr. Chairman, we applaud your giving the marketplace the opportunity to continue demonstrating its capacity to be a responsible, innovative driver of the Internet's evolution before resorting to regulation and government-managed competition. This bill delivers to consumers long overdue video choice and stability for universal service. It ensures, vigilance and accountability on the issue of Internet freedom. But it wisely continues the hands-off policy that has driven unprecedented Internet investment, innovation and economic growth.

Mr. Chairman, it is time to update the nation's communications laws...to stabilize universal service...and to share with American consumers the many benefits of video choice...not next year or the year after that, but right now—this year—in this Congress.

If we streamline the video franchising process, the net result will be accelerated broadband deployment, more competition for voice, video and Internet services, and lower prices for consumers. I look forward to continuing to work closely with you, Mr. Chairman, with this committee and with leaders on both sides of the aisle who are eager to bring the many benefits of video choice and universal service to consumers and to the nation's economy. Thank you again for the invitation to be here today...and for your leadership in driving these vital issues to resolution this year. I would be happy to answer any questions you may have.

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