

**Statement of
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Chairman
Federal Communications Commission
Before the
Committee on Commerce, Science, and Transportation
United States Senate**

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INTRODUCTION

Chairman Thune, Ranking Member Nelson, and Members of the Committee, thank you for this opportunity to join with my colleagues to discuss our work and mission at the Federal Communications Commission.

It’s been almost a year since I last testified before this Committee. The Commission has been hard at work to facilitate dynamic technological change to enable economic growth and ensure that our communications networks reflect our core values – universal access, public safety, and consumer protection. Preserving and promoting competition continues to be the underlying foundation of our agenda.

I am proud to report that the Commission has made significant progress in support of these goals, and we continue to see that America’s communications technology sector is thriving and consumers are better served and protected.

Today, I’ll highlight some of our most significant actions since we last met, and also preview some of the issues we will be focused on moving forward.

Rate-of-Return Modernization

In recent months, I’ve had the privilege of visiting Kentucky and Montana to learn first-hand about digital opportunities and connectivity challenges in rural communities. On my recent visit to eastern Kentucky I visited two towns being reshaped by the broadband revolution. McKee, Kentucky or as some call it, “Silicon Holler,” where there is now fiber to every home and business in the county, and Hazard, KY where I had the privilege to meet a former coal miner who is now working as a coder in the innovation economy. It was a striking reminder that the Commission’s work can be a critical component to renewed economic growth. Our 21st century economy demands nothing less than vigorous broadband connections for rural, urban and suburban alike.

The Commission has a Congressional mandate to preserve and advance universal service so that all Americans have access to reasonably comparable communications services at reasonably comparable rates. Promoting universal access to communications is not just a

statutory obligation; it's smart public policy. Expanding Internet access opens up new opportunities for economic growth, job creation, education, healthcare, public safety, and many other national challenges.

In 2011, the Commission voted unanimously to expand rural broadband access by modernizing the Universal Service Fund. The Commission took an inefficient program for delivering telephone service and created the Connect America Fund to support expanded broadband connectivity in rural America. These reforms have already delivered significant benefits. CAF-supported projects are in the process of connecting 1.7 million Americans in 45 states, and, over the next six years, CAF is poised to invest \$9 billion and leverage private investment to deliver broadband to 7.3 million rural Americans. In addition, universal service reforms have dramatically reduced waste within the program.

Last year, I pledged to Chairman Thune and other Members of this Committee that we would bring forth a solution for the next phase of universal service modernization: reforming support for "rate-of-return" carriers. As the result of months of arduous efforts by Commissioners Clyburn and O'Rielly and their staffs, we recently circulated a bipartisan Order to fulfill that promise.

The proposed Order sets forth a package of reforms to address rate-of-return issues that are fundamentally intertwined—the need to modernize the program to provide support for stand-alone broadband service; the need to improve incentives for broadband investment to connect unserved rural Americans; and the need to strengthen the rate-of-return system to provide certainty and stability for years to come. The proposed Order will help to ensure that federal universal service funds are spent wisely, for their intended purpose, and takes concrete steps to bring broadband to the millions of rural Americans who remain unserved today.

I am grateful to Chairman Thune for his leadership on this issue and his patience as we worked on this important bipartisan reform.

Incentive Auction

An unquestioned headliner of the Commission's March 2016 agenda is the Incentive Auction. The FCC staff has been working tirelessly to design this first-of-its-kind auction ever since Congress authorized it in February 2012. All systems are go to launch this historic auction in 26 days.

Getting to this point represents the culmination of four years of hard work at the Commission, following the groundbreaking work of this Committee and Congress in enacting the Spectrum Act. It has required tireless efforts by our auction task force and multiple bureaus and offices, the active involvement of my fellow Commissioners, and input from stakeholders and public interest groups representing the full range of opinions.

We are encouraged by the strong interest that we have seen both from broadcasters interested in selling their spectrum and the broad assortment of parties interested in buying it.

Our key goal is to repurpose as much spectrum for mobile broadband as the market demands to meet growing consumer needs, and that means deploying networks using these frequencies in a timely manner. To ensure preservation of service for broadcast viewers and timely network deployment, we have been focused on post-auction planning for over a year, including the release of the draft relocation reimbursement form and a reimbursement cost catalog, and we've already begun to pivot and to accelerate our planning for the post-auction transition.

I recognize that getting the transition right is as important as getting the auction itself right. Like the auction, the transition will be a complex, multi-disciplinary effort that will span several years. The task force approach has served us well in designing and implementing the auction, and I believe it is the appropriate structure for ensuring that the transition has the focus and attention it requires. I therefore intend to maintain the task force when the auction is complete; as we move forward, its mission will evolve from auction to transition.

Spectrum Frontiers – 5G

Just as bipartisan support helped enable the incentive auction, there is growing bipartisan interest in the next big thing in spectrum policy: 5G. With very fast speeds, scale to support billions of sensors, and reduced latency, 5G will allow us to realize the full potential of so many promising, yet nascent broadband-enabled breakthroughs. It won't just unleash commercial broadband, satellite, or government uses, but applications on the horizon, like Internet of Things and connected cars, and others we can't accurately predict today.

Fundamentally, we're approaching 5G as we have with previous generations of wireless by adopting a flexible use policy and assuring that spectrum is available to be deployed when the private sector has arrived at the requisite technical standards and network architectures. This approach made us successful as global leaders in 4G LTE.

At this point, none of us knows exactly what 5G will be, but we can be certain that the spectrum requirements will be dynamic and ever changing. Accordingly, our spectrum policy must be equally dynamic to address a wireless reality that is still evolving. We must continue to employ flexible use policies and reliance on private-sector innovation and investment, while increasing our commitment to spectrum sharing, opening new bands for broadband, and smart approaches to wireless infrastructure.

I commend Chairman Thune and Ranking Member Nelson for coming together to introduce the MOBILE NOW Act, which aims to facilitate investment in 5G technology by removing barriers to infrastructure deployment – a goal we share at the Commission. Commissioner Pai has been a strong advocate for eliminating barriers to wireless infrastructure deployment and I look forward to working with him and the other Commissioners on this important issue moving forward. Rest assured that spurring 5G innovation and deployment is one of the Commission's highest priorities.

In fact, the Commission launched what we call our Spectrum Frontiers rulemaking to explore the use of millimeter wave spectrum – the airwaves at 24 GHz and above – for 5G. I was disappointed that one of the bands the FCC identified for possible 5G use – 28 GHz – was

rejected for study by the International Telecommunication Union at last year's World Radio Conference in Geneva. While international coordination is preferable, I believe we should move forward with exploration of the 28 GHz band, and we plan to act on the Spectrum Frontiers proceeding this summer.

I just returned from the Mobile World Congress in Barcelona where 5G was the primary object of interest at the conference. Commissioner Rosenworcel spoke eloquently at that meeting about the need for 5G spectrum and how it will improve the quality of mobile services and enable new, heretofore unknown services. My bi-lateral meetings with foreign regulators in Barcelona made it clear— they are looking pointedly at the United States, watching our 5G-related initiatives very closely.

Competition/Set-Top Boxes

Going back to my nomination hearing, the most consistent theme of my messages to Congress – or any audience – has been that “competition, competition, competition” is the most effective tool for driving innovation and consumer benefits.

One area where competition is virtually non-existent and consumers are literally paying the price is the set-top box marketplace. Today, 99 percent of pay-TV customers lease set-top boxes from their video providers, paying an average of \$231 a year. Even when the company has recovered the cost of the box, consumers must continue to pay a rental fee month after month. Collectively, these consumers are spending \$20 billion annually. Senator Markey and Senator Blumenthal deserve recognition for shining a spotlight on this issue.

Last month, the Commission launched a proceeding to introduce competition into the set-top box marketplace, as Congress mandates. Specifically, we propose establishing open standards for video navigation devices like set-top boxes, the same way we have standards for cell phones and Wi-Fi routers. The new rules would set the stage to provide device manufacturers, software developers and others the information they need to introduce innovative new ways for consumers to access and enjoy their favorite shows and movies on their terms, while at the same time maintaining strong security, copyright and consumer protections.

This proposal will *not* require changes in the programming business practices of pay-TV providers; it will *not* require consumers to purchase new boxes; and it will *not* harm minority programming opportunities. Again, this is all about whether the standard for set-top boxes should be a closed standard or an open standard.

Lifeline Modernization

At a time when our economy and lives are increasingly happening online, be it job applications, math homework, or neighborhood listserves, it doesn't make sense for Lifeline – the Commission's program to help low-income Americans afford access to the vital communications – to remain focused only on 20th century narrowband voice service. Competing and thriving in the 21st century economy requires affordable broadband.

Building on earlier reforms adopted under Chairman Genachowski and Chairwoman Clyburn that cracked down on waste, fraud, and abuse and weeded out over a billion dollars in payments to ineligible recipients, the Commission initiated a proceeding last June to recast Lifeline for the broadband era.

The first principle of Lifeline reform is allowing the program to support both fixed and mobile broadband service. We will establish minimum standards of service that Lifeline providers must deliver to receive funds. We will also improve Lifeline's management and design to get to the heart of the historic issues that have undermined this program's efficiency. We will streamline the requirements to become a Lifeline provider and take a hard look at the burdens we place on those providers to make it easier for carriers to participate in the Lifeline program. Too many of our country's leading service providers as well as many local, innovative, small providers do not provide Lifeline service. The more service providers we can encourage to participate, the better that service will become.

Commissioner Clyburn has been a tireless champion of this effort, and I am working with her and my other colleagues to propose final rules in the not-too-distant future.

Next-Generation 911

I remain committed to working with Congress and other stakeholders to improve our 911 system. Public safety is one of the primary and essential missions of the Commission, and it cannot be left behind in this technological revolution. But, in too many communities, the communications technology behind the 911 system is dangerously out of date. Too many Public Safety Answering Points have been unable to incorporate Next Generation capabilities and functions into their operations. PSAPs also face constant challenges to maintain adequate funding for ongoing operations.

We at the FCC are committed to doing everything in our power to make the NG911 transition happen. We have taken action on such issues as improving 911 location accuracy, pushing the deployment of text-to-911, and improving the reliability of legacy, transitional, and Next Generation 911 networks. We have also convened our PSAP Task Force, which has recently come back with great recommendations on how to build the Next Generation architecture for PSAPs. Modernizing the nation's 911 system will take work from many stakeholders and I am encouraged by the recent creation of a coalition to lead a national effort to successfully implement NG911 for all states and territories by the end of 2020.

I know that public safety is also a priority of this Committee, and I would urge its Members to do all in their power to make sure our nation's PSAPs have the tools and resources they need to accelerate the transition to NG911.

Privacy

At the direction of Congress, the FCC has worked for years to implement laws that protect the privacy of consumers when they use communications networks and services, notably

with rules to protect Customer Proprietary Network Information (CPNI). We need to make sure our policies are keeping up as communications technology continues to evolve.

The Open Internet Order expressly determined that privacy protections of Title II should be applied to broadband providers and, in fact, the provisions of Section 222 apply to broadband providers right now. But we have a responsibility under the Communications Act to consider whether further guidance and consideration by the Commission could better protect the privacy of consumers.

We're committed to taking a thoughtful, rational approach to addressing privacy protections and data security for consumers' use of Internet access services. We've begun the process of talking to stakeholders about section 222 in the broadband context, and continue to invite conversations about core privacy principles – transparency, choice and security – while also taking into account the FTC's complementary leadership and precedents, consumer expectations and the thriving innovation economy.

CONCLUSION

The Commission has focused on harnessing the power of communications technology to grow our economy and enhance U.S. leadership, while preserving timeless values like universal service. As my testimony reflects, we have made significant progress toward these goals to the benefit of the public. And, to be clear, this is not an all-inclusive list. We continue to work on efforts to remove barriers to infrastructure deployment, empower Americans with disabilities, and improve the agency's internal operations, to name a few.

I look forward to discussing these actions with the Committee today and working with you and my fellow Commissioners to build on this progress and maximize the benefits of communications technology for the American people.