

Remarks of FCC Chairman Kevin J. Martin

**“Regulation, Competition, Telecommunications and Content”
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Thank you for the kind introduction. I want to thank Diago Vasconelos and Ambassador Al Hoffman for inviting me to speak to you today about the role of regulation and competition in the telecommunications sector.

The communications industry is in a time of unprecedented change. Technological advances, converging business models, and the digitalization of services create unparalleled opportunities and considerable challenges. Perhaps most important, digital convergence is creating real benefits for consumers worldwide by increasing competition among different platform providers. In the United States, telephone companies and cable companies have been competing in the broadband market for several years now. But we are also seeing cable companies providing voice service, telephone companies providing video services and wireless companies providing Internet access services.

This type of competition has been a long time in the making. As most of you know, the last major rewrite of the U.S. communications law took place in 1996. At the time, monopoly service providers were focused on providing only those services they were allowed to offer under the existing law. The legislation passed in 1996 favored competitive market forces instead of traditional price controls, but it still relied on access requirements predicated on these regulatory “silos”.

In the decade since then, rapid convergence in technology has strained the existing legal and regulatory regime. Unprecedented market changes have demonstrated that what worked in the past may not be the right approach today. In the United States, we have made considerable changes to our approach, working to establish a less-regulated environment that can adapt more quickly to market changes. Oftentimes today, “regulatory parity” does not mean applying the old economic regulations to new entrants. Rather, “regulatory parity” means the elimination of legacy regulatory burdens on the incumbent.

In particular, we focus on competition between platforms – the result of the digital convergence we are discussing here today. Importantly, the FCC has tried to remove regulatory hurdles and promote infrastructure investment. For true competition to succeed, providers of similar services

must compete on a level playing field. The government simply can't have rules that favor one technology over another.

That is why it was important for the FCC to eliminate legacy economic from DSL Internet access services – regulations that did not apply to cable modem Internet access services. Requiring telephone companies to provide access to their DSL facilities created disincentives to invest in and upgrade their infrastructure and created regulatory uncertainty for the entire industry. So, last year, the FCC removed regulations requiring wireline broadband Internet access providers to unbundle and separately tariff the underlying transmission component of their Internet access service.

The FCC also revised its regulatory framework by lifting the legacy network sharing, or unbundling requirements, for carriers deploying new fiber networks.

These actions have collectively encouraged carriers to invest in infrastructure free of economic regulation.

We have begun to see some success as a result of the Commission's policies. High-speed connections to the Internet have grown over 400% since I became Commissioner in July 2001. For instance, in the first half of 2001, there were less than 10 million high speed lines and, as of the end of 2005, there were over 50 million.

This data is reinforced by a recent report from the Pew Internet and American Life Project on Home Broadband Adoption in 2006.

According to this independent study, one year after I became Chairman in 2005, broadband adoption reportedly increased by 40% - twice the growth rate of the year before.

The growth in rural areas was just as brisk – approximately 39% - although overall penetration rates in rural areas still lags behind urban areas.

And, according to this same study, the price of broadband service has dropped in the past two years. Home broadband users pay on average \$36 per month for service down from \$39 per month. For example, DSL monthly bills reportedly fell from 38 to 32 U.S. dollars.

Clearly, intermodal competition has had substantial benefits for consumers.

Even given the vast expanse of the United States, competition in broadband has spurred a dramatic increase in deployment across the country. The Commission's data reveals that the geographic availability of high-speed Internet access is significant. There is at least one broadband provider in 99% of the Zip Codes in the United States. Our analysis indicates that more than 99% of the country lives in these Zip Codes.

This is good news for consumers and good news for the country. Continued broadband deployment and infrastructure investment is vital to this country's economic growth.

Our ultimate goal however, is for consumers to be able to choose from among a multiplicity of broadband service providers, rather than just one or two. And we are beginning to see this happen.

For example, wireless broadband, broadband over powerline, and Fiber-to-the-Home are new technologies that are being deployed in many locales, and consumers can now choose from competing offers and make decisions based on price, capacity, and attributes such as mobility.

These new platforms also offer the possibility of broadband deployment not only in urban but also rural areas.

We are seeing BPL systems increasingly being deployed, using the existing power grid infrastructure to provide high-speed communications. These services hold great promise for consumers.

BPL has the potential to be a significant alternative to other broadband services for two reasons. First, because of the ubiquitous reach of power lines, BPL provides a means of offering broadband even to remote and rural areas. Second, BPL can easily be used for home networking without the need for new wiring.

Just this month, the FCC placed BPL on an equal regulatory footing with other broadband services, such as cable modem service and DSL Internet access service.

The FCC has acknowledged the significant benefits of BPL, reaffirmed its commitment to ensure that BPL operations do not become a source of interference to licensed radio services.

We have also seen dramatic growth in the wireless industry during the past decade. These services have grown from approximately 38 million subscribers in 1996 to about 220 million wireless subscribers in 2006.

Wireless competition has been fierce and has resulted in billions of dollars in infrastructure investment as well as in significant price decreases for consumers.

Significantly, the FCC just completed an auction of radio spectrum that will dramatically increase the availability of next generation mobile services, including mobile broadband, even in rural areas. More than 100 companies won licenses in the auction, which generated almost \$14 billion in revenue for the Treasury. We are only beginning to imagine the way mobile broadband networks will change the business and entertainment possibilities available to consumers in the future.

The spectrum that was sold is the largest amount suitable for deploying wireless broadband ever made available in a single FCC auction. Using this prime "spectrum real estate," auction winners will roll-out new wireless devices which will allow consumers to access the Internet and dedicated video services wherever they want, whenever they want.

For example, sports fans watching their favorite team will no longer need to wait until they get home to catch up on the games – they will be able to watch highlights and obtain scores on their mobile devices in *real-time*. Consumers in taxi-cabs or on trains will be able to be continually connected to their home or office while on the move, rather than having to wait until they reach the next wireless “hot spot.” With the same handset, consumers will be able to talk on the phone using a wireless network while riding in a car and then seamlessly move onto their landline when they arrive home.

The availability of this spectrum is critical to widespread deployment of these new, innovative services. Until now, existing wireless providers have lacked sufficient access to the airwaves they need to offer next generation services. Cable companies and other more traditional “wireline” players also need access to spectrum to compete wirelessly. This summer’s auction has answered this need.

The license winners in this auction, however, were not limited to industry giants. More than half the licenses auctioned went to small businesses. I expect many of these smaller companies will fulfill the promise of advanced wireless services in the America’s underserved and rural areas.

The significant interest and participation in this auction is a harbinger of new, wireless broadband technologies. FCC auctions have proven to be an efficient mechanism to assign licenses to use the public’s airwaves. Companies that are willing to pay for spectrum licenses at auction are the more likely to put those licenses to the best use in the shortest period of time. By assigning licenses to those parties who value them the most, our auctions maximize the benefits to consumers from the use of this public resource.

Voice over IP offerings have also proliferated over the years. In fact, much of the growth we have seen in this area is due to the VoIP products offered by cable companies providing telephony services. The Commission, to date, has refrained from imposing economic regulation on VoIP services.

However, the fact that the Commission has tried to remove legacy economic regulations on new technologies does not mean that we – as regulators – don’t have an important role to play.

To the contrary, we have a duty to ensure that core social policy objectives like public safety and consumer protection needs continue to be met.

For example, in 2005, the Commission adopted an order requiring that VoIP providers that offer services permitting users to receive calls from, and place calls to, the public-switched telephone network -- permit their customers to access emergency 911 services. Anyone who dials 911 in the US has a reasonable expectation that he or she will be connected to an emergency operator. This expectation exists whether that person is dialing 911 from a traditional wireline phone, a wireless phone, or a VoIP phone.

In addition, the Commission reaffirmed that law enforcement agencies must have the ability to conduct electronic surveillance over the networks of such VoIP providers.

Finally, this past summer the Commission required such VoIP providers to contribute into our Universal Service Fund, as well.

So what does the future hold in store for us?

I believe that the future of telecommunications will be defined by the increasing convergence of multiple platforms. Service providers will continually look for new combinations of services to deliver to consumers. The Triple Play that exists today of voice, data, and video may well become a Quadruple Play once wireless services are added to the mix.

It is difficult to predict the type of new services and technologies that will be deployed over the next decade. But I do know that as regulators we must keep looking for ways to create an environment that encourages innovation and infrastructure investment. It is by doing so that we best protect the interest of consumers. As we face the challenges and opportunities presented by digital convergence, we must ensure that people in our respective countries – people all over the world – reap the benefits that competition can have on their day-to-day lives.

Thank you again for inviting me to be with you today.