

**Remarks of FCC Chairman Kevin J. Martin**  
**Georgetown University McDonough School of Business's**  
**Center for Business and Public Policy**  
**November 30, 2006**  
*As Prepared for Delivery*

As you know well, the communications industry is in a time of unprecedented change. Television programs are sold on the Internet and streamed wirelessly to mobile devices; DVRs mean you watch your TV when and where you want; mobile phones show movies, play songs, photograph your friends, and even send you emergency messages. People communicate with instant messages and text messages not on a landline phone. And you cannot read the business section of a newspaper today without coming across an article on YouTube or MySpace. In this fast-paced technological environment, regulations struggle to keep up.

I prefer the marketplace to regulation whenever possible. Market forces and competition are better drivers of innovation and better protectors of consumer interest. Competition - - not regulation - - best leads to better services and lower prices.

Government, however, still has an important role to play. The Commission should focus on creating a regulatory environment that promotes investment

and competition, setting the rules of the road so that players can compete on a level playing field. For example, high speed Internet access offered by a phone company should be treated the same way as high speed Internet access offered by a cable operator.

One example of this philosophy at work is last summer the Commission categorized DSL services as an information service rather than a telecommunications service relieving DSL services from such things as tariff rules and price controls that apply to telecommunications services.

During my tenure as Chairman, the Commission has worked hard to create a regulatory environment that promotes broadband deployment. We have removed legacy regulations, like tariffs and price controls, that discourage carriers from investing in their broadband networks, and we worked to create a regulatory level playing-field among broadband platforms.

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.

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 had increased by 40% - twice the growth rate of the year before (from 60 million in March 2005 to 84 million in March 2006).

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' prices had fallen to on average \$36 per month from \$39 per month the year before. For example, DSL monthly bills reportedly fell from 38 to 32 U.S. dollars. This is good news for consumers and good news for the country.

But perhaps most important, the study found that the significant increases in broadband adoption were widespread and cut across demographics.

According to this independent research:

- Broadband adoption grew by almost 70 percent among middle-income households (those with incomes between \$40,000 and \$50,000 per year).
- Broadband adoption grew by 120 percent among African Americans.
- Broadband adoption grew by 70 percent among those with less than a high school education.
- Broadband adoption grew by more than 60 percent among senior citizens.
- And broadband growth in rural areas was also brisk (39 percent), although overall penetration rates in rural areas still lag behind those in urban areas.

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 beginning to be deployed. Consumers can now choose

from competing offers and make decisions based on price, capacity, and attributes such as mobility.

In fact, with regard to wireless broadband, the FCC closed its largest and most successful spectrum auction ever in September. The spectrum offered was the largest amount of spectrum suitable for deploying wireless broadband ever made available in a single FCC auction. In the auction, the Commission sold over 1,100 licenses for almost \$14 billion dollars.

And yesterday, the FCC sent \$12.2 billion of that \$14 billion to the U.S. Treasury. This \$12.2 billion in auction revenue will nearly double the approximately \$14 billion in total revenue transferred to the U.S. Treasury from all previous FCC auctions combined. Spectrum auctions are an excellent example of how market forces are the most efficient way to allocate scarce resources.

An area where we want to see increased competition is the delivery of video programming. Communications Daily reported today that cable providers plan to raise rates in some cities early next year. According to the article,

one company's rates will increase 5.4% in a dozen locales and another company's rates will go up in one area by over 6%.

This upward trend is consistent with the FCC's research, which has found that from 1995 to 2005 (the last year we have data for,) cable rates have risen 93%. In 1995 cable cost \$22.37. Last year cable cost \$43.04.

Increasing competition in the video programming arena will lower cable bills and thereby benefit consumers. According to data collected annually by the FCC, only competition from a second cable operator has a downward impact on prices. Competition from satellite providers does not have the same effect.

According to our annual price survey, where there is no competition the average price for cable programming was \$43.33. Add in competition from DBS and the average price is the same. In areas where there is competition from a second cable operator however, the average price for cable programming decreased to \$35.94. As you business school students know, the numbers speak for themselves.

Telephone companies and cable companies have been competing in the broadband market for several years now. But we are also starting to see cable companies providing voice service, telephone companies providing video services and wireless companies providing Internet access services. 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.

I believe that the future of telecommunications will be defined by this increasing convergence of multiple platforms. Service providers will continually look for new combinations of services to deliver to consumers. And if we are able to promote competition, it will be consumers who will reap the benefits.