

**STATEMENT OF
JONATHAN S. ADELSTEIN
COMMISSIONER, FEDERAL COMMUNICATIONS COMMISSION**

**BEFORE THE
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET
COMMITTEE ON ENERGY AND COMMERCE
UNITED STATES HOUSE OF REPRESENTATIVES**

MARCH 14, 2007

Mr. Chairman, Congressman Upton and members of the Subcommittee, today we have the opportunity through technology to connect this country in profound ways. Americans should be able to maximize their potential through communications, no matter where they live or what challenges they face. We need to provide for all of our neighbors, including those in rural, insular and other high-cost areas, as well as Native Americans, residents of our inner cities, minorities, those with disabilities, non-English speakers, and low-income consumers.

We must upgrade our communications infrastructure in every corner of this country. And we must do a better job of making innovative communications technologies more widely available and affordable. Understanding the communications landscape requires us to take account of the rapidly-changing marketplace and to reach out to diverse communities. To promote the communications needs of all Americans, we should focus on improving access to broadband services, modernizing universal service, and protecting diversity, competition, and localism in our media.

A top priority became starkly clear when I visited the Gulf Coast of Mississippi shortly after the devastation of Hurricane Katrina. The enormous damage to the entire region was unforgettable and remains a painful reminder that the communications needs of our public safety and national security communities must remain at the forefront.

One of our central challenges is promoting the widespread deployment of broadband facilities to carry new and innovative services. This must be a greater national priority than it is now. An issue of this importance to the economy and the success of our communities warrants a coherent, cohesive, and comprehensive national broadband strategy.

Virtually every other developed country has implemented a national broadband strategy. Even though we have made strides, I am concerned that the lack of a comprehensive plan is one of the reasons that the U.S. is nevertheless falling further behind our global competitors. Each year, we slip further down the regular rankings of broadband penetration. More troubling, there is growing evidence that citizens of other countries are getting a much greater broadband value, in the form of more megabits for less money. According to the ITU, the digital opportunity afforded to U.S. citizens is not even near the top, it's 21st in the world. This is more than a public relations problem. It's a productivity problem, and our citizens deserve better.

We must engage in a concerted and coordinated effort to restore our place as the world leader in telecommunications by making affordable broadband available to all our citizens. It will mean taking a hard look at our successes and failures, and improving our data collection. A true broadband strategy should incorporate benchmarks, deployment timetables, and measurable thresholds to gauge our progress. It is not enough to rely on poorly-documented conclusions that deployment is reasonable and timely.

We must re-double our efforts to encourage broadband development by increasing incentives for investment because we will rely on the private sector as the primary driver of growth. These efforts must take place across technologies so that we not only build on the traditional telephone and cable platforms, but also create opportunities for deployment of fiber-to-the-home, fixed and mobile wireless, broadband over power line, and satellite technologies. We must work to promote meaningful competition, as competition is the most effective driver of lower prices and innovation. This is increasingly important to ensure that the U.S. broadband market does not stagnate into a comfortable duopoly, a serious concern given that cable and DSL providers control 98 percent of the broadband market. We have got to make broadband truly affordable and accessible to everyone, even if that means communities tapping their own resources to build broadband systems. We must also work to preserve the open and neutral character that has been the hallmark of the Internet, maximizing its potential as a tool for economic opportunity, innovation, and so many forms of civic, democratic, and social participation.

To accomplish these ends, we must be creative and flexible in our approaches. Some have argued that the reason we have fallen so far in the international broadband rankings is that we are a more rural country than many of those ahead of us. If that is the case, we should strengthen our efforts to address any rural challenges head-on.

Congress and the Commission recognized early on that the economic, social, and public health benefits of the telecommunications network are increased for all subscribers by the addition of each new subscriber. Federal universal service continues to play a vital role in meeting our commitment to connectivity, helping to maintain high levels of telephone penetration, and increasing access for our nation's schools and libraries. I have worked hard to preserve and advance the universal service programs as Congress intended.

It is important that the Commission conducts its stewardship of universal service with the highest of standards. It is important that we strive to consistently improve our performance, while at the same time ensuring that even well-intentioned reform efforts do not undermine the effectiveness of this critical program. Ensuring the vitality of universal service will be particularly important as technology continues to evolve. Increasingly, voice, video, and data will flow to homes and businesses over broadband platforms. In this new world, as voice becomes just one application over broadband networks, we must ensure that universal service evolves to promote advanced services, which is a priority that Congress has made clear.

The Commission also must do more to stay on top of the latest developments in spectrum technology and policy. Spectrum is the lifeblood for much of this new communications landscape. The past several years have seen an explosion of new opportunities for consumers,

like Wi-Fi, satellite-based technologies, and more advanced mobile services. But, we have to be more creative with a term I have coined “spectrum facilitation.” That means looking at all types of approaches – technical, economic or regulatory – to get spectrum into the hands of operators ready to serving consumers at the most local levels.

We should continually evaluate our service and construction rules to ensure that our policies do not undercut the ability of wireless innovators to get access to new or unused spectrum. I want to promote flexibility and innovation, but since the spectrum is a finite public resource, I want to see results as well – particularly in the area of wireless broadband, which has been a top priority for me while at the Commission. And I truly believe that our preparation for the upcoming 700 MHz auction is one of the most important undertakings the Commission will conduct in all of the time I have served.

This is a time of great change in telecommunications markets with the emergence of new services, increased convergence, and seismic structural changes among the market participants. For many residential customers, there is an emerging rivalry between traditional telephone providers and new cable entrants, along with an increasing opportunity for use of wireless and VoIP services. Nonetheless, the Commission must continue to promote competition between providers and to be vigilant about the potential impacts of increased consolidation in these markets. I have been concerned about the adequacy and vigor of the Commission’s analysis in its consideration of recent mergers and forbearance petitions. I believe that the Act contemplates more than just competition between a wireline and cable provider, and that both residential and business consumers deserve more.

As for the broadcast media, we should never forget that the airwaves belong to the American people. It is critical to preserve their access to what the Supreme Court has called the “uninhibited marketplace of ideas.” As we review the ownership rules, we should first do no harm; we should take far greater care than we have in the past before permitting any additional media consolidation. Also, to make the media landscape look and sound like America, we need to open our airwaves to community-based and minority voices, and improve minority and women ownership. The success of our review rests upon the degree to which the American people believe that their voices have been heard. Accordingly, transparency – relative to public hearings, Commission studies, and the public release of the specific rules before they are finalized – is essential.

The FCC launched its localism proceeding in 2003 to assess whether TV and radio broadcasters were addressing and satisfying the needs of local communities. The Commission should complete its review, make real recommendations to Congress, enhance public participation in the license renewal process, and propose other meaningful regulatory changes for public comment. This proceeding should conclude before, not after, our review of the broadcast ownership rules.

With less than 750 days to the end of analog broadcasting, I believe there is a critical need for greater national attention on the impending DTV transition. More focused leadership is needed. Currently, the DTV preparedness effort lacks a clear national message and a coordinated set of industry activities. To begin to address a general lack of public awareness, the

Commission needs to take the following steps: (1) develop a unified, coherent message among federal, state, local and tribal governmental entities; (2) coordinate the message and its delivery with the efforts of the broadcast, cable, satellite, and consumer electronics industries; and (3) educate insular communities about the consequences and benefits of the impending transition.

Failure to administer a comprehensive national DTV transition plan will almost certainly result in a tsunami of consumer complaints to congressional and other government offices from viewers across the country. To better manage this potential national disruption, I would recommend establishing a clear chain of command. While the NTIA is principally charged with administering the converter box program, the FCC's technical and consumer outreach expertise makes us especially well-suited to spearhead a national consumer education initiative. The two agencies should work collaboratively to develop a unified federal message about the DTV transition, and to inform consumers about options they have to continue receiving broadcast programming after February 17, 2009.

The Commission must also be mindful of the role of cable services in the media marketplace. The program access rules have played a key role in the development of competitive multi-channel video providers. The Commission must quickly renew its program access rules that prohibit exclusive contracts for satellite-delivered programming between vertically-integrated programmers and cable operators. The limitation will expire on October 5, 2007. Our examination of this issue should consider the needs of new entrants into the video market, companies that are essential to the future of video competition. The Commission should also look at our commercial leased access rules, which require cable operators to set aside channel capacity for commercial use by video programmers unaffiliated with the operator. We must take a hard look to see what we can do to ensure that we truly foster diversity in video programming sources.

Finally, we are charged by Congress to perform as a law enforcement agency, and we should be rigorous in enforcing all of the laws under our jurisdiction. We have numerous issues before us regarding consumer complaints about the Do-Not-Call directory and our Junk Fax rules, indecency, payola, video news releases and our sponsorship identification rules. All of these laws are important, and all allegations of wrongdoing demand our resolute attention.

Congress has charged the Commission with ensuring that the American public stays well-connected and well-protected. I will do everything in my power to carry out the law to promote these goals. Thank you for the opportunity to testify.