

STATEMENT OF CHAIRMAN JULIUS GENACHOWSKI
HEARING ON THE “THE BUDGET AND SPENDING OF THE
FEDERAL COMMUNICATIONS COMMISSION”
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SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY
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Chairman Walden, Ranking Member Eshoo, members of the subcommittee, thank you for this opportunity to appear today.

Before taking your questions, I’d like to make two overarching points in connection with the FCC’s fiscal 2013 budget request.

First, the FCC creates tremendous value for our economy and the American people. Indeed, few, if any, federal agencies deliver a higher return on investment than the FCC.

Spectrum auctions have raised more than \$50 billion for the U.S. Treasury, and economists regard the economic value created by FCC auctions as being about 10 times that number, or \$500 billion in value.

The U.S. has long led the world in developing policies to unleash spectrum for mobile investment and innovation. The FCC was the first agency to develop spectrum auctions, and also the first to free up so-called “junk bands” for unlicensed use such as Bluetooth, cordless phones, and Wi-Fi. As Wi-Fi plays an increasingly important role in the spectrum ecosystem, the economic benefit created by unlicensed spectrum is estimated at up to \$37 billion a year.

Because of the work of this Committee and the Senate Commerce Committee, the voluntary incentive auctions propose in the FCC’s National Broadband Plan could become the next big value-creating breakthrough in spectrum policy, leading to very substantial new auctions of spectrum.

And freeing up unlicensed spectrum for 'white spaces' and other higher-power unlicensed use holds tremendous promise to become another value-creating breakthrough on the order of magnitude of Wi-fi.

Spectrum policy is just part of the FCC’s overall efforts to create value by promoting private investment, innovation, competition, and job creation.

Through our Broadband Acceleration Initiative, the FCC has removed barriers to broadband deployment and accelerated broadband buildout. For example, we've adopted orders to ease access to utility poles and established a shot clock to speed cell tower and antenna siting.

As the FCC does its work under the Communications Act, more than 95 percent of our decisions have been bi-partisan, and our policies are working. Investment, job creation, and innovation are up across the Information and Communications Technology sector – the Broadband Economy. These metrics are up both when looking at broadband apps and services, and when looking at broadband providers and networks.

In 2011, the U.S. tech sector grew three times faster than the overall economy. Broadband is helping create new jobs all across the country – and not just for engineers, but also for salespeople, construction workers, and small business owners increasingly using the Internet to increase sales and lower costs.

The apps economy, which barely existed in early 2009, has already created almost 500,000 new jobs, according to expert estimates.

And similar reports estimate that over the past several years wireless innovation and investment are responsible for more than 1.5 million new jobs.

The U.S. has regained global leadership in mobile innovation. We are also now ahead of the world in deploying 4G mobile broadband at scale. And next-generation 4G networks are projected to add \$151 billion in GDP growth over the next four years, creating a projected 770,000 new American jobs.

Broadband providers invested tens of billions of dollars in wired and wireless networks in the first three quarters of 2011, a double-digit increase over the same period in 2010.

Internet start-ups attracted \$7 billion in venture capital in 2011, almost double the 2009 level and the most investment since 2001.

The value contributions I've identified would be enhanced even further by closing broadband gaps, and so the agency has focused on bringing universal service into the broadband era.

Today, approximately 18 million rural Americans live in areas with no broadband infrastructure. Our plan, adopted in October, to modernize the Universal Service Fund will spur wired and wireless broadband buildout to hundreds of thousands of rural homes in the near term, and puts us on the path to universal broadband by the end of the decade – without increasing the size of the Fund.

The major overhaul of USF and intercarrier compensation was done on a unanimous basis at the Commission, and with bipartisan support by this Committee. I thank you for that.

In addition to the broadband deployment gap, we are making strides on the broadband adoption gap

Nearly one-third of Americans – 100 million people – haven't adopted broadband. Our Connect to Compete Initiative enlists government, nonprofit, and private sector leaders to tackle the barriers to adoption – one of several public-private partnerships driven by the Commission to promote solutions to major challenges.

The FCC's successful E-Rate program has already helped connect virtually every library and classroom in America, and in 2010 we adopted several important modernizations of the program, including removing barriers to wireless use, and removing barriers to schools opening their computer labs as hot spots for community Internet use when students aren't in school.

Working with this Committee, the FCC is also implementing recently enacted legislation such as the Communications and Video Accessibility Act and the Local Community Radio Act.

Public safety is a core mission of the FCC, and the agency is working to harness the power of communications to make our communities safer.

We've granted waivers authorizing more than twenty jurisdictions to begin development of an interoperable public safety broadband network, and we support bipartisan Congressional efforts to fund such a network.

We are working with multiple stakeholders to advance next-generation 9-1-1, an issue that Ranking Member Eshoo and Congressman Shimkus have championed. And we accelerated the launch of PLAN, a reverse 9-1-1 alert system that allows local, state and federal authorities to send targeted alerts to mobile devices during an emergency.

The FCC also provides value by protecting and empowering consumers.

Working with wireless providers, we found a common-sense solution to bill shock, a problem that has cost millions of consumers tens, hundreds, and sometimes thousands of dollars in unexpected charges.

Working with government, private-sector, and nonprofit partners, we developed a Small Business Cyber Planner to help small businesses guard against cyber attacks, which are estimated to cost targeted small businesses an average of \$200,000 in damages.

The FCC provides value to our economy and the American people in many ways – that's point one.

Point two is that the FCC is committed to smart, responsible government, and we have taken significant steps to modernize our programs and ensure that they are efficient and fiscally responsible -- saving billions of dollars.

Our work to modernize USF and Intercarrier Compensation will not only spur broadband buildout, it also eliminates billions of dollars in hidden subsidies on consumers' phone bills.

Our work to reform the Lifeline program is expected to save up to \$2 billion over the next three years. Even before this order was adopted, we made changes that eliminated 270,000 duplicate subscriptions, saving \$33 million in 2011.

We reformed our Video Relay Service Program, which provides vital communications for people who are deaf or hard-of-hearing, saving \$250 million without reducing availability of service.

In addition to our programmatic changes, we have also reviewed the agency's rules and processes – asking tough questions to make sure the agency is operating efficiently and effectively.

In connection with this review, we've already eliminated more than 200 outdated rules and five unnecessary data collections. We have identified two dozen more data collections for elimination, including seven voted on at yesterday's Commission meeting.

We've significantly reduced backlogs, including, for example, a 52% reduction in satellite licensing applications, and increased the inclusion of proposed rules in NPRMs from 38% to 86%.

We are using technology to improve engagement with outside stakeholders, improving both the information we provide to and receive from the public.

We've made it a priority to move information and processes online - for example, revising our rules for the filing of all tariffs electronically, decreasing burdens on carriers and the Commission.

We estimate that internal reforms like consolidated IT maintenance and new financial system have already saved the agency almost \$8 million.

And we've been able to do everything I've listed and more with the lowest number of full-time employees in 10 years.

Harnessing 21st century communications technology to deliver value to the American people, and doing so in a smart and responsible way. That's the FCC's record the past three years, and that's our plan for the year and years ahead, as reflected in our fiscal 2013 requested budget.

Because we are funded by fees, the budget is deficit neutral, even before auctions.

The budget reflects a 2% increase in spending. It is flat on dollars adjusting for inflation. We plan to be flat on the number of full-time employees.

The budget includes a few new initiatives – primarily technology investments designed to save money, and public safety investments aimed at saving lives.

The budget includes proposals to reauthorize the Commission's auction authority, which expires in September 2012, and to provide incentive auction authority, which I hope Congress will grant in a way that enables the FCC to maximize the amount and benefit of recovered spectrum for our economy.

The budget lays out strategic goals for the FCC, such as promoting innovation, investment, and America's global competitiveness, which will keep the agency focused on policies that will yield a substantial return on investment for our economy and the American people.

I look forward to continuing to work with this Committee on all of these important issues.