

**STATEMENT OF AJIT PAI**  
**COMMISSIONER, FEDERAL COMMUNICATIONS COMMISSION**

**HEARING BEFORE THE UNITED STATES SENATE COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION: “OVERSIGHT OF  
THE FEDERAL COMMUNICATIONS COMMISSION”**

MAY 16, 2012

Chairman Rockefeller, Ranking Member Hutchison, and members of the Committee, it is a privilege to appear before you today. Several months ago, you extended to me and to my colleague, Commissioner Rosenworcel, the opportunity to appear before you in connection with our nominations to the Federal Communications Commission. I am honored that this Committee, and ultimately the full Senate, approved our nominations. And I am grateful to you for your support during the confirmation process and for giving us the chance to serve the public in our new capacity. As I stated during our previous hearing, I look forward to building a collaborative relationship with Congress, including the members and staff of this Committee.

That relationship begins, appropriately, with this oversight hearing. Congressional oversight of the executive branch and independent agencies is a critical feature of government. As the Supreme Court opined decades ago, Congress’ “power of inquiry . . . is an essential and appropriate auxiliary to the legislative function.”<sup>1</sup> It is important for agencies to be accountable not only by virtue of statutes that reflect accumulated Congressional will, but also through contemporary examination. I seek no exemption from this exercise. Accordingly, I welcome your exacting scrutiny regarding my office’s performance and priorities during the fifty-two hours since I was sworn in as a Commissioner.

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<sup>1</sup> *McGrain v. Daugherty*, 273 U.S. 135, 174 (1927).

On a more serious note, the agency in the near term will be addressing several high-profile matters. I am eager to begin working with my new colleagues at the Commission, with Congress, with interested parties, and with the American people in doing so with care and dispatch.

First and foremost among these matters is the implementation of the spectrum auction authority granted by Congress earlier this year. With the proliferation of smartphones and functionally similar devices, the increasing use of high-bandwidth mobile applications is straining network capacity. Indeed, according to one recent estimate, data traffic on mobile service providers' networks is projected to increase 16 times from 2011 to 2016. The FCC therefore must do what it can to free up additional spectrum for broadband, and Congress' recent action has given the Commission important authority to accomplish this objective. The Commission needs to implement the incentive auction legislation swiftly in order to address the nation's growing demand for wireless broadband. At the same time, however, it must do so in a balanced manner that takes into account the concerns of all stakeholders. It is my intention to work with my colleagues thoughtfully to sort through the technical, policy, and legal thickets ahead. We need to get this right. But implementation of this authority is not the only answer. Currently, the federal government has control over too much spectrum, limiting the amount of spectrum available to handle the growing demands of American consumers. The government therefore needs to accelerate its efforts to identify and to free up as much additional spectrum as is feasible for commercial use.

Reform of the universal service system is another area in which the Commission will be focusing much attention. This past fall, as you know, the Commission adopted many changes to the distribution side of the universal service ledger. On April 27, 2012, the Commission issued a Further Notice of Proposed Rulemaking that seeks comment on a broad range of questions relating to the contribution side. I agree with the Commission's recent characterization of the status quo in this area: "The current contribution system has given rise to uncertainty, inefficiency, and market distortions. Outdated rules and loopholes mean that services that compete directly against each other may face different treatment. Universal service charges billed to consumers and businesses vary by company despite virtually identical service offerings, creating confusion and

distorting markets. And compliance costs have increased as companies struggle to apply old rules to new products.”<sup>2</sup> In this context, reform is a necessity, not a luxury. Chairman Genachowski, Commissioner McDowell, and Commissioner Clyburn deserve much credit for taking on this challenge, and I stand ready to assist them in future efforts. I look forward to reviewing the record compiled in response to the Further Notice and taking appropriate action in a timely manner.

Media ownership is another area in which the FCC soon will be poised to take action. At the end of last year, the Commission released a Notice of Proposed Rulemaking kicking off the quadrennial review process mandated by Congress. The NPRM sought comment on several of the Commission’s media ownership rules as well as certain aspects of an FCC order on diversity of ownership that were vacated and remanded by the United States Court of Appeals for the Third Circuit. My understanding is that the comment and reply comment deadlines have passed. I will carefully review the record and will support the Chairman and my fellow Commissioners in seeking to resolve the difficult questions presented in this proceeding. Our efforts must reflect the changing nature of our nation’s media landscape while at the same time preserving the Commission’s commitment to the core values of competition, diversity, and localism.

The areas I have outlined – spectrum policy, universal service, and media ownership – occupy distinct niches in communications regulation. But the common thread uniting them is that prompt and well-considered FCC action can improve the communications marketplace for the benefit of all consumers. Freeing up more spectrum for wireless broadband will give companies the incentive to invest in next-generation services and allow consumers to take advantage of advanced mobile applications. Wise reform of the contribution mechanism will ensure that the Universal Service Fund is sustainable and will enable more Americans to enjoy access to voice and broadband services. A more vibrant media sector will help more Americans gain access to a wider array of broadcast television, radio, print, and other sources of news.

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<sup>2</sup> News Release, “FCC Reforms Seek Efficient, Fair USF Contribution System,” available at <[http://transition.fcc.gov/Daily\\_Releases/Daily\\_Business/2012/db0427/DOC-313804A1.pdf](http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0427/DOC-313804A1.pdf)>.

Indeed, whenever the FCC exercises its jurisdiction, it should seek to create a regulatory environment in which competition and innovation will thrive, because consumers ultimately will reap the rewards. My approach will be to promote policies that will give private firms strong incentives to raise and invest capital; to develop new products and services; and to compete in established and new markets. We should do what we can to remove uncertainty that can deter businesses and investors from taking risks; to revisit outdated regulations; and to set clear, modernized rules for the road. Moreover, the FCC should act with dispatch to reflect the pace of change in today's marketplace. Faced with an industry as vibrant and dynamic as today's communications sector, the Commission must guard against clinging to twentieth century methods of addressing the technological landscape of the twenty-first century.

I believe that this approach will result in more American consumers enjoying better products at lower prices. And it will help the communications industry – which by some measures constitutes one-sixth of our economy – contribute more meaningfully to economic growth and job creation.

Chairman Rockefeller, Ranking Member Hutchison, and members of the Committee, thank you once again for giving me an opportunity to serve, and for affording me and my new colleagues at the Commission the chance to testify today. I look forward to your questions.