

**OPENING REMARKS OF FCC COMMISSIONER AJIT PAI
BEFORE THE INTERNET TRANSFORMATION PANEL
OF THE COMMUNICATIONS LIBERTY AND INNOVATION PROJECT**

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Fred, thank you for that kind introduction. I had the privilege of working with Fred during his time at the FCC and saw firsthand how skillfully he handled some of the most challenging issues confronting the Commission. Among other things, Fred helped to design and manage two major spectrum auctions: Auctions 66 and 73. Together, these auctions raised over \$30 billion and, even more importantly, pushed 142 MHz of spectrum into the marketplace for mobile broadband. These were successes by any measure, and Fred deserves much of the credit.

I also would like to thank the Communications Liberty and Innovation Project (CLIP) of the Competitive Enterprise Institute for organizing this morning's panel. According to its mission statement, CLIP seeks to "promote boundless innovation, private investment, and sustainable economic growth through free markets and entrepreneurship in America's technology industries." This voice is badly needed in Washington today. And with Fred at the helm, CLIP is quickly becoming a leading advocate for communications policies that are based on sound economics and reflect the realities of today's dynamic marketplace.

We are in the midst of revolutionary change in the technologies employed by the communications industry. Analog signals have gone digital. Coaxial cablecasting is giving way to Internet Protocol-based video. Copper wires are becoming fiber. And older cellular technologies are being replaced with ultra-fast LTE. In short, we are fast undergoing an Internet transformation that will lead to an all-IP world.

Or we *should* be. American innovation is only the first step towards a modern communications infrastructure. The next step is deployment. By building out these networks, Americans from even the smallest of towns will be able to compete with their global peers in the 21st century economy. And making these investments will create American jobs. For example, studies estimate that every \$1 billion the private sector spends on fiber deployment will create between 15,000 and 20,000 new jobs.

So why aren't we there yet?

One problem is the anachronistic laws we at the FCC are required to apply. Today, the FCC operates under a Communications Act that was last substantially revised in 1996—an Act that divides the communications marketplace into silos of technologies and services. Convergence and competition have rendered this approach hopelessly outdated, as voice, video, and data are quickly becoming just packets of information carried on the same networks. Cable operators offer phone and Internet services. Telecommunications carriers promote video service. Voice over Internet Protocol (or VoIP) providers sell voice service and video conferencing. Companies like Netflix use the Internet to deliver video service. And wireless providers, once known for selling phones the size of a brick, let ever more mobile consumers watch videos, listen to music, play games, and occasionally make a call, all on the go.

Congress, of course, must decide how—and when—to revise the Communications Act. But absent direction from Capitol Hill, it is up to the Commission to administer and interpret the Act as it is.

When it comes to investment in IP infrastructure, the big question is how these services should be regulated, if at all. The text of the Communications Act doesn't provide clear guidance, and thus far the FCC has not supplied a definitive answer. Firms facing major investment decisions want to know how they are going to be regulated. And if they don't get an answer, they will be reluctant to make long-term financial commitments. That is a big reason why so much cash currently sits on corporate America's balance sheets.

To get this capital off the sidelines, I believe that the FCC must clearly signal that it will not apply a 20th century model of economic regulation to IP networks. That model, based on a monopolist providing voice services over copper-wire networks, is obsolete. The marketplace has changed, and our regulations need to change too.

The FCC recognized this fundamental shift just last year when it overhauled the Universal Service Fund and modernized it to focus on broadband. I applaud the Chairman and my fellow Commissioners for their work. And I look forward to working with them on continuing to implement these historic reforms.

But universal service is only one piece of the puzzle. To put together the rest, I believe that the Commission should establish an IP Transition Task Force. This Task Force would study how to hasten the Internet transformation. It would help us modernize the Commission's regulations. And it would allow us to account for and accelerate the dramatic technological and competitive revolution in the industry. We need to adopt a holistic approach to confronting this challenge instead of addressing issues on a piecemeal basis as they happen to pop up.

The work of the Task Force will be as daunting as it is necessary, for we simply cannot import the broken, burdensome economic regulations of the PSTN into an all-IP world. Rather, we must construct a forward-looking deregulatory framework that facilitates infrastructure investment and technological innovation. I also expect that the Task Force would recommend the repeal of old-world regulations that no longer make sense in a competitive, all-IP world. That means scouring the Code of Federal Regulations to track down and remove all the tariffs, the arcane cost studies, and the hidden subsidies that distort competition for the benefit of companies, not consumers. While these rules remain on the books, extending them to IP may just be too tempting.

At the same time, the Task Force must preserve the vital consumer protections that are still likely to be needed in an all-IP world. For instance, when consumers dial 911, they need to reach emergency personnel. It shouldn't matter whether they are using the PSTN, a VoIP application, or a wireless phone.

If the Task Force does its job right, and if the Commission follows through, we will have gone a substantial way towards ending the regulatory uncertainty that has slowed broadband deployment through the country.

But we don't need to wait for the Task Force's recommendations to take certain steps to expedite our Internet transformation. Item #1 on our list should be closing the Title II reclassification docket. In 2005, when one of today's panelists, Tom Navin, was Chief of the Wireline Competition Bureau, the Commission relieved wireline broadband services from Title

II regulations. What happened in the years that followed? Deployment and adoption skyrocketed, prices fell, and speeds increased. Given this history, why would we even consider returning to the Title II world? Instead, we should make clear that we have no intention of employing such a “back to the future” regulatory approach.

Along with ending regulatory uncertainty at the federal level, we also need to take a hard look at state and local barriers to infrastructure investment. Last month, I visited the new Google Fiber project. Of the 1,100 towns and cities that competed to be Google’s test site, Kansas City won only because it streamlined its rights-of-way management policies and made up-front commitments to expedite and simplify its permitting processes. But it shouldn’t take a nationwide competition to cut through the endless maze of regulation that delays and deters companies from upgrading broadband networks or deploying new infrastructure. To cite just one egregious example, it shouldn’t take years for AT&T to bring U-verse to the City of San Francisco. Instead, government should encourage the private sector’s efforts through broadband-friendly policies that encourage infrastructure deployment.

In short, we have a lot to do to prepare for, and facilitate, the Internet transformation. But I am optimistic that we can get the job done. Just last month, Democrats and Republicans in California came together to embrace a deregulatory framework for IP-enabled services. I applaud Governor Brown for signing SB 1161 and hope that this legislation will serve as an example for those of us in the federal government.

In closing, if we get it right here in Washington, I am confident that the private sector will invest in next-generation networks. And I believe that a dynamic communications industry will be at the forefront of a robust economic recovery. I look forward to hearing the panel’s suggestions on how we can make this happen.