

**REMARKS OF BRENDAN CARR,
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AT NEW DIRECTION'S DIGITAL SINGLE MARKET SUMMIT**

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I want to thank New Direction for organizing today's forum. As a leading think tank in Europe, New Direction plays a key role in advancing free market and limited government principles on this side of the Atlantic. It's a pleasure to join you in Brussels to discuss policies that can encourage investment in broadband networks. And it's a particular privilege to appear before this group since it was founded by none other than the Iron Lady herself—Margaret Thatcher.

Having grown up in the 1980s, I have very fond memories of her remarkable career. Lady Thatcher was a powerful voice for free enterprise and liberty around the world. She articulated a clear choice between embracing competitive markets on the one hand and resorting to government intervention on the other. And she stood strong for the idea that free enterprise—not government intervention—is the engine that drives innovation, job creation, and economic growth. As she put it, "the role of government . . . is to create a framework of stability within which enterprise can flourish."

While much has changed since her time in office, the principles she articulated endure. And this event provides a fitting opportunity to remember them. We are at a pivotal time in the formulation of communications policies around the world. The European Commission's consideration of the Digital Single Market is certainly one of the most prominent of these efforts. So I welcome the chance to join today's forum and discuss some lessons that one might draw from the U.S. broadband experience.

For years, the United States embraced broadband policies that, in many ways, aligned with the views of New Direction's founding patron. We removed regulatory barriers to infrastructure investment, we encouraged the private sector to take risks, and we minimized the cost of deploying broadband. Those policies—not government regulation—led to massive investment in networks and brought about the broadband revolution that consumers in the U.S. have enjoyed.

Unfortunately, however, the Federal Communications Commission, where I work, has recently put this success at risk. There's been a dramatic turn towards heavy-handed regulation of the Internet—one that has injected tremendous uncertainty into the market and already resulted in a substantial decrease in capital spending by U.S. broadband providers.

But before discussing that recent shift in policy, I'd like to describe the U.S.'s historic commitment to light-touch regulation, an approach that produced unparalleled innovation throughout our entire Internet ecosystem, from the core of our networks to the providers at the edge. I'd like to highlight four examples.

First, during the Clinton Administration in the 1990s, American policymakers forged a historic, bipartisan consensus that the Internet should remain unfettered by government regulation. Instead of micromanaging broadband networks, the U.S. government focused its efforts on maximizing incentives for the private sector to deploy broadband. Instead of telling broadband operators where to invest, how much to invest, what technologies to use, or how to run their networks, we let market forces guide these decisions. Regulators made a conscious choice not to apply to the Internet the outdated regulations crafted for telephone monopolies. After all, rules designed to regulate a monopoly will inevitably push the market toward a monopoly. Instead, our policy was a modern, deregulatory one that gave the private sector flexibility to innovate.

Second, we encouraged facilities-based competition. In the early 2000s, the U.S. rejected the notion that the broadband market was a natural monopoly. Therefore, we pursued policies that

encouraged broadband providers to build their own networks rather than using their competitors' infrastructure. For example, we eliminated mandatory unbundling obligations, which were skewing investment decisions and deterring network construction. We also made it easier for facilities-based providers from previously distinct sectors to enter the broadband market and compete against each other. For instance, by making it easier for telephone companies to enter the video market and cable companies to enter the voice market, we strengthened the business case for those carriers to upgrade their networks, since offering a triple-play bundle of video, broadband, and voice was critical to being able to compete successfully. Because of these policies, capital flowed into networks, and consumers benefited from better, faster, and more reliable broadband infrastructure. Indeed, those decisions helped pave the way for cable operators to upgrade their networks and for new forms of competition to emerge, from Verizon FiOS to AT&T U-verse to Google Fiber.

Third, we embraced a flexible use policy for wireless spectrum. Instead of mandating that a particular spectrum band be used with a specific type of wireless technology, the government left that choice to the private sector, which has a much better sense of consumer demand. This enabled wireless networks in the U.S. to evolve with technology and to do so much more quickly than if operators had to obtain government sign-off each step of the way.

Fourth, the U.S. has engaged in a continuous process of reallocating spectrum for mobile broadband. We auctioned AWS-1 spectrum in 2006, 700 MHz spectrum in 2008, 65 MHz of mid-band spectrum earlier this year, and we're set to auction our 600 MHz spectrum in 2016. Not only have our auctions raised over \$91 billion for the U.S. Treasury, but they have enabled the operators in the U.S. to meet consumers' ever-increasing demand for mobile broadband.

So what was the result of these Thatcher-like free market policies? Massive investments in the U.S. broadband market. The private sector spent \$1.3 trillion over the past 15 years to deploy broadband infrastructure in the U.S. International comparisons help put those figures in context. A study that looked at 2011 and 2012 data shows that wireless providers in the U.S. invested twice as much per person as their counterparts here in Europe (\$110 per person compared to \$55). And the story is the same on the wireline side, with U.S. providers investing more than twice those in Europe (\$562 per household versus \$244).

Who reaped the rewards of all this investment? Consumers. On the wireless side, 97% of Americans have access to three or more facilities-based providers. More than 98% of Americans now have access to 4G LTE. Network speeds are 30% faster in the U.S. than in Europe. The story is similar on the wireline side: 82% of Americans and 48% of rural Americans have access to 25 Mbps broadband speeds, but those figures are only 54% and 12% in Europe, according to a 2014 study that looked at 2011 and 2012 data. And in the U.S., broadband providers deploy fiber to the premises about twice as often as they do in Europe (23% versus 12%). Facilities-based intermodal competition is also thriving with telephone, cable, mobile, satellite, fixed wireless, and other Internet service providers competing vigorously against each other. Consumers, online entrepreneurs, and many others are better off for it.

But unfortunately, the U.S. government is now putting all of this success at risk. Nearly a year ago—in November 2014—President Obama called on the FCC to change course. He asked the FCC to abandon the bipartisan, market-oriented policies that made our Internet ecosystem the envy of the world. He told the FCC to turn instead towards greater government intervention in the broadband market through the imposition of public-utility-style regulation.

At the time, I hoped FCC leadership would resist the pressure to reverse course—that it might find inspiration from Margaret Thatcher's 1980 speech to the Conservative Party Conference, in which she remarked: "To those waiting with bated breath for that favorite media catchphrase, the 'U turn,' I have only one thing to say. 'You turn if you want to. The lady's not for turning.'"

But unfortunately, FCC leadership did turn.

At the time my boss, Commissioner Ajit Pai, warned against taking that step. He explained that broadband networks don't have to be built. Capital doesn't have to be invested. Risks don't have to be taken. The more difficult regulators make the business case for deployment, the less likely it is that broadband providers big and small will invest the billions of dollars needed to connect consumers with online opportunities.

And I fear that we are already witnessing the results of that unfortunate U turn. The economist Hal Singer, who works at the Progressive Policy Institute, a think tank with strong ties to the Clinton Administration, recently published a piece in Forbes that contains some pretty sobering data: Capital expenditures by the largest wireline broadband providers plunged 12% in the first half of 2015, compared to the first half of 2014. The decline among all major broadband providers was 8%. This decrease represents billions of dollars in lost investment and tens of thousands of lost jobs. And it cannot be dismissed as part of a normal fluctuation in spending. Broadband providers' capital expenditures have fallen on a year-over-year basis only twice before: following the dot-com bust in 2000 and the Great Recession in 2008.

The decline in broadband investment is not limited to the U.S.'s largest providers. Many of the nation's smallest broadband providers have already cut back on their investments and deployment. Take KWISP Internet, a provider serving 475 customers in rural Illinois. KWISP told the Commission that, because of the agency's decision to impose utility-style regulation, it was delaying network improvements that would have upgraded customers from 3 Mbps to 20 Mbps service, new tower construction that would have brought service to unserved areas, and capacity upgrades that would have reduced congestion for existing customers. Another was Wisper ISP, Inc., which serves about 8,000 customers around St. Louis. It reported that the FCC's decision had caused it to pause its plans to triple the number of new base stations it would deploy in order to provide broadband to customers in new areas.

These and many more examples all point to the same conclusion. The FCC's decision to adopt heavy-handed net neutrality regulations is resulting in less investment and reduced deployment. It will inevitably lead to less robust competition in the broadband market.

But despite the FCC's U turn, I am optimistic that the U.S. will return to the successful, light-touch approach to the Internet that spurred massive investments in our broadband infrastructure. Efforts are underway in both the courts and Congress to reverse the FCC's decision. And following next year's presidential election, the composition of the FCC could be substantially different than it is today.

"So," as Margaret Thatcher once said, "let free enterprise fight back now, not for itself but for all those who value freedom itself." For in the end, markets have delivered far greater benefits to consumers than heavy-handed regulation ever has.

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Thank you again for hosting me today. I look forward to hearing from the other panelists about their experiences with promoting investment in broadband networks and learning more about the ICT sector both here and around the world.