

Statement of FCC Chairman Tom Wheeler

Before the
Subcommittee on Communications and Technology
Committee on Energy and Commerce
U.S. House of Representatives

Hearing on
“Oversight of the Federal Communications Commission”
November 17, 2015

Introduction

Thank you, Chairman Walden, Ranking Member Eshoo, and members of this Subcommittee, for the opportunity to appear before you this morning to discuss the Commission’s important work helping American consumers and promoting the U.S. innovation economy.

I am grateful to be joined by my four colleagues on the Commission. Each offers a unique perspective that strengthens the Commission’s policymaking. Commissioner Clyburn’s drive and leadership were key to the Commission’s recent adoption of our second Inmate Calling Services Order. I’ve also enjoyed traveling with her this fall to talk with local leaders about expanding telehealth in Florida and closing the digital divide in Michigan. Commissioner Rosenworcel understands that broadband service needs to reach homes, not just schools, for our children to thrive and is championing our efforts to close America’s homework gap. Commissioner Pai has been touring rural America to help identify ways the Commission can remove barriers to broadband deployment. And Commissioner O’Reilly is leading the charge as we modernize USF for rate-of-return carriers, and he continues to be a vital partner in our efforts to improve the agency’s operations.

I’m pleased to report that the information and communications technology sector continues to thrive and drive economic growth and improvements in the lives of the American people. The virtuous cycle is working: the trend of robust investment and innovation in the Internet sector continues; broadband providers are upgrading and building out their network infrastructure, engaging in M&A and increasing speeds to their end-user customers; venture capital is flowing to Internet companies; edge providers are investing and creating new and innovative services; and consumers are reaping the benefits.

I’m also proud of the Commission’s efforts to ensure the U.S. has world-leading networks that are fast, fair, and open. We’ve adopted common-sense rules of the road to preserve an open Internet. Our merger reviews have preserved competition in the wired and wireless marketplaces and will spur a 40 percent increase in the entire nation’s residential fiber build. We’ve removed barriers to competitive broadband investment and upheld the rights of communities to decide their broadband future. Our E-rate modernization efforts have already connected millions of additional students to Wi-Fi high-speed Internet. And we’ve conducted a spectrum auction that enabled the commercial use of 65 megahertz of spectrum, while raising more than \$41 billion for Congressional objectives.

The Commission continues to pursue an aggressive agenda to build on this progress and maximize the network benefits for the American people. I'd like to highlight a few of our top priorities, as well as take a moment to talk about important issues affecting the Commission's operations.

FCC Activities

Spectrum

Unleashing spectrum to spur innovation and consumer benefits remains a top priority for the Commission. We not only need to make more spectrum available for broadband, but we also need to use spectrum more efficiently and remove barriers to wireless deployment. I welcome the mandate to identify new available spectrum in the recently passed Bipartisan Budget Act. And I am encouraged that both the House and Senate are focused on facilitating infrastructure deployment and have held a number of hearings to discuss ideas and review specific proposals. This is a bipartisan priority for the Commission and on Capitol Hill. The FCC staff has a tremendous amount of experience with wireless facility deployment and stands ready to serve as a technical resource to you and your colleagues.

We are moving forward on a number of key spectrum initiatives. Last month, we launched our Spectrum Frontiers proceeding, which proposes to authorize 3,850 megahertz of spectrum for mobile services. That is six times as much licensed commercial spectrum as ever proposed in any previous Commission proceeding. We also propose to double the amount of high-band unlicensed spectrum to 20 times as much as all unlicensed Wi-Fi spectrum in lower bands.

As you're aware, our most immediate focus is on the Incentive Auction, which will repurpose more beachfront spectrum to meet growing consumer demand. We are on track to begin the auction on March 29, 2016. Reverse auction applications are due on January 12, 2015, and forward auction applications are due on February 9, 2016. With the rules and policies necessary to conduct the auction finalized, staff is now concentrating on bidder education. Over the next several months, the staff will continue its bidder education efforts, which will include a series of webinars, tutorials, and mock auctions. We will also be releasing file format information for the forward auction that will enable potential participants to prepare for the auction. Finally, I'm happy to report that, over the summer, the Commission concluded frequency coordination arrangements with both Canada and Mexico and established the foundation for the harmonized use of the 600 MHz Band in North America.

Broadband Deployment and Adoption

As always, making sure all Americans have access to affordable, high-speed broadband is a key goal. I recently traveled to Montana to learn first-hand about the progress being made in connecting unserved communities and also the challenges that remain. We have a lot of work left to do to ensure that rural schools, libraries, and small businesses are not left behind in a broadband gap as we move further into the 21st century.

I am encouraged that both sides of the aisle have put a number of ideas on the table to streamline and expedite broadband deployment. I look at broadband deployment policies through a "Three C" lens: clarity, consistency, and completion. In other words, are we making rules and establishing processes that are clear and easy to follow? Are we removing overlapping

requirements and streamlining where possible? And are we imposing timelines or shot clocks for completion?

FCC programs are having a meaningful impact in bringing broadband to rural America. Recent Connect America Fund support is leveraging private investment that will deliver broadband to 7.3 million rural Americans. But we have more work to do.

There have been various proposals for reforms for rate-of-return carrier universal service support to provide support for standalone broadband and to create a voluntary path to model-based support. A few months ago, I spoke to the NTCA Fall Conference in Boston and discussed the four corners of a plan for rate-of-return reform: a voluntary path to a cost-model-based support mechanism; a new mechanism for all loop costs that will supersede HCLS and ICLS over time; a transition period to phase in this new plan in a timely but reasonable manner; and a program budget and other measures to improve the efficiency and effectiveness of the program. My office is working closely with Commissioners Clyburn and O’Rielly, FCC staff, and key stakeholders to implement reforms based on these principles. Rural Americans deserve no less.

In 2015, if you aren’t online, you can’t participate fully in our democracy and economy. The Commission is committed to digital inclusion efforts. That’s why we are also moving forward with efforts to fundamentally modernize Lifeline and restructure the program to support 21st century communications and to properly align stakeholder incentives to prevent waste, fraud, and abuse in the program.

Public Safety

You all know that I am passionate about 911 modernization, and it is my hope that we can work together and devote more attention to this issue, which can be a matter of life or death for your constituents. In 1999, Congress established 911 as the nationwide emergency number and called for a 911 system that would use the best technology available to deliver emergency assistance. Despite many life-saving advances in public safety, the promise of the law is not being realized 16 years later. Only Congress can solve the problem.

The Nation’s 911 system is at increased risk due to retirement of aging communications infrastructure and public safety’s inability to keep pace with investment in new technology. The solution is accelerated deployment of NG911. The FCC is doing what it can to facilitate NG911 transition, but state and local authorities need more assistance. Targeted near-term Congressional action would help state and local authorities achieve nationwide deployment more quickly and uniformly, thereby reducing risks and long-term costs. I hope to continue to engage with members of the Committee on this critically important matter.

Consumer Protection

In addition to public safety, one of the core values that we expect of our networks is consumer protection. I am proud of our Enforcement Bureau’s work to put U.S. consumers first. The Bureau’s priorities are protecting consumers, safeguarding competition, securing networks, and policing the integrity of the Commission’s funds, programs, and services. In short, the Bureau’s job is to hold companies accountable for their behavior and ensure they are following Commission rules. That’s not overly aggressive; that’s basic consumer protection. Whether it’s

preventing cramming, improving Wi-Fi access in hotels, or protecting consumer data, the Commission will not hesitate to act to protect consumers' interests.

FCC Operations

Process Reform

I share this Committee's commitment to improving how the FCC does business. That's why from the day I walked in the door, I have made it a priority to reform the FCC's processes to make the agency more efficient and transparent. In February of last year, a Commission staff working group issued a process reform report. FCC staff have been actively working on implementing that report's recommendations and have made significant progress. Last spring, I asked my fellow Commissioners to designate a senior representative to participate in a Task Force that would focus on internal procedures relating to the Commissioners' decision-making process. The Task Force has been considering topics in response to Commissioner O'Rielly's concerns in his blogs and other statements, as well as topics raised by other Commissioners. Our reforms are making tangible, impactful progress that will improve our decision-making process. Working together with my fellow Commissioners, Congress, and other stakeholders, I know that we can make further improvements to the agency's operations.

Appropriations

While I recognize that appropriations are outside of this Committee's jurisdiction, I want to emphasize to you all that the proposed cuts to the Commission's FY2016 budget would have severe consequences to the agency's ability to protect public safety, advance the spectrum agenda, and transact business vital to the U.S. economy and consumers in a timely fashion. For example, budget cuts will mean that the nation's only federal network monitoring system, the Network Outage Reporting System (NORS) will continue to be vulnerable, as will the Disaster Reporting System (DIRS) that is essential to local public safety in times of emergency. At a time when networks are being mysteriously cut, we need reliable outage reporting. Similarly, when the next natural disaster strikes, it will be too late if the disaster preparedness information is not available. While the proposed appropriation has funds for conducting the spectrum auctions, it would not cover the costs of development – such as identifying spectrum for auction, dealing with incumbent users, and making technical preparations – a cross-bureau effort that is time-intensive, complex and requires staff with expertise and experience that is not fungible. Finally, the proposed cuts would also result in a degradation of overall IT infrastructure performance -- such as server uptime, security levels, and user desktop (VDI) capacity -- that could inevitably impact auctions and non-auctions activities alike.

The FCC is at the lowest number of FTEs in modern history. Further reductions in staff and IT spending are inevitable with the proposed cuts to an agency where 70 percent of expenses are personnel-related, and over 90 percent are non-discretionary, including items such as rent. The FCC is a licensing agency, and without people and IT improvements, licensing will inevitably slow down, which will have a negative effect on economic innovation and companies' ability to meet consumer needs.

Conclusion

Thank you for this opportunity to testify about the FCC's recent activities and upcoming agenda. I look forward to working with you to find common ground and am happy to answer any questions you have about our efforts, successes, and future endeavors.