

STATEMENT OF CHAIRMAN AJIT PAI

Re: *Process Reform for Executive Branch Review of Certain FCC Applications and Petitions Involving Foreign Ownership*, IB Docket No. 16-155.

Today marks a critical milestone regarding foreign involvement in the U.S. communications sector. By reforming the Team Telecom process—that is, the process by which the Executive Branch offers its views on applications and petitions to the FCC involving foreign ownership—we formalize the close working relationship across our agencies on this matter and offer much-needed clarity to the private sector on the rules of the road.

The importance of this topic is driven in part by the importance of the communications sector to our nation’s economy. The United States benefits immensely from both domestic and foreign investment in our communications sector. Worldwide spending on information and communications technology is estimated to reach \$4.3 trillion in 2020, according to one study.¹ This raises potentially competing interests. On one hand, we want to seize the opportunities that an influx of capital and talent can afford, such as stronger research and development, more innovation, domestic job creation, and economic growth. On the other hand, we also need to take into account the serious national security, law enforcement, foreign policy, and trade policy issues that such an influx can present in some circumstances. To properly address these interests, we need an approach that allows us to identify and expedite beneficial foreign investment but block or place appropriate remedial conditions on foreign investment that threatens our nation’s interests. And we rely on input from expert Executive Branch agencies to ensure that the FCC has the information we need to make the appropriate judgment.

When we initiated this proceeding in 2016, I called the current foreign ownership review process “broken.”² And it was. Among other things, the review process often took far too long and lacked basic transparency. The good news today is that—working together with the Executive Branch—we are fixing it.

Earlier this year, the President signed Executive Order 13913, which established the new Committee for the Assessment of Foreign Participation in the United States Telecommunications Services Sector and streamlined the process by which Executive Branch agencies review applications for international section 214 authorizations and petitions for foreign ownership rulings under section 310(b) of the Communications Act, among other applications. Today, we revise our own procedures to complement the framework set forth in the Executive Order. Our actions will provide greater regulatory certainty to stakeholders, promote beneficial foreign investment in our telecommunications industry, and better protect U.S. national security, law enforcement, foreign policy, and trade policy interests.

Under our new rules, we will require parties to furnish Executive Branch agencies with responses to a set of standardized national security and law enforcement questions designed to provide the agencies with information they need from applicants to facilitate their review. We will also require applicants to certify that they will comply with Commission rules, designate a U.S. citizen or permanent resident as a point of contact for lawful requests and legal service of process, and maintain the accuracy and completeness of applications or petitions. These *ex ante* requirements will create clear expectations for

¹ International Data Corp. (IDC), *Worldwide ICT Spending to Reach \$4.3 Trillion in 2020 Led by Investments in Devices, Applications, and IT Services, According to a New IDC Spending Guide* (Feb. 18, 2020), <https://www.idc.com/getdoc.jsp?containerId=prUS46047320>.

² See *Process Reform for Executive Branch Review of Certain FCC Applications and Petitions Involving Foreign Ownership*, IB Docket No. 16-155, Notice of Proposed Rulemaking, 31 FCC Rcd 7456, 7503 (2016) (Statement of Commissioner Ajit Pai).

applicants, will incentivize prompt and thorough submissions to the Executive Branch during the review process, and as a result, will enable those agencies to more quickly and efficiently complete their work.

These new rules will also expedite the review process. Consistent with the Executive Order, we adopt a 120-day initial review period for applications that we refer to the Executive Branch, with a possible 90-day follow-on period for a secondary assessment in limited circumstances. Under our new timetables, most Executive Branch reviews should be completed within 127 days from the date the Committee determines that an application is complete—effectively cutting the review time in half, as compared to the average time of 260 days for Commission action on applications reviewed and cleared by Team Telecom during calendar years 2016-19.

In short, our actions today will provide for a more efficient and effective review of foreign ownership applications. They will also improve our teamwork by aligning the Commission's rules with the reforms adopted by the Executive Branch earlier this year. And they will help us strike the right balance, encouraging beneficial foreign investment and ownership in the U.S. communications sector while limiting or barring transactions that could impair the national interest.

It would not have been possible for us to reform the Team Telecom process without the dedication and effort of many people within this agency. I first want to thank Commissioner O'Rielly for his work to draw attention to a topic that many years ago wasn't getting the attention it merited. And I want to thank the committed staff that worked on this item. From the International Bureau: Denise Coca, Kate Collins, Francis Gutierrez, Jenna Fattah, Leah Kim, David Krech, Arthur Lechtman, Sumita Mukhoty, Tom Sullivan, and Troy Tanner; from the Wireline Competition Bureau: Melissa Kinkel and Jodie May; from the Wireless Telecommunications Bureau: Kathy Harris; from the Media Bureau: David Roberts and Holly Saurer; from the Enforcement Bureau: Jeff Gee and Shannon Lipp; from the Office of Communications Business Opportunities: Maura McGowan; from the Office of Economics of Analytics: Daniel Shiman; and from the Office of General Counsel: Doug Klein and Bill Richardson.

I would also be remiss if I didn't thank all of those in the Executive Branch who have worked for many years on Team Telecom reform and whose efforts resulted in the Executive Order that paved the way for today's Order.