**STATEMENT OF
COMMISSIONER AJIT PAI**

***Re: Commission Policies and Procedures Under Section 310(b)(4) of the Communications Act, Foreign Investment in Broadcast Licensees*, MB Docket No. 13-50**

Over a year ago, I called upon the Commission to modernize its approach to foreign investment in broadcasting.[[1]](#footnote-1) Today, we do just that. At long last, we revise our interpretation of Section 310(b)(4) of the Communications Act to eliminate the obsolete *de facto* ban on foreign investment of more than 25 percent in U.S. broadcast holding companies. I am optimistic that this Declaratory Ruling will invigorate American broadcasting, increase minority ownership, and expand opportunities abroad for U.S. media companies.

As the Declaratory Ruling points out, there has been a sharp disparity in the Commission’s treatment of foreign investment in the common carrier and broadcast contexts.[[2]](#footnote-2) On one hand, in recent years, the Commission has approved foreign investment in U.S. telecommunications carriers exceeding the 25 percent benchmark approximately 150 times. The Commission has repeatedly recognized that “foreign investment has been . . . an important source of financing for U.S. telecommunications companies, fostering technical innovation, economic growth and job creation.”[[3]](#footnote-3) Indeed, foreign investment has been critical to creating the robust competition we see in today’s wireless marketplace.

On the other hand, while a foreign company can indirectly hold more than a 25 percent stake in a nationwide wireless carrier, cable operator, or Internet service provider, it has been all but impossible for a foreign entity to own more than 25 percent of a U.S. broadcast holding company. The end result? A British company has (at least for the time being) a 45 percent stake in our nation’s largest wireless carrier, but that same British company is not allowed to hold a 45 percent stake in a single AM radio station in rural Kansas.

This disparity does not make any sense to me,[[4]](#footnote-4) and it harms our nation’s broadcasting industry. Foreign investment can be an “important source of financing . . . innovation, economic growth and job creation” for broadcasters, just as it has been for telecommunications carriers. I am therefore pleased that today’s Declaratory Ruling takes a much-needed step towards leveling the regulatory playing field. As in the common-carrier context, the Commission will now engage in a case-by-case review of proposed foreign investment in broadcast holding companies that exceeds a 25 percent stake. This approach will give broadcasters more options for accessing capital while still allowing the Commission to safeguard national security.

Aside from boosting the broadcast industry, today’s ruling is good news for another, equally important reason. It will increase minority ownership of broadcast outlets. Since joining the Commission, I have heard the same message over and over again when it comes to ownership diversity: The biggest obstacle to minority ownership in the broadcast industry is the lack of access to capital. That is why the Minority Media and Telecommunications Council and 30 other national minority and civil rights organizations have told us that permitting additional foreign investment in the broadcasting industry would be “one of the most significant steps the Commission could take” “[t]o reverse the decline in minority broadcast ownership.”[[5]](#footnote-5) With an expanded ability to access capital from abroad, minority entrepreneurs will have a better chance of being able to enter into the broadcast industry or expand existing businesses. Indeed, this item demonstrates how regulation can serve as a barrier to minority ownership and how modernizing our rules can promote diversity.

Today’s decision also should help expand investment opportunities abroad for U.S. media companies. Some countries only permit foreign ownership in their broadcast markets by investors whose home nation provides reciprocity. Therefore, by liberalizing our approach to foreign investment in the U.S. broadcast industry, our own companies should have greater opportunities to participate in those nations’ media markets. And I hope that our efforts will encourage countries that currently impose more stringent restrictions on foreign investment to relax their own rules.

Finally, given our new Chairman’s well-known interest in history, I thought that it would be fitting to conclude this morning with a quote from one of my favorite historical figures, Winston Churchill: “[T]his is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.” Put simply, this Declaratory Ruling does not finish the Commission’s work on this topic. Today, we have just taken the relatively easy step of updating our general policies to fit the times. Now, the harder work begins. We will have to develop additional procedures for applicants seeking to take advantage of this Declaratory Ruling. We will need to process the applications we receive. And we will have to formulate more specific substantive standards for analyzing those applications. As we go about these tasks, I hope that we will move promptly and stay focused on the important objective of maximizing investment in the broadcast industry.

1. *See* Remarks of Commissioner Ajit Pai before the NAB Radio Show (Sept. 19, 2012) (NAB Radio Show Speech), *available at* http://go.usa.gov/Tj2G. [↑](#footnote-ref-1)
2. Declaratory Ruling at para. 6. [↑](#footnote-ref-2)
3. *See* *Review of Foreign Ownership Policies for Common Carrier and Aeronautical Radio Licensees under Section 310(b)(4) of the Communications Act of 1934, as Amended*, IB Docket No. 11-133, Second Report and Order, 28 FCC Rcd 5741, 5744, para. 3 (2013) (*Second Report and Order*); *Review of Foreign Ownership Policies for Common Carrier and Aeronautical Radio Licensees under Section 310(b)(4) of the Communications Act of 1934, as Amended*, IB Docket No. 11-133, Notice of Proposed Rulemaking, 26 FCC Rcd 11703, 11705, para. 2 (2011). [↑](#footnote-ref-3)
4. *See* NAB Radio Show Speech at 6; *Second Report and Order*, 28 FCC Rcd at 5840 (Statement of Commissioner Ajit Pai). [↑](#footnote-ref-4)
5. Letter from the Minority Media and Telecommunications Council, *et al*. to Hon. Julius Genachowski, Chairman, FCC, *et al*., MB Docket No. 13-50 (filed Apr. 15, 2013), *available at* <http://apps.fcc.gov/ecfs/document/view;jsessionid=5ZQTRnSXJkRtrZss32PgPGL3gGHf8yjL0v8GfWg27YbcGGvMZg3R!638063854!-817071755?id=7022281769>. [↑](#footnote-ref-5)