**STATEMENT OF AJIT PAI**

**COMMISSIONER, FEDERAL COMMUNICATIONS COMMISSION**

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**"OVERSIGHT OF THE FEDERAL COMMUNICATIONS COMMISSION"**

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Chairman Rockefeller, Ranking Member Thune, and Members of the Committee, it is a privilege to appear before you this afternoon. I last testified in front of this Committee on my third day in office, and that, it turns out, was exactly three hundred days ago. Since that appearance, I have been working at the Commission to advance a number of key objectives: freeing up more spectrum for commercial mobile broadband; removing regulatory barriers to infrastructure investment; promoting a vibrant and diverse media marketplace; and making the FCC as nimble as the industry that we oversee. In some of these areas, we have made progress over the course of the last ten months. But there is still much more that we need to do.

## 1. Spectrum

Let's start with spectrum. A large part of our time at the agency has been spent evaluating and implementing the responsibilities that Congress entrusted to us in the Middle Class Tax Relief and Job Creation Act of 2012. In the Act, Congress tasked the Commission, among other things, with getting more spectrum into the commercial marketplace to address the looming spectrum crunch and facilitating the establishment of a nationwide, interoperable public safety broadband network.

Holding a successful broadcast incentive auction is critical to both tasks. This auction is our best opportunity to push a large amount of spectrum well-suited for mobile broadband into the commercial marketplace. And Congress has directed that proceeds from that auction will fund the deployment by the First Responder Network Authority (FirstNet) of a nationwide, interoperable public safety broadband network. For these reasons, I believe that we must implement our incentive auction authority with dispatch. Accordingly, last July, I called for the FCC to commence the incentive auction rulemaking process in the fall. To his credit, Chairman Genachowski launched a timely proceeding last September, and I thank him for that.

As the Commission moves forward on incentive auctions, I believe that four principles should guide our work. *First*, we must be faithful to the statute. It is our job to implement this legislation, not to rewrite it to conform to our policy preferences. *Second*, we must be fair to all stakeholders. This is especially important because the incentive auction will fail unless both broadcasters and wireless carriers choose to participate. *Third*, we must keep our rules as simple as possible. The broadcast incentive auction is inherently complicated; unnecessary complexities are likely to deter participation. And *fourth*, we need to complete this proceeding in a reasonable timeframe. I believe that we should aim to conduct the auction no later than June 30, 2014.

Although I am optimistic that fidelity to these principles will result in a successful broadcast incentive auction, I also see some storm clouds on the horizon. I am concerned, for example, that the incentive auction may not provide sufficient funding for FirstNet to build a nationwide, interoperable public safety broadband network. Only one closing condition was set forth for the incentive auction in last fall's Notice of Proposed Rulemaking: that the revenues from the forward auction must cover the costs of the reverse auction. Such an outcome, in my view, would be entirely unacceptable. It would mean no money for FirstNet to build out a nationwide, interoperable public safety broadband network; no money for state and local first responders; no money for public safety research; no money for deficit

reduction; and no money for Next Generation 911 implementation. The statute mentions each of these items, which makes it difficult to square that legislation with an auction that would provide no funding for any of them. This is why I believe it is imperative for the incentive auction's rules to take into account the need to maximize net revenues.

Another worry involves limits that the Commission might place on auction participation. We need robust participation from television broadcasters, current wireless operators, and new entrants in order to produce the revenue necessary to construct the nationwide, interoperable public safety network. The more people at the party, so to speak, the better the party will be. But if the Commission preemptively tells broadcasters "You may bid this high, but no higher," many may not show up for the reverse auction. And if the Commission starts picking and choosing who may participate in the forward auction—such as by setting a spectrum cap or narrowing the spectrum screen despite the robust competition in the wireless market—it will result in less participation, less revenue, less spectrum available for mobile broadband, and less funding for public safety.

It's worth exploring a bit further the implication of the last item I mentioned. Ensuring interoperable public safety communications has been a national priority for over a decade. Indeed, the 9/11 Commission identified the lack of interoperability as a serious hole in our nation's public safety communications and demanded that it be addressed, and this Committee has led the way in seeking to solve this problem. So given the importance of constructing a nationwide public safety network, I am committed to maximizing the net revenues obtained through the commercial broadcast incentive auction.

The Commission has already received the first round of comments in the incentive auction proceeding, and the deadline for reply comments is today. I look forward to reviewing the complete record because we can only make well-informed decisions if we listen to public input. Take, for example, the 600 MHz band plan. In the first round of comments, the Commission's proposed band plan has met with near-universal opposition. Neither broadcasters nor the wireless industry believes that it would work. Fortunately, however, our band-plan proposal did have one positive impact. It motivated broadcasters and wireless carriers to come together and reach agreement on key principles for an alternative band plan.

In addition to carefully considering the views of all commenters, I also look forward to continuing to receive feedback from Congress, particularly Members of this Committee. Given your key role in crafting this legislation, it is vital that the Commission keep open the lines of communication with you. It is also important for us to coordinate closely with Canada and Mexico to address issues involving border areas. Absent such coordination, we will have neither a timely nor successful auction.

Of course, the broadcast incentive auction isn't the only auction the Commission has on its plate. The Act also directs the Commission to auction off 25 MHz of spectrum adjacent to AWS-1 (2155–2180 MHz). This spectrum would ideally be paired with another 25 MHz block adjacent to AWS-1: 1755–1780 MHz. These bands are already internationally harmonized for commercial use, which means deployment will be swifter and cheaper than other options. If we auction off this spectrum in the next two years, it could raise billions of dollars for FirstNet, Next Generation 911 implementation, and deficit reduction.

As you know, there is a hitch in the giddyup. The 1755–1780 MHz band is currently occupied by the federal government. Federal incumbents don't necessarily have an incentive to consolidate their spectrum holdings or update their spectrum usage with more efficient alternatives that could improve their ability to carry out their missions. But there is an established solution for productive collaboration. The Commercial Spectrum Enhancement Act and the Middle Class Tax Relief and Job Creation Act apply an open, transparent, market-based approach to federal spectrum through the notification-and-auction process. Let me outline that process briefly.

The notification-and-auction process begins with the FCC notifying the National Telecommunications and Information Administration (NTIA) that we intend to auction federal spectrum for commercial use. That notification starts an 18-month clock that must run before we can reallocate the spectrum. Once we notify NTIA, federal incumbents have 10 months to submit transition plans to NTIA's Technical Panel, which then has 30 days to review these plans. At the one-year mark, NTIA and the Office of Management and Budget (OMB) notify the Commission of the estimated costs and timeline for making that spectrum available for commercial use based on these transition plans. Two months later, NTIA publishes the transition plans, and non-federal users have an opportunity to challenge the transition plans if, for example, they think a transition plan overstates the costs of relocating the federal incumbent. Finally, 18 months after the initial notification, the Commission may auction the spectrum.

The Commission should commence the notification-and-auction process now to preserve our ability to auction the 1755–1780 MHz spectrum paired with the 2155–2180 MHz spectrum we are required by law to auction by February 2015. Starting sooner rather than later maximizes flexibility and fairness for everyone. Federal incumbents will have more time to develop transition plans. Non-federal users will have more time to challenge cost estimates associated with those plans. And NTIA and OMB will have more time to calculate the total costs of allowing commercial use of the spectrum. There is little downside, because if the auction does not raise more than 110 percent of the estimated costs of transitioning, auction participants and federal incumbents are held harmless.

An important choice will face us after we commence the notification-and-auction process: We will need to decide whether the spectrum should be cleared and reallocated for exclusive commercial use or whether we should auction off only "shared rights." I believe our goal should be clearing. If our goal is to incentivize investment in wireless networks, nothing beats clearing. That's one reason the Middle Class Tax Relief and Job Creation Act puts a thumb on the scale for clearing and only allows sharing if clearing is technically infeasible or cost prohibitive.

Not that I'm opposed to spectrum sharing. For example, geographic sharing by creating exclusion zones around certain areas can be a useful tool. But spectrum sharing is a complicated and largely untested endeavor that requires a lot of coordination among potentially hundreds of federal users and licensees. The largest wireless providers in America may be both willing and able to do so. But I doubt that smaller ones who lack the time or resources are. Indeed, the GAO reported to Congress last year that federal sharing would require a lengthy and unpredictable process that would be especially costly for new entrants. And sharing could embroil the Commission in lengthy and sensitive interference disputes. After all, an interference dispute between a commercial licensee and a government user is far more likely to become mired in politics than an argument between two private parties—especially if the government agency uses that spectrum for defense or other high-priority operations. Recent experience suggests that we should be reluctant to enter this thicket.

There's one last piece of spectrum I'm excited to discuss: the 5 GHz band. Last month, the Commission teed up the expansion of unlicensed use by a full 195 MHz in the 5 GHz band. We were not obligated to go this far—the statute only required that we commence a proceeding on opening up 120 MHz—but I was especially excited that we did because it's smart policy.

Our proposal builds on past successes, such as our Part 15 rules that helped enable Wi-Fi and Bluetooth, and uses spectrum ideally suited for unlicensed use. The short-range propagation characteristics of 5 GHz spectrum enable localized reuse with minimal risk of interference. Manufacturers are already building devices to work on 5 GHz spectrum. And our proposal would create large, contiguous swaths of spectrum—exactly what the standard for Super Wi-Fi, IEEE 802.11ac, requires for high-speed, high-capacity data transfers. For example, a 160 MHz-wide channel could deliver 1 gigabit of data per second. In short, more unlicensed spectrum in the 5 GHz band will allow higher-speed, higher-capacity connections and will mean less congestion in apartment buildings and coffee shops, libraries, and offices.

Achieving this vision will not be without its challenges. The Middle Class Tax Relief and Job Creation Act lets us expand unlicensed use into the 5350–5470 MHz band only if we determine that "licensed users will be protected by technical solutions, including use of existing, modified, or new spectrum-sharing technologies and solutions." We also must find that "the primary mission of Federal spectrum users . . . will not be compromised by the introduction of unlicensed devices." To help us in these tasks, the NTIA has reported on the potential impacts to federal government users from expanding unlicensed use. And I appreciate their work. But you gave us the ultimate responsibility, and I hope that we will consider whether federal incumbents should alter their systems or operations to accommodate unlicensed devices in this spectrum and what solutions will work, keeping in mind the costs and benefits of all potential options.

**2. The Internet Protocol (IP) Transition**

Today, almost every segment of the communications industry is competing to offer newer, faster, and better broadband services. Telecommunications carriers are upgrading DSL with IP-based technology and fiber. Cable operators are deploying DOCSIS 3.0 to increase bandwidth tenfold. Satellite providers are offering 12 megabit packages in parts of the country that never dreamed of such speeds. And millions of Americans—many of whom don't subscribe to fixed broadband service at home—now have access to the Internet on the go using the mobile spectrum the Commission auctioned back in 2006 and 2008.

Underlying these changes is a technological revolution. Analog signals have gone digital. Circuit switching is giving way to packet switching. And first-generation cellular has been replaced with ultra-fast LTE. The common thread knitting all of these changes together is the Internet Protocol (IP), a near-universal way to organize and transmit data.

What are the results of all this broadband competition? More choices for consumers, and major challenges to old business models. Traditional voice telephony is a good example. In living memory, your one option was Ma Bell. But now you can select among a number of Voice over Internet Protocol (VoIP) providers, including cable operators. Or technology companies like Google, Skype, and Facebook. Or even video teleconferencing providers. Essentially, voice is becoming just another application riding over the Internet. It's no surprise, then, that today only a third of U.S. households subscribe to plain old telephone service over the public-switched telephone network (PSTN), and that number is dropping each year.

Yet the Communications Act still assumes that everyone gets plain old telephone service over the PSTN. And it doesn't say clearly how IP-based services should be regulated, if at all. Nine years ago this month, then-Chairman Powell opened the IP-enabled services docket to try to resolve this anachronism and ambiguity. But many of the questions raised in that proceeding still remain. How should IP-based services be classified under the Act? What's the FCC's authority to regulate these services? And if we do have authority, how should we exercise it? In short, what approach should we take to the IP transition? No matter how the FCC answers these questions, make no mistake: our transition to an all-IP future *will* happen. But what we do will have a dramatic impact on the speed and success of that transition.

I believe that the Commission needs to take a hard look at its regulations in light of the coming IP transition, if for no other reason than that the American people are ahead of Washington on this issue. Through millions of individual choices, consumers are sending a clear message about the superiority of IP-enabled networks. (For instance, in 2011, there were over 37 million VoIP subscriptions.) Government should heed this message and give the private sector the flexibility to make investment decisions based on consumer demand, not outdated regulatory mandates.

There are signs that we've already started off on the right foot. Just this past December, Chairman Genachowski created a Technology Transitions Policy Task Force. Back in July, I called for

such a task force, one that would help us take a holistic approach to the IP transition and focus our deliberations on a task that so desperately needs to be done. The Task Force will hold its first workshop next week. And I hope it will continue to solicit input from the public and develop proposals for hastening the IP transition. Given the pace of change, the Task Force should start forming recommendations promptly.

Although I would not want to prejudge the work of the Task Force, there are a few guidelines that I think should shape their deliberations and the Commission's own work on the IP transition. *First*, we must ensure that vital consumer protections remain in place. 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. The same goes for consumer privacy protections and antifraud measures like our slamming rules. *Second*, we must not import the broken, burdensome economic regulations of the PSTN into an all-IP world. No tariffs. No arcane cost studies. And no hidden subsidies that distort competition to benefit companies, not consumers. But promises are not enough: I expect we would recommend the repeal of old-world regulations that no longer make sense in a competitive all-IP world. While they remain on the books, wholesale expansion to IP may just be too tempting. *Third*, we must retain the ability to combat discrete market failures and protect consumers from anticompetitive harm. *Fourth*, we must respect the meets and bounds of the Communications Act and not overstep our authority.

How do we put these principles in practice? Probably the best way, in my eye, is to start with an All-IP Pilot Program that would allow companies to choose a discrete set of wire centers where they could turn off their old time-division-multiplexed electronics and migrate customers to an all-IP platform.

Conducting a trial run before implementing big changes is nothing new for the FCC. Before we turned off analog broadcasting, then-Commissioner Copps had the good idea of testing the concept. That experiment, which was held in Wilmington, North Carolina, provided valuable feedback and helped make the nationwide DTV transition a success. Similarly, the FCC launched a rural healthcare pilot program in 2007. The success of that pilot led to the creation of the Healthcare Connect Fund this past year. There are plenty of other examples, from spectrum sharing to the E-Rate program.

In all those cases, we found out that predictions are no substitute for hard facts and that a paper process isn't nearly as data-driven as a real-live experiment. That surely will be true for the IP transition, which represents perhaps the most fundamental transformation in the history of telecommunications. To quote Blair Levin, the father of the National Broadband Plan, an All-IP Pilot Program would be "worth a thousand pleadings."

How should we structure this experiment? Let's start with some basic principles. For one, participation in the All-IP Pilot Program should be voluntary. No carrier should be forced to participate, and pilot sites should be located in states that are ready and willing to embrace the IP transition.

For another, tests should ideally be conducted in a variety of places that represent our country's diverse geography and population. We'll learn the most from the pilot program if there are sites in urban, suburban, and rural communities. And we have to make sure that low-income and minority communities are included, because the IP transition is for everyone.

For yet another, no one should be left behind, so residential customers with fixed telephone service today should continue to have voice service available to them even when that service is based on IP. And business customers should know in advance what IP-based services will replace what they currently have.

Finally, we must be able to evaluate the All-IP Pilot Program in order to figure out what worked and what didn't. This will help us make the broader IP Transition. With empirical data in hand, we can reject the rhetoric in favor of reason.

I should note that the All-IP Pilot Program isn't an issue that divides the left from the right, Republicans from Democrats, or urban America from rural America. Endorsements range from AT&T to the National Cable and Telecommunications Association, from Bandwidth.com to Alcatel-Lucent. Organizations like the NAACP, the National Urban League, the Rainbow PUSH Coalition, the National Grange, and the National Farmers Union also want a pilot program. So do advocacy groups like the Minority Media and Telecommunications Council, the Asian American Federation, the League of United Latin American Citizens, Women Impacting Public Policy, the U.S. Chamber of Commerce, and the American Consumer Institute.

Moving forward with an All-IP Pilot Program would send a powerful message to the private sector that we intend to embrace the IP Transition through a data-driven process. We would signal that we won't force carriers to invest in old and new networks forever. We would move closer to the day when carriers will be able to focus exclusively on investing in the networks of tomorrow rather than maintaining the networks of yesterday.

### 3. The Universal Service Fund

Speaking of the networks of tomorrow, we must recognize that broadband operators in rural America today face unique challenges. Unlike the urban environment, rural carriers must carefully plan their infrastructure over a five-, ten-, or twenty-year time scale if they are to recover their costs. Congress recognized this in section 254 of the Act, and we need to think long and hard about the statutory command that universal service support be "predictable."

Now, we can argue over the proper size of the Universal Service Fund, but all of us should be able to agree that given its size, it should be distributed consistent with the law and common sense. For example, a constant stream of reforms every year or two is unlikely to give investors much certainty. Instead, the Commission needs a long-term strategy and must sometimes be patient before demanding more from the industry.

Take the quantile regression analysis (QRA) benchmarks created by the Commission in the 2011 *Universal Service Transformation Order* and implemented by the Wireline Competition Bureau in the 2012 *Benchmarks Order*. The QRA benchmarks are supposed to create "structural incentives for rate-of-return companies to operate more efficiently and make prudent expenditures." But reality has not caught up with theory. Instead, the QRA benchmarks have resulted in unpredictability and uncertainty, chilling the investment climate and impeding the deployment of next-generation technologies and broadband services to rural Americans.[1]

It is true that the Commission recently gave rural carriers some short-term relief from the 2013 QRA benchmarks. For example, one problem with the QRA benchmarks was that they limited the capital investments (capex) and operating expenses (opex) of carriers separately even though carriers should trade off capex and opex to minimize the total cost of the network. This salutary measure alone should reduce the number of capped rural carriers from 159 to 70 in 2013.

But we did not go far enough. The data underlying the benchmarks are themselves flawed; the only comprehensive study of the benchmarks conducted to date found significant problems with *fourteen of the sixteen variables* used to produce them.[2] And the Commission has forthrightly admitted flaws in

[1] Letter from John Charles Padalino, Acting Administrator, Rural Utilities Service, to Marlene H. Dortch, Secretary, FCC, WC Docket Nos. 10-90, 07-135, 05-337, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, WT Docket No. 10-208, at 1–2 (Feb. 15, 2013), *available at* http://apps.fcc.gov/ecfs/document/view?id=7022122067.

[2] Vincent H. Wiemer & Michael J. Balhoff, CFA, White Paper: Lessons from Rebuilding the FCC's Quantile Regression Analysis at 17 (Feb. 2013), *available at* http://go.usa.gov/4he4; *see also id.* at 28 ("[T]he effect of the use of the model . . . is to create a much higher degree of unpredictability and to incent very conservative levels of spending by an individual carrier so that it does not risk shortfalls in recovery on its high-cost spending. Then, if most carriers take this approach each year as would be rational, each subsequent year becomes more

the maps it used and is in the process of collecting accurate data. Hopefully, this process will be completed and necessary revisions will be made before 2014.

I should note that, like my colleagues, I believe that establishing limits on the universal service support a carrier can receive is a good thing. In this era of fiscal restraint, no one can expect the government to continue to fund their expenses without question. But the QRA benchmarks do not reduce the size of the USF. They merely impact how funds are distributed, and I have my doubts about the utility of the QRA benchmarks as implemented.

For example, the 2013 QRA benchmarks do not incentivize efficient investment because they apply to expenses incurred two years ago, in calendar year 2011. And the *Universal Service Transformation Order* was not even released until November of that year. They do not plausibly redirect support from low-cost areas to high-cost areas because, even after our recent order, carriers like Copper Valley Telephone and Arctic Slope Telephone will have lower caps merely because they serve Alaska. They do not target inefficient carriers (only "outliers"), nor do they encourage broadband deployment. Indeed, if a rural carrier below the cap chooses to reinvest any additional support it receives in broadband, it risks pushing itself over the cap in future years, thus mitigating any benefit from that additional support. In short, I am concerned that the QRA benchmarks may simply redistribute support from one group of carriers to another arbitrarily.

The QRA benchmarks are not the only area where the Commission needs to take its statutory duty of predictability seriously. Right now, the Commission is working on the model that will underlie the long-term support envisioned by Phase II of the Connect America Fund. Although I had been hopeful that we would have it ready by 2013, that did not happen, and it looks like we will not be ready for Phase II anytime in the near future. While that is disappointing, it is better to get the answers right than to get them right now. But we should be forthright, declare that Phase II will not be ready until 2014, and, as Commissioner Rosenworcel recently suggested, move forward with the second tranche of Phase I as envisioned by the *Universal Service Transformation Order*. Better to set a goal firmly in our sights and let everyone work toward it than to keep capital on the sidelines.

**4. Wireless Infrastructure**

Removing regulatory barriers to wireless infrastructure investment is another priority for the Commission. When building next-generation wireless broadband networks, for example, a major challenge is complying with the multifarious federal, state, and municipal regulations covering a wide range of physical infrastructure, from towers to small cells. Some oversight is necessary to ensure sound engineering and safety, to be sure, but many procedures are not designed with facilitating deployment in mind. This makes getting the necessary permits and sign-offs an expensive, onerous, and unnecessarily long process.

The Commission has taken some steps in an effort to address this problem. In 2009, for example, we adopted shot clocks for localities to act on siting applications for wireless facilities. That ruling is now before the Supreme Court in *City of Arlington v. FCC*, and we shall see in the next few months whether that rule stands or whether we must return to you for direction. More recently, the Commission sought to clarify the scope and meaning of section 6409(a) of the Middle Class Tax Relief and Job Creation Act, which prohibits state and local governments from denying certain collocation requests.

But more must be done to reduce regulatory barriers to the deployment of wireless infrastructure. *First*, I believe the FCC should make clear that delays to the FCC's shot clock process through moratoriums are contrary to section 332 of the Communications Act. This would address the tactic some

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conservative and there is a potential 'race to the bottom.'"); *id.* at 68 ("The new QRA is duck hunting when the winds are high, the distance is farther, and, for sport, there is no light.").

localities have used to evade deadlines of adopting an indefinite "time out" on the approval of wireless infrastructure.

*Second*, the FCC needs to address what happens if a local government doesn't comply with a shot clock. Currently, if a city does not process an application within 150 days, the only remedy is to file a lawsuit. This increases delay and diverts investments away from networks. To solve this, the FCC should supplement its shot clocks with a backstop: If a locality doesn't act on a wireless facilities application by the end of the time limit, the application should be deemed granted.

*Third*, we should modernize our rules to exempt distributed antenna systems (DAS) from our environmental processing requirements, except for rules involving radiofrequency emissions. We can do this if a technology is "deemed to have no significant effect on the quality of the human environment." Given their small size and appearance, I believe that DAS meet this standard. We should similarly update our historic preservation regulations, yet another regulatory layer, to facilitate deployment of DAS and small cells that add capacity to networks.

**5. Media**

Turning to the media side of our agenda, the FCC should try to bring the congressionally mandated quadrennial review of our media ownership rules to a close by Memorial Day. In my view, we must update our regulations to reflect the changing nature of our nation's media landscape while at the same time preserving the Commission's commitment to the core values of competition, diversity, and localism.

We have not yet been able to reach consensus, but I hope that we will be able to find common ground and move forward together on a bipartisan basis. I have been trying to do my part to help make that happen. I understand that whatever reforms we end up implementing will not go as far as I might prefer. For example, I believe that the time has come to eliminate the newspaper-broadcast cross-ownership rule. In this day and age, if you want to operate a newspaper, we should be thanking you, not placing regulatory barriers in your path. But that having been said, Chairman Genachowski's proposals to eliminate the newspaper-radio and radio-television cross-ownership rules and to relax modestly the newspaper-television cross-ownership rule are steps in the right direction. He deserves credit for advancing these reforms, and I am prepared to support them.

I have serious concerns, however, about proposals that are under discussion to make Joint Sales Agreements (JSAs) and/or Shared Services Agreements (SSAs) attributable under our local television ownership rule. As broadcasters' share of the advertising market has shrunk in the digital age, television stations must be able to enter into innovative arrangements in order to operate efficiently. JSAs and SSAs allow stations to save costs and to provide the services that we should want television broadcasters to offer.

In my home state, for example, a JSA between two Wichita stations enabled the Entravision station, a Univision affiliate, to introduce the only Spanish-language local news in Kansas. Across the border in Joplin, Missouri, a JSA between Nexstar and Mission Broadcasting not only led to expanded news programming in that market but also nearly $3.5 million in capital investment. Some of that money was spent upgrading the stations' Doppler Radio system, which probably saved lives when a devastating tornado destroyed much of Joplin in 2011.

For stations in smaller markets like Wichita and Joplin, the choice isn't between JSAs or having both television stations operate independent news departments. Rather, the real choice is between JSAs and having at most one television station continue to provide news programming while the other does not. If the FCC effectively prohibits these agreements, fewer stations in small-town America will offer news programming, and they will invest less in newsgathering. And the economics suggest that there likely will be fewer television stations, period.

At the same time as we modernize our media ownership rules, we must take action to foster more minority ownership. To be sure, the U.S. Court of Appeals for the Third Circuit has instructed us to do so. But more importantly, it is the right thing to do. During my time in office, one message has come across loud and clear when it comes to minority ownership: The most significant barrier to expanding ownership diversity is a lack of access to capital.

In order to help address this problem, I support a proposal advanced by the Coalition for Broadcast Investment (CBI) to end our current de facto ban on any foreign investment in U.S. broadcast holding companies that exceeds a 25 percent benchmark. Instead, we should evaluate proposals for foreign investment on a case-by-case basis. Our current policy addressing foreign investment in broadcast stations has been rendered obsolete by changes in the marketplace and the passage of time. Today, foreign companies can own a majority stake in cable operators, cable programmers, common carriers, Internet backbone providers, satellite video providers, newspapers, and other entities. Yet a foreign company cannot hold more than a twenty-five percent interest in a single AM radio station. This doesn't make any sense.

If we relax restrictions on foreign investment, minority Americans will have more ways to raise capital and expand their participation in the broadcasting industry. That's why this idea is supported by a wide range of groups who care about diversity, including the Minority Media & Telecommunications Council, the League of United Latin American Citizens, the National Black Chamber of Commerce, and the United States Hispanic Chamber of Commerce. I applaud the Media Bureau for seeking comment on CBI's proposal last month and am hopeful that we will be able to move forward on it in the near future.

Let me mention one last thing before I leave the media space. Last September, I proposed that the Commission launch an AM Radio Revitalization Initiative. In the ensuing months, I have been amazed and gratified by the outpouring of support I have received for this proposal from AM radio station operators from across the country. We at the Commission last comprehensively reviewed our AM rules over twenty years ago, and the band's challenges have multiplied since that time. While I understand that AM radio isn't the hippest matter on the Commission's agenda, I believe that AM stations provide an important service to the American people, and we should not let the AM band wither on the vine. Rather, we should take action soon.

**6. Modernizing FCC Processes**

Before concluding, I would like to touch on a subject that affects all areas of the Commission's work: process reform. We at the FCC must strive to be as nimble as the industry that we oversee. All too often, proceedings at the Commission needlessly drag on for many years. For example, it shouldn't have taken the Commission nine years to respond to Martha Wright's petition seeking redress for the high long-distance rates she paid to speak with her then-incarcerated grandson. And it shouldn't have taken the Commission almost twelve years to issue an eleven-paragraph order responding to an application for review filed by a Georgia low-power television station (ironically, an order chastising a private party for missing a deadline).

The good news is that we are making progress on this front. Commissioners are voting on items more quickly after they are placed on circulation. The time between the adoption and the release of items has decreased. And we have reduced the FCC's backlog. Chairman Genachowski and the rest of my colleagues deserve credit for these accomplishments. But we still have room for improvement.

Since taking office, I have proposed a variety of reforms to improve the Commission's performance. We should streamline our internal processes where possible. For example, let's adopt a procedure akin to the U.S. Supreme Court's *certiorari* process for handling applications for review and let's speed up our processing of smaller transactions. We should also take statutory deadlines more seriously. It is unacceptable that we have only released the congressionally-mandated annual video competition report two of the last six years. When Congress tells us to do something, we need to get it

done on time. We should establish more internal deadlines, such as a nine-month deadline for ruling on applications for review and petitions for reconsideration along with a six-month deadline for handling waiver requests. And when we adopt industry-wide rules, we should more frequently use sunset clauses that require us to eventually revisit the wisdom of (and, if necessary, revise or repeal) those rules.

Beyond reforming our rules, we should become more accountable to the public and to Congress about how long it takes the Commission to do its work. One way to do this would be by creating an FCC Dashboard on our website that collects in one place key performance metrics. Let's keep track of how many petitions for reconsideration, applications for review, waiver requests, license renewal applications, and consumer complaints are pending at the Commission at any given time. And let's compare the current statistics in all these categories against those from a year ago, from five years ago, so everyone can see if we are headed in the right direction. If we make it easier for others to hold us accountable for our performance, I'm confident that we would act with more dispatch.

My emphasis on acting promptly is not just about good government. It is also about the impact that the FCC's decisions (or lack thereof) have on our economy. As the pace of technological change accelerates, so too must the pace at the Commission. We can't let regulatory inertia frustrate technological progress or deter innovation.

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Congress has entrusted the Commission with important responsibilities, from managing spectrum to facilitating deployment of new infrastructure to overseeing the media marketplace. With a collaborative approach among FCC Commissioners and staff and consultation with Congress, I'm confident that the agency can discharge these responsibilities in a way that will serve well the public interest. Chairman Rockefeller, Ranking Member Thune, and Members of the Committee, thank you once again for holding this hearing and allowing me the opportunity to speak. I look forward to listening to your views, answering your questions, and continuing to work with you and your staff in the days ahead.