

**Statement of  
Tom Wheeler, Chairman  
Federal Communications Commission  
Before the  
Committee on Small Business  
U.S. House of Representatives  
Hearing on  
“Is the FCC Responding to the Needs of Small Business and Rural America?”  
September 17, 2014**

**I. Introduction**

Chairman Graves, Ranking Member Velázquez, members of the Committee, thank you for the opportunity to be here today.

Having spent the past decade in the private sector, helping to grow new businesses, I have a unique appreciation for the entrepreneurial spirit of America’s small business owners. Small businesses are a key driver of job creation and economic growth, and they are the foundation of local economies across America – from Missouri’s countryside to the neighborhoods of Manhattan.

Since becoming Chairman less than a year ago, I have traveled to many of those areas – including some of the most rural and remote areas and Indian Reservations – and met with small businesses, as well as schools, libraries, and citizens, to learn more about how we can improve their access to modern communications services, especially high-speed broadband. I’ve also met with small and rural telcos to better understand their unique challenges and the ways the Commission can help overcome them through our various programs.

In the 21st century information economy, starting and operating a small business requires access to 21st century communications. High-speed broadband, wired and wireless, helps small businesses better serve existing customers through improved operations, and reach new ones by making anyone with an Internet connection a potential customer.

At the FCC, we are committed to harnessing the power of broadband communications to grow our economy and improve the lives of the American people. Our work is guided by what I call the Network Compact – a set of values Americans have a right to expect from their network providers – such as universal access, consumer protection, and public safety. Overarching these values is the belief that competition is superior to regulation, and competition is the

Commission's most effective tool for driving innovation, investment, and consumer and economic benefits.

## **II. Expanding Access of Small Businesses and Rural Areas to High-Speed Broadband**

Consistent with these guiding principles, the FCC has taken multiple actions to assist small businesses and expand communications opportunities for rural America. Those actions start with making sure every American small business has access to true high-speed broadband.

Currently, about 12 million Americans live in areas where wired broadband isn't available. These are homes with students at a disadvantage compared to their connected neighbors. These are small businesses, whether a local florist or a hunting lodge, that can't compete in a connected world. And these are communities that can't attract businesses to locate to their towns and offer jobs to those in need. To help connect these unserved areas, the Commission has modernized the Universal Service Fund to focus on broadband, including establishing the Connect America Fund (CAF). Roughly a quarter of all universal service contributions come from small businesses, and by increasing efficiencies these reforms help ensure that consumers and small businesses are getting more bang for their universal service buck.

In Phase I of the Connect America Fund, the Commission has made investments that will make broadband available to 1.6 million unserved Americans in areas served by the nation's largest traditional local providers – known as “price cap” carriers. In addition, Mobility Fund Phase I investments also include \$300 million to expand advanced mobile wireless service and nearly \$50 million for better mobile voice and broadband on Tribal lands.

The Commission took another important step forward last January, when we authorized in our Technology Transitions Order experiments to advance the deployment of voice and broadband-capable networks in rural areas with support from the Connect America Fund. Our challenge is to preserve the values that consumers and businesses, both large and small alike, have come to expect from their networks, while unleashing new waves of investment and innovation, which will deliver untold benefits in the form of modern broadband networks for the American people, including rural America. We cannot be a nation of opportunity without networks of opportunity. That's why we are moving forward with these trials, which will provide

an opportunity to consider how better to ensure that all of our universal service programs are working together effectively to ensure that residential consumers, small businesses, and anchor institutions have access to evolving services delivered over scalable networks.

Building on that action in January, we recently adopted an Order establishing a \$100 million budget for the rural broadband experiments, criteria for what we expect from applicants, and an objective, clear-cut methodology for selecting winning applications. These rural broadband experiments will allow us to explore how best to structure our second phase of CAF investments, including through the use of a competitive bidding process in price-cap areas, and gather valuable information about deploying next generation networks in high-cost areas.

Importantly, this is the first time the Commission will attempt to use the tool of competitive bidding to bring broadband to rural America through the Connect America Fund. Competition holds the promise of better services at lower costs – it is time to use that dynamic for the benefit of rural America.

CAF Phase II will result in another five million Americans getting access to broadband for the first time. We expect to move forward with CAF Phase II with all dispatch, and the lessons learned in our rural broadband experiments will help us achieve our goal of delivering world-class voice and broadband networks to rural America.

We also want to make sure small businesses not only have access to broadband, but also that they have broadband with sufficient bandwidth to meet their evolving needs.

When a single HD video requires 5 Mbps of capacity, it's clear that the FCC's current benchmark for broadband – 4 Mbps– isn't adequate. This is why, as part of a Notice of Inquiry issued this August, we have proposed updating the broadband speed required for universal service support to 10 Mbps. We also ask whether to include latency, data usage allowances, or other characteristics in benchmarking broadband; whether to establish separate benchmarks for fixed and mobile services; how to best evaluate mobile and satellite services; and how to take into account differences in broadband deployment, particularly between urban areas versus non-urban and Tribal areas.

We also want to make sure that anchor institutions like schools and libraries have robust broadband connections to meet community needs. This July, we took a major step forward in

making sure that every school and library in America has high-capacity broadband to the building and within every classroom and library, particularly for smaller schools and libraries in rural areas. Previously, smaller, rural schools and libraries had difficulty securing E-rate funding for internal connections within a school or library. The Order increases support targeted for Wi-Fi in rural school districts by nearly 75 percent and is expected to expand Wi-Fi connectivity to nearly 20 million students during its first two years, as well as ensure more equitable availability of funds to rural schools and libraries. While an important step, there are still far too many rural and Tribal schools and libraries that do not have sufficient broadband connectivity to the building and we are actively working on tackling this issue through the next steps of E-rate modernization and implementation of the next phase of the Connect America Fund.

### **III. Promoting Wireless Connectivity and Competition to All Americans**

When we talk about access to broadband in 2014, we are increasingly talking about wireless connectivity. The Commission is working aggressively to make sure small businesses and all Americans can take advantage of the new services and applications enabled by mobile broadband.

We are taking multiple actions to make more spectrum available for wireless broadband. In February, the Commission concluded its first major auction of mobile broadband spectrum since 2008, auctioning the 10 megahertz H-Block, which raised more than \$1.5 billion, much of which will be put to use toward funding FirstNet's nationwide public safety broadband network.

This March, the Commission adopted a Report and Order establishing service rules for our upcoming AWS-3 auction of 65 megahertz of highly desirable spectrum this November. The Commission in March also changed rules to make 100 megahertz of unlicensed spectrum in the 5 GHz band usable for purposes including gigabit Wi-Fi.

In May, the Commission adopted a Report and Order that establishes ground rules for our historic Incentive Auction, as well as Mobile Spectrum Holdings policies to promote competition in our upcoming auctions as well as potential future spectrum transactions. By marrying the economics of demand with the economics of current broadcast spectrum holders, the Incentive Auction will harness market forces to determine the highest and best use of spectrum, while providing a potentially game-changing financial opportunity to America's broadcasters.

Underlying all of our work on auctions is a commitment to competition and ensuring smaller businesses have a shot to compete. For instance, the “market-based reserve” spectrum in the Incentive Auction will provide opportunities for wireless providers to gain access to important low-band spectrum that could enhance their ability to compete and help ensure that two dominant carriers can’t run the table in the auction. Our establishment of smaller geographic license areas and 5 by 5 spectrum blocks in both the Incentive Auction and AWS-3 auction will also enhance small businesses’ ability to compete for and win spectrum licenses.

In August, I circulated a Notice of Proposed Rulemaking to update the FCC’s competitive bidding rules – also known as our Designated Entity or DE rules – to recognize the challenges new entrants face in entering the wireless industry, such as raising funds to compete in an auction, finding a revenue stream to support business expansion or developing a business model based on market needs rather than regulatory mandates. This proposal would provide innovative, smaller companies with the opportunity to build wireless businesses that can spur additional investment and offer more choices to consumers.

The FCC’s Office of Communications Business Opportunities (OCBO) continues to conduct workshops to educate and empower small business owners to take advantage of opportunities in the communications sector. Our annual conference on capitalization strategies for small and diverse media and communications businesses will be held again this fall. Through seminars and one-on-one interviews, OCBO connects entrepreneurs with financial experts who make daily decisions about capital infusion.

Early participants in OCBO’s Cap Access program have seen real benefits. For example, the National Association of Latino Community Asset Builders made the initial, crucial connections at our conferences that ultimately led to \$3.7 million in federal funds through the Broadband Technology Opportunities Program. With that much-needed capital, they established broadband-enabled small business support centers throughout the country.

#### **IV. Promoting Competition, Localism and Diversity in the Media Marketplace**

Related to these on-going efforts to promote and increase participation in communications services, the Commission also has a duty to promote competition, localism, and

diversity within the media marketplace. The Commission has taken actions over the past year that could have a positive impact for small business entities.

One of the first votes I took as Chairman of the Commission at my first Open Meeting in November 2013 was to approve a Declaratory Ruling to clarify our policies and procedures for reviewing transactions in the broadcasting industry involving foreign ownership and investment. Such a clarification could unleash new capital to help existing broadcasters and potential new entrants to serve the needs and interests of their communities.

Additionally, we have rules in place that limit broadcast ownership concentration. A major component was the initiation of the quadrennial review of the Commission's media ownership rules in March of this year. We sought comment on the various rules and are exploring how to craft rules that can meet our goals and survive judicial review. As part of this proceeding, we are reviewing diversity issues to see how best we can promote a diversity of voices, including women and minorities.

While our quadrennial review is underway, we have to enforce our existing rules and close loopholes where necessary to ensure there's a level playing field for all – including small business entities. In March, we took a significant step to close a loophole in our attribution rules for TV Joint Sales Agreements (JSAs) that had been exploited by some to circumvent our local TV ownership limits. These new rules will protect viewpoint diversity and competition goals. As an example, just a few weeks ago, Gray Communications announced that it had terminated some sharing agreements with six TV stations in smaller markets and engaged the Minority Media Telecommunications Council (MMTC) to find new buyers for those stations. I applauded the news in late August that MMTC was successful in finding new buyers that will increase diversity of ownership and programming in each of these markets, all of which are in areas that serve smaller communities, including Grand Junction, Colorado; Monroe, Louisiana; and Fargo, North Dakota.

For other instances where there are attributable JSAs, and parties believe those existing or proposed agreements would be in the public interest, we will entertain waiver requests and process them on an expedited basis.

## **V. Fostering Innovation and Entrepreneurship Through an Open Internet**

The Internet's open design has empowered innovators and entrepreneurs across the country to launch small businesses – some of which have grown to become world-leading companies. This May, the Commission adopted a Notice of Proposed Rulemaking that begins the process of crafting rules to protect and promote the open Internet. The focus of the proposals we put forward and the questions we ask in this Notice is on maintaining a broadly available, fast, and robust Internet that serves as a platform for economic growth, investment, innovation, free expression, and competition.

September 15<sup>th</sup> marked the close of the comment period for this proceeding. We are closely examining the issues and reviewing the public record, which includes more than 3 million comments – the largest body of comments for any FCC rulemaking proceeding. And we're not stopping with that. Just yesterday, we began a series of six public roundtable forums through which we are soliciting the views of Americans, as well as expert advice from a wide array of stakeholders, about how best to craft enforceable rules of the road that will bring certainty to the marketplace.

As this process moves forward, we will continue to enforce our Open Internet Transparency rule, which was upheld in court and is an important tool to help small businesses make informed choices about the Internet access services they buy. It is my goal to get final rules back on the books as quickly as possible to give consumers, businesses and innovators the Open Internet protections they currently lack.

## **VI. Ensuring Network Safety, Security and Reliability**

The Commission is also working to make sure that the broadband networks small businesses rely on are safe, secure, and reliable.

To ensure that all Americans are not harmed and benefit from the transition to next-generation networks, we are obtaining data on the impact of technology transitions in rural areas, including Tribal lands, where residential consumers, small businesses, and anchor institutions may not have access to advanced broadband services.

The Commission is working to stop rural call completion problems, which can damage small and large businesses alike. Last year, the Commission enhanced our ability to investigate

this problem with new data retention and reporting requirements. Thus far, our Enforcement Bureau has issued three consent decrees to combat this problem, and we will continue to take action against carriers that fail to provide reliable communications.

To protect against cyber threats, our Public Safety and Homeland Security is working with the private sector and other government agencies to create a new paradigm for cyber readiness. This private sector-led effort must be more dynamic than traditional regulation and more measurably effective than blindly trusting the market or voluntary best practices to defend our country.

We are working with industry to identify public goals, working with the affected stakeholders in the communications industry to achieve those goals, and letting that experience inform whether there is any need for next steps.

We also have practical tools like our Small Business Cyber Planner, which lays out a number of common-sense steps small businesses can take to improve security.

## **VII. Process Reforms**

The Commission is sensitive to the impact of our regulatory processes on the entities we serve, including small businesses. In fact, process reform has been a priority since Day One of my Chairmanship, when I tasked staff to develop, within 60 days, specific recommendations to improve the efficiency and transparency of the FCC's processes. For instance, the Commission has conducted a review of its regulatory fee structure to update the payment scale and provide regulatory fairness for all of the Commission's licensees. Among the changes we have made is raising the *de minimis* payment level to exclude those licensees owing less than \$500 from having to pay a fee, giving small businesses a break, and also enabling the Commission to realize cost savings for processing.

## **VIII. Conclusion**

I want to thank the Committee again for this opportunity to discuss the many things the Commission is doing to benefit America's small businesses. I look forward to working with members of this committee on these and other relevant issues, and I welcome your questions.