

**Prepared Remarks of FCC Chairman Tom Wheeler
2014 CTIA Show, Las Vegas, NV
September 9, 2014**

Thank you Meredith.

You all should know that Meredith is already making things happen in her new job. She is personally responsible for getting the entire FCC to do the Ice Bucket Challenge.

Thanks a lot Meredith!

I received my challenge in the middle of vacation. Nothing says relaxation like risking shock trauma over social media!

It was 10 years ago – 10 years! – since I last stood on this stage. Things have changed a great deal since then.

As I told the Senate Commerce Committee during my confirmation hearing, I hope I was a pretty good representative of this industry in its nascent years.

But today I have a new client, the American people; and I will bring to bear every ounce of whatever capabilities I have – and whatever understanding I have of the wireless industry – to aggressively represent the best interests of my client.

This industry has evolved a great deal, from a luxury service used for phone calls to a must-have service used for just about everything – texting your friends, emailing your office, taking pictures, sharing pictures, watching video, listening to music, tracking news, getting directions. And, oh yes, you can still make a phone call.

In the process, this industry has shaped significant changes in our economy and our society.

Who would have imagined 750,000 new jobs stemming from the app economy?

Who would have imagined the manner in which non-voice services have transformed how we live our lives?

You have done this with vision and entrepreneurial skill; with capital and management; and with risk-taking and grit.

And by harnessing our nation's greatest public asset – spectrum.

You have created new times.

And as Lincoln told us, “As our case is new, so must we think anew, and act anew.”

So today I'd like to think anew and to think out loud about your great industry.

I'm not here to pound the table and issue regulatory dictates, but to begin a discussion and suggest paths to explore for our mutual benefit – and more importantly, for the benefit of your customers and our constituents.

In particular, I want to highlight three topics: competition, net neutrality, and incentive auction.

Let's start with competition.

Last week I laid out an Agenda for Broadband Competition.

Its first principle is that where competition exists, the Commission will protect it.

This industry has always told policy makers, "We're different, we're competitive."

But in the last couple of years the FCC and the Department of Justice have had to be poised to intervene to protect that dynamic.

First it was AT&T's proposed acquisition of T-Mobile.

Most recently the Assistant Attorney General for Antitrust and I were outspoken in discouraging Sprint's potential acquisition of T-Mobile.

The American consumer has been the beneficiary: new pricing and new services that have been spurred by competition.

I know that achieving scale is good economics, and that there is a natural economic incentive to accrue ever-expanding scale.

We will continue to be skeptical of efforts to achieve scale through the consolidation of major players.

The second principle is that where greater competition can exist, we will encourage it.

The market-based reserve of low-band spectrum in the Incentive Auction is just such an effort.

Overarching these principles is the belief that competition creates stronger inducements to innovation than does regulation.

The U.S. is the world leader in LTE because of competition.

I remember when the rest of the world looked down on the U.S. because we didn't have a standardized air interface.

At the time, I kept saying that our competition would present results better than the government standards of Europe – and it did.

But the inverse of this is also true.

The absence of meaningful competition invites government regulation.

We have more than a hundred years of experience with this model.

And here is the history-based take-away: What industry does to create a robust and competitive market has a bearing on how government responds.

The mobile industry has proven that competition drives capital investment.

Equally important, you have shown that competition and investment are not mutually exclusive.

In the past 10 years, the mobile industry has invested \$260 billion to build competitive infrastructure.

You are living proof that profit and progress can go hand-in-hand.

Of course, any discussion of competition leads to the issue of leveraging control over the last-mile to impact the rest of the Internet ecosystem.

In other words, the Open Internet.

One of the great facilitators of competition for online services is the open design of the Internet.

I remember when this industry was united around the walled garden where the only apps that reached the consumer were those which the carrier approved, usually in return for a payment.

That wasn't a good environment for innovation, or the expansion of consumer services, or the industry for that matter.

The fast pace of technology which we have been discussing effectively destroyed those walls.

Once the world went IP it was possible to leap the garden wall and discover the abundance of an open ecosystem.

And just look at the results!

But it is instructive that the walled garden existed despite multi-carrier competition.

At least in the short run, this suggests that competition does not assure openness.

In six days, the comment period for the Commission's proceeding to restore the Open Internet protections vacated by the *Verizon* lawsuit will close.

Everyone has said they support a free and open Internet.

Many companies say they enforce the 2010 rules even in their absence.

I am confident those endorsements are genuine, but the American people want assurances. And so do I.

Our goal in this proceeding is to establish rules of the road for Internet openness that will provide certainty in the marketplace and facilitate the continuation of the virtuous cycle of investment and innovation.

As evidenced by the growth in this industry over the past decade, mobile wireless broadband is a key component of that virtuous cycle.

Although the comment cycle has not yet closed, we are already closely examining the issues and the record.

One of the constant themes on the record is how consumers increasingly rely on mobile broadband as an important pathway to access the Internet.

Microsoft, for instance, told the Commission that because we live in what they called a “mobile first” world, “There is no question that mobile broadband access services must be subject to the same legal framework as fixed broadband access services.”

Thousands of consumers have echoed that sentiment.

The Commission’s previous Open Internet rules distinguished between fixed and mobile, and our tentative conclusion in this new rulemaking suggested the Commission should maintain the same approach going forward.

In this proceeding, however, we specifically recognized that there have been significant changes in the mobile marketplace since 2010.

We sought comment about whether these changes should lead us to revise our treatment of mobile broadband services.

The basic issue that is raised is whether the old assumptions upon which the 2010 rules were based match new realities.

Here is a sample of the kinds of issues raised in this context:

- What is the impact of LTE – a service promoted as offering Internet connectivity at faster speeds?
- Does it make a difference that when the rules vacated by the *Verizon* case were written there were 200,000 LTE subscribers and today there are 120 million, with build-out complete to 300 million Americans?
- What is the impact of the dramatic switch to smart devices for wireless Internet access?

You have recently filed a thoughtful paper arguing that “mobile broadband faces unique operational constraints” that make Open Internet rules inappropriate.

That, too, is one of the questions with which we will have to wrestle.

Part of the Open Internet proceeding is the consideration of “reasonable network management.”

Of course, a network operator should be able to use techniques to manage the network.

The importance of engineering and technical management tools is obvious to carriers and has been recognized by the Commission.

Recently, I sent letters to the four national wireless providers, asking them about their network management practices.

We are very concerned about the possibility that some customers are being singled out for disparate treatment even though they have paid for the capacity that is being throttled.

And we are equally concerned that customers may have been led to purchase devices relying on the promise of unlimited usage only to discover, after the device purchase, that they are subject to throttling.

I am hard pressed to understand how either practice, much less the two together, could be a reasonable way to manage a network.

Our Open Internet proceeding will look closely at both the question of what is “reasonable” and the related subject of how network management practices can be transparent to consumers and edge providers.

I am sure that the next round of comments due on September 15th will provide additional insight into all these questions.

I expect that it will be a leading topic of discussion at the Open Internet roundtable that is being conducted by our Wireless Telecommunications Bureau on September 16.

Finally, allow me to apologize to Teddy Roosevelt and reassert that our greatest public asset is that which we cannot see – spectrum.

Your government has heard your cry for more spectrum.

The Congress responded with a creative and courageous solution: an incentive auction to simultaneously buy broadcast spectrum, reband it and the remaining broadcast frequencies, and auction the results to you.

This is an incredibly complex, never-before-attempted undertaking. I noted that Meredith’s opening message upon assuming her new role was the importance of spectrum.

As you know, the National Association of Broadcasters sued the FCC to challenge our rules for the auction.

If they were to win, the effect would be to delay the auction, notwithstanding NAB’s claims to the contrary.

We are confident the courts will find that we have carried out the mandate of Congress and the NAB’s arguments are groundless.

However, the fact of the matter is they have gone to the judicial branch to throw up roadblocks further to progress on addressing the spectrum needs of mobile services.

So, let's talk turkey.

Many broadcasters have been led to believe that the demand for mobile spectrum really isn't as your industry has claimed.

As a result, they believe that wireless carriers won't fully participate in the auction.

Whether or not wireless carriers show up with sufficient demand to incent broadcasters to participate is something only you control.

But, if that is the case, if mobile operators don't put their money where their mouths have been, the future of spectrum policy will begin to look a lot different.

One of our best hopes for continuing progress in spectrum reallocation is the ability of an incentive auction to find a meeting point for all parties' economic needs.

When the Broadcast Incentive Auction is a success it will be the template for multiple other incentive auctions to follow.

We are heartened by AT&T's and DISH's strong expressions of interest in the Incentive Auction.

We saw reports of big interest and big numbers being tossed around when Sprint and T-Mobile wanted to bid jointly.

The rest of the industry, however, has been strangely silent.

In the next few weeks we will begin expanded outreach to broadcasters so they understand how the auction works, including estimates of potential opening bid amounts.

We will be explaining what we believe is the economic potential it represents.

However, they read the trade press, too; and wireless carriers showing interest in the Incentive Auction is the predicate to broadcasters showing interest.

Yes, the challenges before us are great.

But the opportunities are greater.

I look forward to working with you to find solutions that will enable new waves of mobile innovation and improve the lives of the American people.

Thank you.