

**REMARKS OF FCC CHAIRMAN AJIT PAI
AT THE AMERICAN CABLE ASSOCIATION ANNUAL SUMMIT**

WASHINGTON, DC

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Good morning! While it's great to be with the American Cable Association, I do need to start off my remarks with some criticism, and I'm going to put it bluntly. I'm not a fan of the weather that you've brought to Washington, DC for the start of spring.

On a more serious note, thank you for that warm welcome, which is quite the contrast to the temperature outside. Thanks to Matt Polka and Bob Gessner for your outstanding leadership of ACA. Thanks to ACA's Ross Lieberman who has been serving on one of the working groups for the FCC's Broadband Deployment Advisory Committee. And most importantly, thanks to the members of ACA for serving your communities—large and small, from coast to coast. ACA's members connect more than 18 million American homes to both economic opportunity and entertainment. I appreciate the difference you're making because I've seen it.

That difference can come in desperate times. A few weeks ago, for example, I visited ACA member Liberty during a trip to Puerto Rico to assess the recovery efforts from Hurricane Maria. Traveling on dirt roads dotted with homes near Utuado, a rural west-central county, I got a firsthand look at how hard the work is. Liberty's network there was completely wiped out by Maria. Nearly six months later, some cable lines were still lying on the ground. A few others were being held up by slender bamboo stalks—waiting to be transferred to replacement poles. Crews were in the process of installing those poles and restringing cables on them. It's difficult to do, especially in this mountainous area. It's expensive—it costs tens of thousands of dollars per mile. And it's time-consuming—I saw the CEO and work crews alike putting in extra hours in the dirt to get this done. They understand that until service is restored, Puerto Rican communities will continue to suffer. So thanks to the Liberty team for their incredible efforts.

Puerto Rico post-Maria is obviously an extreme case. But certain aspects of my time there with the Liberty crew were very familiar. I thought of other occasions when I've met with ACA members. I thought of the spirit of community you promote, and the stronger economy, quality of life, and civic health you support in the places you serve. I thought of the grit and determination of small businesses who are used to facing tall odds and working a little harder to overcome them. That's ACA to me.

By the way, this is no ordinary ACA Summit. This is your 25th anniversary. Congratulations on this noteworthy milestone.

To mark the occasion, I see that the theme of this year's summit is "Standing the Test of Time." Well, let's talk about that. Looking back to 1993, some things have stood the test of time better than others. On one hand, the best-selling album of 1993 was the soundtrack to the movie *The Bodyguard* by Whitney Houston, which featured the smash hit "I Will Always Love You." On the other hand, the fifth best-selling album was *Some Gave All* by Billy Ray Cyrus, which featured the smash hit "Achy Breaky Heart." On one hand, *Seinfeld* was a top-ten TV show in 1993. On the other hand, *Coach* was also a top-ten TV show that year. With respect to the albums, I'll leave it up to you to figure out which one has a stronger legacy. But when it comes to the TV shows, my affinity for *Seinfeld* isn't much of a secret.

I think it's worth looking back to 1993 to appreciate how remarkable it is that ACA has, in fact, stood the test of time. Back then, you were in the video delivery business. The technology that looked like the biggest disrupter from your perspective was the introduction of new satellite TV services. But we now know that the public introduction of the World Wide Web in 1993 would prove to be the biggest game-changer.

The key for ACA was (and is) that your members have embraced this change. But that wasn't a given. After a while, established companies can get tunnel vision and focus on their current, successful business model. They can miss out on the next wave of innovation and get left behind by new competitors. A famous book calls this the Innovator's Dilemma.

But small cable companies looked at Internet access being delivered over telephone lines and saw the future. Ever since, your members have been on the lookout for the new, new thing. For example, ACA member Hotwire Networks committed to having an all-fiber network nearly two decades ago. In fact, I should note that Hotwire even held the top spot recently on the Netflix ISP Speed Index. And ACA member Wave Broadband out of Kirkland, Washington just unveiled a new cybersecurity service to help potential clients mitigate DDoS attacks, which disrupt service with an overwhelming flood of traffic.

And so, even as the communications landscape has changed dramatically since 1993, ACA members have not only survived, but thrived.

This morning, I want to share what the FCC's doing to help you continue to serve your communities.

Before I get into that, I want to talk about why—why the public benefits when small broadband providers can succeed. I see two key reasons.

First, closing the digital divide is the FCC's top policy priority. And small broadband providers are critical to getting that job done.

According to the FCC's latest available data, more than 24 million Americans still don't have terrestrial fixed broadband access at 25/3 Mbps. That's 8% of the country. And it's largely a rural gap. While 2% of urban households can't get high-speed home broadband, 30% of rural Americans can't.

We're looking to folks like you to help connect that 30%. Nearly half of the 18 million households served by ACA members are in small cities or rural areas, like Zelienople, Pennsylvania, which I saw early in my tenure as Chairman. Indeed, without any subsidies, you've already built out networks that reach 840,000 homes in areas that the FCC has identified as the most expensive to serve.

A second reason why the public benefits when small businesses succeed is that they drive competition. Currently, over 700 small providers deliver Internet service to more than 7 million subscribers. These businesses—many of them ACA members—have invested \$2 billion per year to upgrade networks and expand service areas. This investment, in turn, helps create many well-paying jobs in communities that often are struggling. And much of this expansion comes in areas with an incumbent. This competition creates incentives for better service and lower prices for consumers.

So we need small broadband operators to help close the digital divide and offer consumers more competitive choice. What's the FCC doing to help?

You can't talk about closing the digital divide without talking about the Universal Service Fund. And this week marks a milestone for our effort to modernize a key program under the Fund. On Monday, the FCC opened the application window for the Connect American Fund Phase II reverse auction. Under this program, we'll distribute nearly \$2 billion over the next decade to support fixed broadband deployment in rural America. I strongly encourage ACA members to take a hard look and consider competing to serve eligible areas.

As we've prepared for the reverse auction, ACA members have been making your voices heard. Now, I recognize that we didn't adopt every ACA recommendation. But the program's foundation reflects many of your core principles.

First, the program is technology-neutral. The FCC shouldn't be in the business of picking winners and losers. As ACA suggested, the program is designed to support *any* technology that can meet

our requirements for Internet service, including cable. We want to give broadband providers flexibility to offer solutions that work best for their communities.

Second, the program emphasizes efficiency. With limited resources, we need a big bang for each buck. That's one reason we're using a reverse auction to distribute Connect America Fund dollars. By one estimate, reverse auctions can lower the cost of connecting an area by 20%.

Third, our investment needs to be wisely targeted. That means no duplicating existing efforts with Connect America Fund dollars. I know that Chairman Walden is on the agenda for later today. This is an idea he's championed for a long time, and he's been right for a long time. The FCC should not subsidize overbuilding in areas already covered by private investment.

So again, I strongly encourage you to explore this opportunity and consider participating. And act fast: The window for submitting an application closes at the end of the month, so there's no time to waste.

A smarter, more efficient Connect America Fund represents a significant step toward closing the digital divide. But we'll need to do more. That includes setting rules that maximize incentives for private network investment.

When you get outside the Beltway and talk to Americans about Internet access, as I've done regularly since joining the FCC in 2012, one thing becomes clear. Contrary to what some Beltway politicians and special interests assert, consumers' top complaint about the Internet is not and has never been that their ISP is doing things like blocking content. It's that they don't have sufficient access and competition. Well, greater access and competition requires private investment. But here's the thing—investment doesn't have to happen. Risks don't have to be taken. Networks don't have to exist or improve.

Overregulation is a major threat to investment. And there was no better example of overregulation than the FCC's 2015 *Title II Order*. This regulatory misadventure resulted in 1930s utility-style regulation being imposed on your businesses.

Why such a rush to cram down heavy-handed regulation? The mindset is exemplified by this claim from one politician: "Cable companies panicked at [the Internet's] threat to their business, so they monopolized Internet connectivity themselves."

Who are these insidious, all-powerful monopolists, and what effect did Title II have on them? I've met several of them. While traveling through rural Iowa last year, for example, I visited ACA members Spencer Municipal Utilities and Laurens Municipal Utilities. These small, *government-owned* ISPs told me first-hand how the FCC's mandates were harming their businesses. Their stories reinforced the message we heard from other ACA members who wrote to the FCC.

Money that could have expanded networks was now being siphoned off to pay lawyers and consultants to make sense of the new rules. Resources were spent developing plans to minimize the risk of enforcement actions. Some of you even started setting money aside for litigation reserves. We're talking about time, money, and lawyers that your companies can't easily afford.

On top of that, you faced the possibility of after-the-fact rate regulation that could reduce returns on investments and prevent you from raising further capital. And I haven't even mentioned the General Conduct Standard, which by design didn't say specifically *what* conduct was prohibited. All that was clear was that new service offerings, new features, and new business models would now be subject to second-guessing by an unelected group of Washington regulators.

What made this regulatory onslaught all the more galling was this: Silicon Valley tech giants with market caps in the hundreds of billions of dollars demanded that the FCC regulate small companies like yours more heavily than they were! That's right: Like that politician, they claimed that small broadband providers like Spencer Municipal Utilities and Laurens Municipal Utilities were

anticompetitive monopolists who posed a greater threat to a free and open Internet than companies like Google, Facebook, and Twitter. Some of us understood back in 2015 that this was absurd. In 2018, with each passing day, many more people are waking up to reality.

I'm proud to say that last year, we reversed the *Title II Order*. We restored the light-touch approach to network regulation that served us well for almost 20 years, paving the way for over \$1.5 trillion in private investment to build out wired and wireless networks. This approach helped your businesses flourish and made America's Internet economy the envy of the world.

The *Title II Order* may have been the largest deterrent to network investment, but it wasn't the only one. One of the most important things the FCC can do to help small cable companies deploy broadband is remove regulatory barriers to buildout.

ACA has done great work quantifying how much red tape impacts the costs of building and operating networks. According to your research, for example, the fees and delays associated with accessing utility poles account for 11% of the costs of building and operating a network. For context, that's higher than the estimated share for the actual fiber and cable installation.

To help cut through this red tape, we created the Broadband Deployment Advisory Committee—a panel of outside experts to make recommendations to the FCC about ways to promote better, faster, and cheaper broadband. One of these experts is Michael Hain of Nittany Media, an ACA member. Michael, thank you for your service. The BDAC has been hard at work over the past year developing model codes for municipalities and for states. Another issue at the top of its agenda has been how to promote competitive access to broadband infrastructure, including utility poles. Rest assured that this isn't make-work. I expect that many of these recommendations will result in action.

To me, it's pretty simple: With rules that make it easier to deploy broadband, we will see more broadband deployed. We'll extend that ethos throughout 2018.

Red tape isn't limited to broadband, of course. There's plenty on the media side as well. There, too, unnecessary regulations disproportionately harm small businesses. That's partly why we launched our Modernization of Media Regulation Initiative last year, inviting public input on what rules have outlived their usefulness and no longer make sense. ACA wasn't shy in offering suggestions. We've already moved forward on some of them, from reexamining Form 325 to eliminating the requirement for cable operators to keep a hard copy of certain regulations. Rest assured that we'll be teeing up many of your other suggestions in the months to come.

I don't want to wear out my welcome, so I'll close with this. I said earlier that ACA and its members have thrived for a quarter-century because you adapted to the times instead of expecting the times to adapt to you. The FCC needs to do the same thing. You have my commitment that I will work with you to enable your companies to help consumers seize the opportunities of the digital age. When that happens, competition increases, the digital divide gets smaller, and everybody wins. Let's get to work.