Free State Foundation
Rep. Bob Latta Opening Remarks
October 24, 2013

Good afternoon and thank you to Randy May and the Free State Foundation for inviting me to speak today. I also want to welcome the distinguished guests and leaders and thank you for all you do to promote innovation and investment in the information and communications industry. I am particularly pleased to be speaking here today and I want to acknowledge Randy and the Foundation's work in the area of FCC reform and thank them for their effective advocacy on free market reform in our communications policies.

Within the last three decades we have entered a digital age of communications and witnessed the emergence of multi-modal competition and a dynamic Internet ecosystem. This is quickly replacing the Public Switched Telephone Network and T-D-M switching technologies with IP based platforms. In 2011, 34 percent of American households "cut the cord," choosing to forgo landline telephone service and rely only on wireless service. By the end of 2013, the number of residential copper landline subscriptions will have declined by 70 percent since 2000. Additionally, mobile and broadband investment has exploded, creating more than one million jobs over the last five years and enabling a more rapid rollout of 4G L-T-E wireless technology across the United States. This advanced technology has not only spurred innovation in the communications marketplace, but it has promoted growth and innovation in many other industries as well, including healthcare, transportation, and energy.

In order to continue to build upon this and other technological progress and innovation, it is important to review laws and regulations to make sure they reflect today's marketplace and don't impede further advancements in communications and other sectors of the economy. It is clear that we need to comprehensively review the outmoded '96 Act and develop a new policy framework to address modern communications of the 21st Century and a rapidly evolving Internet economy to ensure that outdated and unnecessary legacy-era regulations don’t stifle current and future investment, innovation, economic growth and consumer choice in the digital age.

While this may be a considerable undertaking, there are simple steps we can take to make this pro-investment, pro-competition, and, most importantly, pro-consumer framework a reality. One step is through reform at the FCC.

A review of the FCC’s operations and its role in the communications sector is long overdue. I support Chairman Walden’s efforts to make reforms at the Commission to ensure that the agency isn’t overregulating the telecommunications industry, interfering in the communications marketplace, and remains accountable to the American people.

To that end, we should statutorily reform the FCC to codify best practices, make the agency more transparent, and enable deregulatory procedures to improve regulatory certainty and stimulate increased investment and economic growth in the telecommunications industry. We also need to get rid of outdated rules that require a report on the effects of telegraph and telephone competition.

Over-regulation is stifling business's ability to innovate and create jobs in the U.S. The cost of regulation to our economy is too great to ignore.

The telecommunications industry drives a significant proportion of the economic growth in our country. Nearly $250 billion in private capital has been invested in U.S. wired and wireless broadband networks since 2009. There has been more private investment in the information and communications technology sector than in any other sector of the U.S. economy. As Members of Congress, we should make sure the FCC does not produce regulations that will obstruct this kind of investment.

Earlier this year, I reintroduced the FCC 'ABCs' Act. This legislation would require the FCC to conduct a cost-benefit analysis in any Notice of Proposed Rulemaking, amendment to a rule, or final rule that may have an economically significant impact. It is imperative that the FCC demonstrate that the benefits of any regulatory action outweigh the costs. A thorough understanding of a cost-benefit analysis during the rulemaking process will better inform those involved and prevent costly and burdensome decisions by the FCC.

In addition to requiring cost-benefit analyses, this legislation would also modify the Commission's forbearance authority. It would add an evidentiary presumption to the Commission's forbearance authority as well as to the Commission's biennial review of regulations. This would empower the FCC to reach deregulatory decisions in regards to telecommunications carriers as Congress originally intended.

Technological developments and innovation have promoted robust competition and created a marketplace that is more efficient and better able to protect consumers than government regulation. These advancements have rendered many regulations to be outmoded and excessively burdensome on an industry that is absolutely essential to job creation and our nation's economic growth. We should do what we can to prevent these onerous regulations from obstructing future technological progress and innovation.

When Congress passed the Communications Act in 1996 attempting to create a retail market for set-top boxes, it did not mandate an "integration ban." That was the brainchild of the FCC in 1998, and was an overreaching and unnecessary step to satisfying Congress' charge to support retail availability.

The "integration ban" has forced consumers to pay higher prices for leased boxes. According to figures cited by the FCC, the integration ban imposes over $50 in additional costs on each leased box resulting in over $1 billion in increased costs without any additional benefit. It also, based on EPA figures, imposes additional energy consumption costs amounting to hundreds of millions of kilo-watt hours per year.

The FCC's decision intruded on business models and development plans by imposing technical standards that are better left to be determined by the market. This has significantly limited innovation by cable companies seeking to improve their boxes.

Over the last decade, consumers have not warmed to the implementation of the CableCARD as consumers purchased only 650,000 CableCARDs for use in alternative devices. In contrast, cable has leased over 42 million set-top-boxes with CableCARDs in them as a result of the integration ban. In fact, the integration ban, rather than creating a market for retail available set-top-boxes for CableCARDs, has created a market outside the CableCARD regime. Over-the-top providers such as Roku, Apple TV, Google, and X-box give consumers access to video services they demand without the use of a CableCARD.

The market is changing faster than Congress can keep up. A recent example of how far the video market has come is the recent announcement that Netflix now has over 30 million domestic customers—effectively making it the fifth most watched "television network" in the United States. This achievement was accomplished *without* a CableCARD and is a telltale sign of where the market is heading in an increasingly IP-based ecosystem.

I recently introduced a bill to do away with this integration ban. H.R. 3196 is a bipartisan bill. Congressman Gene Green is the Democratic lead co-sponsor. My bill would have no impact on cable operator obligations to support CableCARDs in retail devices. It also specifically preserves the FCC's authority to implement section 629, but simply eliminates the unnecessary integration ban. Furthermore, cable companies will continue to support CableCARD devices because they must, or risk the backlash of current subscribers joining the growing trend of "cord cutters."

The integration ban has outlived its usefulness and has cost consumers far more than it has benefited them. It's time to remove regulatory barriers and allow the marketplace to drive the next generation of innovation. Congress must "Get Out of The Way and Stay Out of the Way."

These issues and others that the Communications and Technology Subcommittee is addressing are critically important to the innovation that fuels our economy. Congress should be encouraging and enabling growth and ideas, not holding back those taking risks and making substantial investments. I have an open-door policy and rely on hearing from the job-creators. I am always touring the companies in my district to hear from them. They know how to grow and innovate –the government does not.

Once again, thank you for having me here today, and I greatly appreciate all of you for being here and engaging in these critically important discussions.