Senator John Ensign
July 27, 2005

The Broadband Investment and Consumer Choice Act

I am introducing legislation today to update our communications laws for the 21st Century. It is a whole new world in communications. Advances in technology have left the 1996 Act behind. This legislation will transition us from a world of stifling government managed competition, to a consumer controlled marketplace. This bill impacts the services that are important to American consumers: Voice services, Video services, Wireless services, and Broadband service. We put in place federal rules that encourage market forces to work and that allow consumers to choose the best products and services at the best prices.

Global Competitiveness

Changes in technology necessitate that we update these rules if America is going to be competitive in the face of global competition. Foreign companies like Skype out of the Netherlands did not exist a few short years ago. Skype has signed up 40 million customers – 10 million in the U.S. alone. This is significant because this is a service that is siphoning traffic away from our own domestic carriers. This is a service that we cannot tax, cannot regulate, and cannot control. Make no mistake about it – even if you tried to regulate it – others would pop up to fill the void. This is the same thing that happened to the music industry when Napster was shut down. A half a dozen other peer-to-peer providers jumped up in its place. Skype was created by the founders of Napster. This underscores the need for us to update our laws so our domestic carriers that employ U.S. workers can compete in this world of global telecommunications. The investment in broadband this bill will bring is critical to our competitiveness.

In this global economy, Americans need the resources to compete – and broadband is an essential tool that will allow our workers to compete with anyone in the world. Just yesterday the latest numbers came out – 700,000 Americans now rely on e-Bay based businesses for their primary income. These are new jobs for an information age. American's must have access to information and ideas and must have an ability to communicate if they are going to be successful in this information economy.

Benefits for our Country

Consider for a minute the amount of investment we could expect if we can update our laws: $634 billion in GDP growth in the next 5 years that will mean 212,000 new jobs. We need to get the investment dollars flowing again. Wall Street likes clear, understandable rules that minimize litigation and uncertainty. This bill does all of those things. Consider recent articles on the United States' broadband penetration compared to the rest of the world. We are falling behind the world and that is not good enough. We should be number one.

New Rules for a Competitive Marketplace

Technology is bringing consumers new options every day for how they communicate. Consider the various ways that different consumers get access to broadband. They can receive broadband over WiFi, wireless phones and cards, cable modem, DSL, fiber to the home, satellite and broadband over powerline.

This is exciting, because companies are getting into each others traditional lines of business and competing for consumer's dollars. For example: Cable companies are now offering voice, Phone companies are launching video service, Wireless companies are doing broadband, and Phone calls can be made over the Internet.

Despite a variety of options for consumers, we still regulate based on ancient history – how a company grew up – instead of recognizing the realities of the marketplace and regulating similar services in similar ways. This bill addresses this concern by implementing a set of federal consumer protection measures to ensure consumers get high quality service from all providers. By providing a federal set of standards, that states can enforce – we will allow national carriers to invest and compete without a patchwork quilt of regulations.

But there will still be a local point of contact if consumers have problems. And if we update our communications laws to encourage investment in this kind of competition, consumers will benefit from more choices at better prices.

Consider The Wireless Industry as a Model

The wireless industry is a great example of what can happen if we trust consumers to choose winners and losers in the marketplace. For the last decade, the wireless industry has been allowed to grow and innovate with very minimal regulation. Look at these ads from yesterday's Washington Post. For example, Sprint now will let you share 800 anytime minutes on 2 different phones for $35 a month

What you see here is that in the absence of heavy-handed government regulation or government setting of rates, consumers are benefiting from innovation and prices are dropping. Look at the innovation in cell phones and the range of features and options for consumers- camera phones, streaming video – I can watch television programming on my RAZR phone. This bill will bring this same dynamic, competitive environment to the rest of the communications sector.

More Choices for Consumers in Video

This bill will speed the arrival of a fourth provider to the video market – we will have competition between: Cable companies, EchoStar, DirecTV and now the phone companies providing video - - not to mention video over the Internet. Consumers will benefit from more video choices, better content and more innovation and competitive forces on pricing.

A recent GAO study tells us that prices drop an average of 15% with a new competitor to cable – we allow that new entrant to quickly and effectively come to the table. We streamline the entry of a new competitor into the video market. These new federal rules for video are for both phone and cable companies. Consumers will see the benefits of video competition sooner because we eliminate the requirement of negotiating lengthy contracts with 30,000 local cable franchise authorities

But, we also address local government's major concerns. We ensure they can continue to collect up to 5% of video revenues like they do for cable, and we ensure that local governments can continue to manage their rights-of-way. This will help bring consumers new innovative video services more quickly and provide a competitive pricing pressure on cable.

Meeting the needs of Municipal Governments

Many are looking to find controversy on the issue of municipal networks. You will not find an extreme policy in this bill. We encourage new investment in communities that may be unserved. We say that if local governments are willing to put up funds, and offer favorable tax treatment and free rights-of-way – make those same advantages available to private industry. If private industry doesn't show up and offer to build – we would encourage local governments to go ahead and build their project. In this way, we ensure consumers get new services, but ensure that government isn't competing unfairly, or unnecessarily with private industry.

In Conclusion

First, I want to thank Chairman Stevens for giving me the go-ahead to introduce this bill. I would note that this bill does not address Universal Service which is an issue that the Senate Commerce Committee must address and is critically important that we consider. My lack of inclusion of Universal Service is not for lack of interest. This was done out of deference to Chairman Stevens and Co-Chairman Inouye who have a strong interest in this issue – and I am committed to working with them to ensure a healthy program that will work for future generations.

I look forward to working under the leadership of Chairman Stevens to further refine and improve this proposal over the coming weeks and months. And to build momentum and support behind the notion of putting consumers in a position to choose the winners and losers in technology in the future.

Thank you.