

Eshoo Addresses Economic Strategy Institute on Broadband Innovation

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Washington, D.C. -- Rep. Anna G. Eshoo, D-Palo Alto, made the following remarks at an Economic Strategy Insisute forum entitled "Is America's Technology Future at Risk?" where she was introduced by author Clyde Prestowitz.

"Thank you Clyde, for your kind introduction and for inviting me to join you today to discuss America's technology future.

"I'd like to begin today by telling you about a significant policy initiative which encompasses many of the issues you're discussing today at this conference.

"Several months ago, I joined with the House Democratic Leader Nancy Pelosi and other colleagues to launch the Innovation Agenda: A Commitment to Competitiveness to Keep America #1.

"This agenda was developed after extensive consultation with America's leaders in high-technology, biotechnology, venture capital, education, and academia beginning in my Congressional District at Stanford University. Subsequent meetings were held around the country with private-sector leaders to not only seek their views, but also to develop a plan for our nation to be competitive and #1, and remain so.

"The House Democrats make a commitment to the following with our Innovation Agenda:

- "Greatly increase our investments in R&D, including doubling NSF funding and modernizing and making permanent the R&D tax credit;
- "Improve education in science and math and make college accessible to any student who is qualified to attend;
- "Provide universal broadband access for all Americans in five years;
- "Achieve energy independence in ten years;
- "Promote opportunities for small business and innovative startups, ensuring access to venture capital, improving the patent system, and reducing health care costs.

"I was very pleased that the President acknowledged the competitive challenge facing our nation and featured the same proposals in his State of the Union address. I believe these are among the most important issues we face as a country and we will need to work together - as Democrats and Republicans - to preserve America's leadership in innovation and technology.

"Turning now to broadband and the role it will certainly play in our ability to remain competitive, I think it's instructive to look at where we've been and where we're going.

"With the impending acquisition of BellSouth by AT&T, it's clear that the telecom wars surrounding the 1996 Telecommunications Act are concluding with the reformation of Ma Bell.

"Decisions by the federal courts and the FCC to deny reasonable local loop access to competitive telephone providers doomed any prospect of local wireline telephone competition.

"The mergers that ensued following these decisions are the final shovels of dirt on the efforts of Congress to engender local telephone competition in the '96 Act.

"With the completion of the AT&T-BellSouth merger, AT&T and Verizon will together serve more than 60% of the households in America. While the Bells are likely to become increasingly competitive with cable companies, that industry is also highly concentrated within regional markets, and most consumers are now able to choose only a single cable provider.

"What's happened to our nation's progress in promoting advanced communications while the Bells have been busy eliminating local and long distance phone competition and consolidating the telecom industry?

"Well, the situation couldn't be bleaker: The United States has fallen from 4th to 16th in broadband penetration worldwide since 2001.

"As the country that has led the world in innovation for the past century, invented the telephone and developed the Internet, this is a sad state of affairs.

"Some of our competitors - such as China, South Korea, and India - have avoided many of the problems associated with advanced telecommunications deployment because their existing infrastructures were extremely limited. They haven't had to manage a difficult transition from vast telephone networks to broadband. Instead, they've gone straight to a high-speed, fiber-optic infrastructure.

"On the other hand, a number of countries currently outpacing the U.S. in broadband deployment (such as Japan and several European countries) have chosen to adopt essentially the opposite broadband policies to those currently being implemented here, including broadband universal service policies and market-opening regulations.

"In my view, Presidential leadership on broadband has been non-existent, and the Federal Communications Commission - under the leadership of Chairman Powell and Chairman Martin - has focused almost exclusively on promoting 'market-based' solutions that ignore the market power of entrenched incumbents.

"We can no longer sit idly by while the rest of the world runs circles around us in the rollout of advanced communications services and universal broadband.

"High speed, always-on broadband Internet communications will enable a vast array of advanced Internet applications and services including Voice over IP, video on-demand, electronic health, and distance education.

"As your report aptly states, telecommunications is 'the central nervous system of the entire economy.'

"The United States' ability to deploy this advanced communications infrastructure is crucial to our future productivity and will in large part determine our ability to succeed in the global information economy.

"What steps are being taken in Congress to address this urgent priority?

"Any day now, House Energy & Commerce Committee Chairman Barton is likely to reveal telecommunications reform legislation.

"While Chairman Barton had initially sought to enact comprehensive telecom reforms to address a broad array of issues related to IP-based services, he now appears to be focusing on a more limited set of issues.

"The Bell companies -- the few that are left -- are aggressively pushing for regulatory relief to allow them to enter into video competition with cable without obtaining local franchises. They claim that without this regulatory relief, they won't be able to invest in upgrading their copper-line networks and expand their broadband offerings.

"Many analysts believe it's unrealistic to imagine the Bell companies will stand pat with their DSL and telephone businesses while cable, WiFi, and other advanced broadband services continue to expand. I tend to agree with them.

"That's not to say that franchising regulations should not be looked at, and that Congress shouldn't try to create a more streamlined process.

"But I also believe that as we consider new regulatory 'rules of the road' for broadband providers we should not enable them to stifle competition in the provision of Internet content, applications, and services.

"Franchising relief should not be considered without considering the terms by which these carriers will make content available to consumers.

"For the foreseeable future, the cable and phone companies will serve as a 'chokepoint' for Internet access for the vast majority of Americans, and I believe its incumbent on Congress to ensure that the non-discriminatory framework that has allowed both the Internet to thrive, and competition on the Web to flourish, is preserved.

"Without meaningful, enforceable 'Net Neutrality' rules, we'll be enabling network operators to fundamentally change the open nature of the Internet and allow them to become gatekeepers for Internet users' access to content.

"In a widely circulated quote in Business Week by SBC (now AT&T) CEO Ed Whitacre said, 'They don't have any fiber out there. They don't have any wires. They don't have anything. They use my lines for free - and that's bull. For a Google or a Yahoo! or a Vonage or anybody to expect to use these pipes for free is nuts!'

"What Mr. Whitacre ignores is the fact that his 'pipes' are not being used for free. Consumers are paying him quite a lot for this service. He would like to charge twice for the same transaction by also collecting 'tolls' from content providers.

"He also ignores the fact that Google, Yahoo, and other Internet companies have invested heavily in their networks and their content offerings, which has created the demand for the broadband services AT&T markets.

"Bell companies' plans for 'tiering' of Internet service would fundamentally change the way the Internet has always operated - openly and without barriers to content. There can be arguments about whether this system is fair or necessary, but it's difficult to dispute that this will fundamentally change users' Internet experiences.

"Finally, it's important for Congress to create additional options for consumers to reach the Internet and relieve the competitive stranglehold on Internet access.

"We should take affirmative steps to promote technologies such as broadband over power lines, satellite, WiFi, WiMax, and other high-speed Internet access alternatives.

"During the House Energy & Commerce Committee's consideration of Digital TV transition legislation last year, I offered an amendment to encourage the FCC to utilize its existing authority to promote innovation and competition by disseminating the valuable wireless communications licenses made available from analog TV spectrum among a wide variety of applicants, including small businesses and rural telephone companies.

"By encouraging new entrants and innovative use of this valuable 'beachfront' spectrum, the Commission can create opportunities for vigorous competition and consumer choice.

"We should also be looking at other ways to promote alternative technologies and innovative new services that can provide new on-ramps to the Information Superhighway.

"Thank you again for having me here today and good luck with the remainder of this important conference."

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