

Testimony of

Mr. Walter B. McCormick

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President and CEO of the USTelecom Association
Before the Senate Judiciary Committee
"Reconsidering Our Communications Laws: Ensuring Competition and Innovation"

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Mr. Chairman, Ranking Member Leahy, members of the committee: Thank you for the invitation to appear before you today. I am Walter McCormick, President and CEO of the USTelecom Association. On behalf of our more than 1,200 member companies, I appreciate this opportunity to discuss the exciting changes taking place in the communications marketplace today...the vigorous investment underway that is accelerating competition and innovation across the voice, video and Internet landscape...and the muchneeded efforts underway to update the nation's communications laws--in this Congress--in order to continue this vital progress for the nation's economy and consumers.

As you know, it's been 10 years since the U.S. Congress last updated the nation's communications laws. No American consumer needs an elaborate lecture on just how much the world of communications has changed over that time. Just walking through security into this building, you witness a virtual show-and-tell of the new world of communications as cell phones and Blackberries prove almost as ubiquitous as wallets and keys.

There are today in America far more wireless phones than home phones. That has been the case in our country since 2002. Even with home phones, consumers have multiple choices. Going by the number of customers, some of the largest "phone companies" in the country today are cable companies. In fact, my neighbor on this panel, Mr. Cohen, represents a company--Comcast--that signed up 211,000 new voice customers in the first quarter of 2006. Of course, in addition to cable, you have a whole universe of IP voice providers like Vonage, an estimated 1,100 companies offering service in North America alone. We see competition similarly intensifying today in the broadband marketplace. Every day, it seems there is a new announcement. Satellite companies investing in additional capacity.

New wireless spectrum becoming available. Major investments in broadband over power lines...in municipal wi-fi networks...huge corporations like Google moving into the role of broadband service provider. According to the FCC, in most of the country today, consumers have three or more broadband choices...60% of the country has four or more choices. A recent report from the California Public Utilities Commission counted as many as 23 different broadband providers in the most populous areas of the state. Of course, not everyone lives in Los Angeles or San Francisco. But any way you look at the data, this is dramatic progress. Broadband choice is expanding by the day...and is very, very encouraging.

Why is it encouraging, Mr. Chairman? Because of the overwhelming response of American consumers to this expanding array of competitive market choices. Broadband adoption has surged 40% over the past year, according to the most recent data from the Pew Internet and American Life Project. The strongest growth has come from working families and minorities, led by African Americans whose broadband adoption increased by 121% between 2005 and 2006.

With introductory prices falling precipitously over the past 18 months--often dipping below \$15 a month--many working families are bringing the Internet into their homes for the first time. Often, they now skip right over the dial-up Internet...going straight to affordable, reliable, high-quality broadband service offerings. This is an extraordinarily

positive development for the nation's economy...for our global competitiveness...and for the next wave of broadband-driven investment and innovation.

How do we continue this progress? First and foremost, by recognizing that this market is contestable to all who wish to invest. This is plainly evidenced by the growing array of companies doing just that in the marketplace today...cable...phone...satellite power...municipality...WiFi...WiMax...Google and more...all investing in what is increasingly a free-for-all for consumers' broadband business.

This approach--encouraging investment--is central to continued broadband competition and innovation. As you know, telecommunications companies have invested billions of dollars in recent years to upgrade the nation's broadband infrastructure. For us, the incentive to do so is the opportunity to enter the video marketplace. Unfortunately, regulations designed in a bygone era to protect consumers from cable monopolies now are having the equal and opposite effect of protecting cable companies from the market disciplines--on price, on quality of service, on innovation--of vigorous competition.

No one in this room--or across America, I'd gather--needs to be convinced of the many benefits that would be derived from enhanced consumer choice in the video marketplace. A recent study by the Phoenix Center indicates that consumers would save as much as \$8 billion on their cable bill in the first year alone with TV freedom.

In Keller, Texas, the local cable company reduced the rates on its most popular bundled service package by nearly 50% in response to Verizon's announcement of a voice, video and Internet triple play. Our companies would like to bring this innovation and competition to communities across the country. We believe Senator Stevens' legislation, S. 2686, the "Communications, Consumers' Choice, and Broadband Deployment Act of 2006," takes the right approach to ushering in new consumer choices in the video marketplace, while preserving local revenue streams and control over public rights of way.

USTelecom strongly supports this legislation. Removing barriers to competitive entry into the video marketplace would enhance competition and consumer choice. Another critical byproduct of this updated policy would be a bright green light to the marketplace to continue investing in the nation's broadband infrastructure...creating jobs, increasing broadband penetration and fueling a continued revival of our innovation economy.

Net Neutrality

Mr. Chairman, I also would like to take this opportunity to advise caution in the so-called 'net neutrality' debate. This is a very complex technology debate that, I believe, has been unfortunately and inaccurately oversimplified in recent weeks. The companies I represent have been managing networks for over 100 years. Consumers today have --and will continue to have--the freedom to call or e-mail whomever they choose... and to visit any legal website ... without being blocked, without their service being impaired or degraded.

It's the right thing to do in a country that values and cherishes the First Amendment. It's smart business...offering the greatest customer satisfaction and driving demand for broadband. And, the FCC has demonstrated both the will and the capacity to safeguard Internet freedom.

Senator Stevens' approach ensures vigilance and accountability on the issue of Internet freedom. But it wisely continues the hands-off policy that has driven unprecedented Internet investment, innovation and economic growth. The notion that Congress should rush to regulate the Internet--in anticipation of a problem that may never manifest--is dangerous. This extreme position would not preserve the free and open Internet we enjoy today, it would most certainly stifle its future development and growth.

Conclusion

Mr. Chairman, I thank you again for the opportunity to appear before this committee today. As you know, the House last week delivered an overwhelmingly bipartisan vote to advance video choice...vigorous broadband investment...and a stable future for universal service.

I look forward to working with broadband leaders on both sides of the aisle to deliver that same progress for consumers and the U.S. economy here in the Senate. Without question, a vote for video choice is a vote for competition and innovation. It is a vote that would send a clear signal to all competitors in the marketplace today that the United States Congress is committed to advancing America's broadband leadership...and the investment and innovation that make it possible.

I thank you for your interest today and for this opportunity, and I'd be happy to answer any questions you may have.

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