TESTIMONY OF BRENDAN CARR COMMISSIONER, FEDERAL COMMUNICATIONS COMMISSION

BEFORE THE SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY OF THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON ENERGY AND COMMERCE

"Oversight of President Biden's Broadband Takeover"

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Chair Latta, Ranking Member Matsui, and distinguished Members of the Subcommittee, thank you for the invitation to testify. It is an honor to appear before you today.

In June, when the Subcommittee held its last FCC oversight hearing, I testified about the important and bipartisan work we had been accomplishing at the agency. Indeed, in the two and a half years prior to that hearing, the FCC delivered a series of common-sense wins for the American people on matters ranging from competition and universal service to national security and consumer protection. Those FCC decisions generally tracked the bipartisan bills that the Committee has been advancing, including the Satellite and Telecommunications (SAT) Streamlining Act spearheaded by Chair Rodgers and Ranking Member Pallone, the Secure Equipment Act of 2021 led by Leader Scalise and Representative Eshoo, and the anti-robocall TRACED Act that many Members here worked hard on. And there is much more progress that we can continue to make by working together.

But in the five months since that last hearing, the Biden Administration has pressed the FCC to break hard left.¹ And it has. In each of those cases, the Biden Administration has chosen partisan ideology over smart policy. Indeed, almost three years into this Administration, a clear pattern has emerged. The Biden Administration's entire approach to the Internet—its broadband agenda, if you will—can be boiled down to one word: control.

You can see it in the Administration's call for Title II utility-style regulation of the Internet—a move that two of President Obama's former Solicitors General described as an enormous and transformative expansion of the government's authority over the Internet.

You can see it in the Administration's campaign to pressure Internet companies into censoring Americans' protected speech—a coordinated effort to flag and suppress political viewpoints expressed on social media.

¹ See, e.g., U.S. National Telecommunications and Information Administration, Ex Parte Comments, GN Docket No. 22-69 (Oct. 6, 2023) (Biden Administration Digital Equity Comments),

<u>https://www.ntia.gov/sites/default/files/publications/ntia_digital_discrimination_ex_parte_comment_10.6.23.pdf;</u> see also U.S. National Telecommunications and Information Administration, Statement of Assistant Secretary Davidson on the FCC's Net Neutrality Proceeding (Oct. 19, 2023), <u>https://www.ntia.gov/press-</u> release/2023/statement-assistant-secretary-davidson-fcc-s-net-neutrality-proceeding.

You can see it in the Administration's decision to use the \$42 billion Broadband Equity, Access, and Deployment program (BEAD) to advance political goals—such as preferencing government-run networks over private sector ones.

And you can see it just last month in the Administration's demand that the FCC adopt "digital equity" rules—regulations that give the FCC a nearly limitless power to veto private sector decisions.

None of these are isolated decisions. They share and advance the same goal of increasing government control of the Internet.

In my testimony today, I will focus on two of those decisions in particular: **Title II** and its fraternal twin, **digital equity**. While the Biden Administration is pouring time and resources into those unlawful power grabs, it is also failing to make meaningful progress on the communications issues that would make a real and positive difference in the lives of everyday Americans. **Spectrum** is just one example that I will address in my testimony. Put simply, at a time when our global competitors are racing to lead the world in wireless, the Biden Administration is stuck in neutral. We must continue to free up the airwaves necessary to maintain U.S. leadership in wireless and advance our geopolitical interests.

Title II. I will start with a topic that is familiar to the Committee—"net neutrality." Six years ago, Americans lived through one of the greatest hoaxes in regulatory history. We were told that the FCC's 2017 decision to overturn the Obama Administration's failed, two-year experiment with applying public utility-style regulations to the Internet under Title II of the Communications Act of 1934 would quite literally break the Internet. It was a viral disinformation campaign replete with requisite doses of Orwellian wordplay. Lots of discussion about "net neutrality" and virtually none about the actual issue before the FCC: Title II and the agency's application of sweeping, 1930s-era utility regulations to the Internet. Rather than shedding light on this debate, far too many people in D.C. simply fanned the false flames of fear. While some have tried to memory hole this entire episode, it is important to remember what we were told about Title II.

CNN ran a bolded, banner headline across the top of its main page proclaiming the "End of the internet as we know it." Others predicted that "you'll get the internet one word at a time." Activists said that prices for broadband would spike, that you would be charged for each website you wanted to visit, and that the Internet itself would slow down.

Did any one of those predictions come to pass? Of course not. Since the FCC's 2017 decision to return the Internet to the same successful and bipartisan regulatory framework under which it thrived for decades, mobile broadband speeds in the U.S. have increased over six-fold, prices are down in real terms, competition has intensified, and record-breaking new broadband builds have brought millions of Americans across the digital divide. Indeed, as Chair Rodgers

and members of this Committee wrote to the Commission last month, the debate over Title II "was settled when the Internet didn't break."²

In other words, utility-style regulation of the Internet was never about improving your online experience—that was just the sheep's clothing. It was always about government control.

But don't take my word for it. In September, two of President Obama's former Solicitors General, Donald B. Verrilli, Jr. and Ian Heath Gershengorn, published their views. The two Obama Administration alums described Title II this way: "classifying broadband internet access service as Title II telecommunications service would 'bring about an enormous and transformative expansion in [the agency's] regulatory authority . . . over the national economy."³ Continuing, the former Solicitors General stated that regulating the Internet as a Title II utility service "would vastly expand the Commission's authority and would transform the way a federal agency regulates a vitally important element of our economy and the personal and social lives of hundreds of millions of Americans."

They're telling the truth. Years into this discussion, the public deserves an honest debate about the future of Internet regulation—not just the repeated and talismanic invocation of the phrase "net neutrality." We should be talking about whether it makes sense for this agency to apply 1930s-era government controls to the modern Internet. We should be talking about whether Washington should reserve to itself the freewheeling power to micromanage how networks function through an undefined general conduct standard.

After all, you might expect some degree of regulatory humility after the 2017 predictions failed to materialize and it became clear to everyone (or nearly everyone) that Title II is a solution that won't work to a problem that doesn't exist. Instead, Title II proponents are moving full steam ahead. Gone are the old justifications—replaced with new ones. The goalposts have moved, but the goal remains the same: increasing government control of the Internet.

The new justifications for Title II that have been conjured up this time around are just as farfetched as the ones activists made up in 2017. They do not withstand even casual scrutiny.⁴

For starters, we're now told that Title II is necessary for national security. But the FCC has identified no gap in national security that Title II would fill. Indeed, Congress has already empowered Executive Branch agencies with national security expertise, including the DOJ, DHS, and Treasury, with the lead when it comes to security issues in the communications sector. It would be incredible, if it were true, that the FCC has known about a national security threat for years now and simply stood by the wayside, did not seek to eliminate it through existing

² Letter from Rep. Cathy McMorris Rodgers, Chair, House Committee on Energy and Commerce, et al., to Hon. Jessica Rosenworcel, Chair, FCC (Oct. 17, 2023), <u>https://energycommerce.house.gov/posts/e-and-c-gop-to-rosenworcel-the-net-neutrality-debate-was-settled-when-the-internet-didn-t-break</u>.

³ Donald B. Verrilli, Jr. and Ian Heath Gershengorn, Title II "Net Neutrality" Broadband Rules Would Breach Major Questions Doctrine at 12 (Sept. 20, 2023) (quoting *Utility Air Regulatory Group v. EPA*, 573 U.S. 302, 324 (2014)), https://aboutblaw.com/bazq.

⁴ Press Release, FCC Commissioner Brendan Carr, Fact-Checking President Biden's Myth-Filled Plan for Government Control of the Internet (Oct. 11, 2023), <u>https://docs.fcc.gov/public/attachments/DOC-397587A1.pdf</u>.

authorities or new ones, and waited to raise it until now. In fact, that is not credible. The Administration has the power it needs to deal with any bad actors, without Title II.

We're now told that Title II is necessary for law enforcement, too. But the FCC applied the Communications Assistance for Law Enforcement Act or CALEA to broadband providers long ago, without Title II regulation.

We're now told that Title II is necessary for outage reports as well, which advance public safety. Except, the FCC already requires outage reports from services that are not subject to Title II, like VoIP.

We're now told that Title II is necessary because COVID-19 demonstrated the importance of connectivity. But this takes the lessons learned from the pandemic and turns them on their heads. COVID-19 exposed the error of applying Title II-like utility regulations to the Internet as the European Union has long done. As I detailed in a statement last month,⁵ when online traffic spiked during COVID-19, EU officials asked Netflix and other streamers to ration their service to keep the continent's slow, fragile networks from breaking. The U.S. had no need to ration service—our network speeds exceeded theirs by 83%. This is because our Title I regulatory approach encouraged investment and buildout.

America's networks are not only faster than those in Europe, they are more competitive, cover a much higher percentage of households, and benefit from levels of per household investment that are 3 times higher than in Europe. So, no, now is not the time to make America's broadband networks look more like Europe's. In fact, just one week after the FCC proposed to reinstate Title II rules, Ofcom—the UK's telecom regulator—actually walked back their net neutrality rules over concerns that they may be "restricting their ability to develop new services and manage their networks efficiently."⁶

We're now told that Title II is necessary to stop ISPs from engaging in blocking, throttling, or anti-consumer prioritization. Wrong again. We have a free and open Internet today without Title II. ISPs aren't engaging in that conduct for reasons that have nothing to do with Title II. The D.C. Circuit made this clear when it reviewed the FCC's 2015 Title II rules. There, now Chief Judge Srinivasan and Judge Tatel joined in a statement expressly noting that—even with the FCC's Title II decision in place—ISPs are free to engage in "blocking websites," the "throttling of certain applications chosen by the ISP," and even the "filtering of content into fast (and slow) lanes based on the ISP's commercial interests," provided they disclose those practices. In other words, Title II does not even accomplish the purported goal that its advocates claim they seek.

⁵ Press Release, FCC Commissioner Brendan Carr, Following Europe's Approach to Internet Regulation—With Its Sweeping Government Controls—Would Be a Serious Mistake, as COVID-19 Showed (Oct. 4, 2023), https://docs.fcc.gov/public/attachments/DOC-397479A1.pdf.

⁶ U.K. Office of Communications, Ofcom Revises Net Neutrality Guidance (Oct. 26, 2023), <u>https://www.ofcom.org.uk/news-centre/2023/ofcom-revises-net-neutrality-guidance</u>.

But enough about what Title II fails to do. Let's talk about what utility-style rules do achieve.

For one, Title II includes rate regulation. There is no more surefire way of killing off investment and innovation than putting price controls squarely on the table. Adjudicating broadband rates under a "just and reasonable" standard should be a nonstarter.

For another, Title II would strip the nation's lead consumer protection agency—the Federal Trade Commission—of 100% of its authority over broadband. That includes exempting ISPs from the FTC's privacy rules. What's more, federal law now prohibits the FCC from reimposing its old broadband privacy rules on ISPs.

For still another, Title II will hit Americans in their pocketbook. In fact, prices for utility regulated services like electricity, water, and gas have been increasing over two times faster than the prices for Internet services. Monopoly regulation invariably leads to monopoly prices.

For yet another, Title II targets free data plans and pro-consumer zero rating offerings. So if you like your plan, you may not be able to keep your plan.

Title II will also slow down America's rural ISPs. Small and rural providers are already facing significant headwinds due to inflation, supply chain delays, labor shortages and the Administration's failure to streamline the permitting process. The last thing that these broadband builders, many of whom are small businesses, need right now is a regulatory onslaught from Washington. Yet that is precisely what Title II utility-style regulation entails. As the FCC determined in 2017, the agency's 2015 experiment with Title II regulation negatively impacted small ISPs that serve rural communities. Indeed, those small ISPs reduced broadband infrastructure investment due to the FCC's 2015 Title II decision.

It should be clear by now that the FCC's efforts to revive utility-style regulation of the Internet is not good policy. But if that's not enough to convince you, it's also bad on the law.

In their September white paper, President Obama's Solicitors General addressed head on the question of the FCC's legal authority in light of the sea change in administrative law that has taken place since the FCC's 2015 Title II decision. In their words, an FCC decision applying Title II to the Internet today "would be struck down by the Supreme Court" under the major questions doctrine, as *West Virginia v. EPA* makes clear. Indeed, as the two appellate lawyers succinctly put it, the legal question "is an easy one."

While some argue that the Supreme Court's *Brand X* opinion supports an FCC decision to classify broadband as a Title II service, the former Obama Solicitors General put that claim to rest too. As they explain, the Supreme Court's finding of statutory ambiguity in *Brand X* precludes the FCC from applying Title II today because the Supreme Court requires more than mere ambiguity before a court can rule in favor of an agency that is seeking to expand its authority on a major question like this one.

Nonetheless, the Biden Administration has called on the FCC to impose Title II rules. President Biden even included a demand for Title II in the Administration's Executive Order 14036.⁷

Digital Equity. Last month, the Biden Administration built on its Title II diktat by weighing in on the FCC's "digital equity" proceeding and advancing an extreme position. In particular, the President called on the FCC to implement a one-page section of the 2021 Infrastructure Investment and Jobs Act (Infrastructure Act) by adopting new rules of breathtaking scope, all in the name of "digital equity."

For the first time ever, those rules give the federal government a roving mandate to micromanage nearly every aspect of how the Internet functions—from how ISPs allocate capital and where they build, to the services that consumers can purchase, from the profits that ISPs can realize and how they market and advertise services, to the discounts and promotions that consumers can receive. Talk about central planning.

Needless to say, Congress never contemplated the sweeping regulatory regime that President Biden asked the FCC to adopt—let alone authorized the agency to implement it. Indeed, Senator Susan Collins, the lead Republican negotiator for the broadband provisions in the Infrastructure Act, wrote the FCC a letter urging us to reverse course. Senator Collins stated that "the Commission's order goes far beyond the intent of Congress, as set in Section 60506" and describes it as a "regulatory overreach" that "clearly goes well beyond the authority Congress provided the Commission."⁸ Senator Collins was not alone. In a separate letter, Senator Ted Cruz along with 27 of his colleagues similarly warned about this blatant overreach and the harms to consumers that would result. Nonetheless, earlier this month, the FCC voted to put President Biden's plan in place by a 3-2 vote.⁹

As I noted in my dissent, President Biden's plan effectively hands the Administrative State veto power over every decision about the provision of Internet service in the country. Never before, in the roughly 40-year history of the public Internet, has the FCC (or any federal agency for that matter) claimed this degree of control over the Internet. Indeed, President Biden's plan calls for the FCC to apply a far-reaching set of government controls that the agency has not applied to any technology in the modern era, including to Title II common carriers.

But do not take my word for it. The text of the Order expressly provides that the FCC would be empowered, for the first time, to regulate each and every ISP's:

⁷ Exec. Order 14036, 86 Fed. Reg. 36,987 (July 9, 2021), <u>https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/.</u>

⁸ Letter from Sen. Susan M. Collins, to Hon. Jessica Rosenworcel, Chair, FCC (Nov. 20, 2023); *see also* Letter from Sen. Ted Cruz, Ranking Member, Senate Committee on Commerce, Science, and Technology, et al., to Hon. Jessica Rosenworcel, Chair, FCC (Nov. 10, 2023) (urging the FCC "to adhere to the will of Congress and conform to the plain meaning of section 60506 to avoid causing serious damage to the competitive and innovative U.S. broadband industry" on behalf of 28 U.S. Senators).

⁹ Implementing the Infrastructure Investment and Jobs Act: Prevention and Elimination of Digital Discrimination, GN Docket No. 22-69, Report and Order and Further Notice of Proposed Rulemaking (Nov. 15, 2023) (Dissenting Statement of Commissioner Brendan Carr), <u>https://docs.fcc.gov/public/attachments/FCC-23-100A3.pdf</u>.

- "network infrastructure deployment, network reliability, network upgrades, network maintenance, customer-premises equipment, and installation";
- "speeds, capacities, latency, data caps, throttling, pricing, promotional rates, imposition of late fees, opportunity for equipment rental, installation time, contract renewal terms, service termination terms, and use of customer credit and account history";
- "mandatory arbitration clauses, pricing, deposits, discounts, customer service, language options, credit checks, marketing or advertising, contract renewal, upgrades, account termination, transfers to another covered entity, and service suspension."

As exhausting as it is to read that list, the FCC says it is not an exhaustive list. The Biden Administration's plan empowers the FCC to regulate every aspect of the Internet sector for the first time ever. The plan is motivated by an ideology of government control that is not compatible with the fundamental precepts of free market capitalism.

But it gets worse. The FCC reserves the right under this plan to regulate both "actions and omissions, whether recurring or a single instance." In other words, if you take any action, you may be liable, and if you do nothing, you may be liable. There is no path to complying with this standardless regime. It hangs together like an M.C. Escher drawing does—on paper only.

President Biden's plan also sweeps entire industries within the FCC's jurisdiction for the first time in the agency's 90-year history. It would be one thing if the FCC cabined its intrusive new regime to ISPs or even businesses within the communications sector. It does not. The Order says that "we are not explicitly tasked with regulating entities outside the communications industry" (a rare moment of regulatory humility) but it then goes on to say that the FCC will do so in this case nonetheless (the moment passed). The result? Landlords are now covered, construction crews are now covered, unions are now covered, marketing agencies are now covered, banks are now covered, the government itself is now covered—all newly subject to these FCC rules and liable under them for both acts and omissions. Congress never authorized the FCC to regulate all of these industries or entities. So, to everyone that will be subject to FCC regulation for the first time ever, welcome, I hope you have good lawyers.

One reason those lawyers will be needed is because President Biden's plan allows the FCC to impose unfunded build mandates and unlimited monetary fines. And every decision from the C-Suite to the call center will be subject to FCC second-guessing.

But these are not the only lines that the FCC Order crosses. Despite the repeated refrain that the agency has no interest in regulating broadband rates, the Commission's new "digital equity" rules permit broadband rate regulation.

Stepping back—many of the "digital equity" Order's flaws flow from a single, fundamental error. They can be traced back to President Biden's call for the FCC to adopt an

expansive and disfavored "disparate impact" theory of liability that Congress neither directed nor authorized the FCC to adopt.¹⁰ Section 60506 of the Infrastructure Act speaks in brief and straightforward terms: it states that it is the policy of the United States that, insofar as technically and economically feasible, subscribers should benefit from equal access to broadband. Section 60506 then directs the FCC to adopt rules that facilitate equal access to broadband (again, to the extent technically and economically feasible) and to prevent and eliminate "digital discrimination."

After nearly two years and several rounds of comments, the FCC concluded that "there is little or no evidence" in the agency's record to even indicate that there has been any intentional discrimination in the broadband market within the meaning of the statute. But instead of proceeding with forward-looking rules on that basis, the FCC—at President Biden's direction—reads this extraordinary theory of liability into the law that exists nowhere in the statutory text. Even in the absence of any evidence of intentional discrimination, the FCC can now impose potentially unbounded liability if the agency finds that some act or even failure to act happened to result in a disparate impact based on the FCC's own judgment.

In a set of late round edits, the FCC attempted to fix some of the problems with its Order. But those changes only highlight the arbitrary nature of the decision-making. One example? The Order exempts the Biden Administration's signature "Internet for All" initiative (BEAD) and the FCC's own Universal Service Fund high-cost programs from the new rules through a presumption of compliance. Well surprise, surprise. The Biden Administration does not want to live by the same antidiscrimination standard it applies to everyone else. Is this because the Biden Administration wants to engage in digital discrimination? Is it because they don't want to promote digital equity? Or is it because the Biden Administration is worried that applying these burdensome rules would sink its highest profile Internet initiative? Hard to say because the Order does not explain the exemption. Nor does it explain why it makes any sense to draw the line where it has. Why single out those two initiatives but not one or more of the 100 plus other broadband initiatives that are being administered by more than a dozen separate federal agencies.¹¹

But regardless, the Biden Administration has given away the game. It cannot claim that these rules are necessary to prohibit discrimination, and then exempt its preferred programs. It cannot claim that these rules will not harm investment and buildout, and then exempt the two broadband initiatives whose success matters the most, politically, to the Biden Administration. It is obvious to everyone what is going on here. It is not about discrimination; it is about control.

Of course, it didn't have to be this way. Instead of creating multiple vectors of unnecessary litigation risk, the FCC could have adopted an Order that lawfully and faithfully implemented Congress's bipartisan decisions in the Infrastructure Act. And the FCC could have focused on broadband infrastructure deployment—on ensuring that every American has a fair shot at affordable, next-generation connectivity. But as I indicated at the outset of my testimony,

¹⁰ Biden Administration Digital Equity Comments at 4-8.

¹¹ U.S. Government Accountability Office, Broadband: National Strategy Needed to Guide Federal Efforts to Reduce Digital Divide, GAO-22-104611 (May 31, 2022), <u>https://www.gao.gov/assets/gao-22-104611.pdf</u>.

the theme running through the Biden Administration's Internet policies is not one of connectivity or capacity—it is control.

Spectrum. This brings me to the important telecom priorities that are falling by the wayside while the Administration focuses on these command and control policies. Chief among those is spectrum. Maintaining and extending U.S. leadership in wireless has been one of my top priorities since joining the Commission in 2017. Getting our spectrum policies right translates directly into bringing Americans across the digital divide, spurring innovation, creating jobs, and growing our economy. U.S. leadership in wireless is also part and parcel of America's geopolitical leadership.

When we free up spectrum, the world takes notice. It puts the wind at the backs of those working to advance our values. It ensures that next-generation services develop in ways that will benefit our innovators and interests—rather than regimes that seek to diminish America's standing in the world. Unfortunately, the Biden Administration has failed to show the leadership necessary on the spectrum front.

One recent example is the Biden Administration's much-anticipated National Spectrum Strategy. After nearly three years of study, the Administration's spectrum plan commits to freeing up exactly zero MHz of spectrum. That is not a typo. It is a spectrumless spectrum plan. Instead of moving MHz, the Biden Administration announced that they will continue to study the issue for years to come. This is a complete 180 from the progress we made on wireless issues under the prior Administration.

From 2017 through 2020, the FCC freed up roughly 6,000 MHz of spectrum for licensed use plus thousands of additional MHz of spectrum for unlicensed use.¹² Under the Biden Administration's plan, the government will study (not free up, just study) less than 2,800 MHz of spectrum. In other words, the FCC during the Trump Administration put more spectrum into the commercial marketplace for consumer use than the Biden Administration plans to even study—and it's not even close.

The Biden Administration's inaction on spectrum puts America at a disadvantage. While America is standing still, our global competitors and adversaries are passing us by. They are executing on actual spectrum plans that are putting actual spectrum to use in their countries. Historically, the U.S. has been a leader in making new spectrum bands available. But a study out this year shows that the U.S. now ranks 13th out 15 leading marks in licensed mid-band spectrum. Indeed, in recent years, China has sprinted out to a 710 MHz advantage over the U.S. when it comes to licensed mid-band spectrum. The Administration has no plan to close this widening gap. That's a big problem.

None of this is to say that freeing up spectrum is a walk in the park. There are a lot of competing interests and stakeholders. Progress requires a clear vision. It requires bold and immediate action. That is why I put out a spectrum calendar in March of 2021 that identifies

¹² Keynote Remarks of FCC Commissioner Brendan Carr, The American Enterprise Institute, Extending America's 5G Leadership (Mar. 15, 2021), <u>https://docs.fcc.gov/public/attachments/DOC-370781A1.pdf</u>.

specific frequencies and a timeline for action. My plan would have allowed the U.S. to continue to move on spectrum matters with the same pace, cadence, and urgency that the FCC delivered on during the last Administration.

It is time to correct course. Whether the agency adopts my plan or something else, the FCC should formally identify target bands along with a timeline for action as I did in my 2021 spectrum calendar.

Of course, the Administration's failure to free up spectrum is not the only headwind when it comes to U.S. leadership in wireless. The FCC's spectrum auction authority has lapsed for the first time ever. This is a challenge that this Committee understands well and has been doing good work to try and resolve. But even with that authority lapsed, there are still several actions the Commission can take in the near term while legislation works its way through Congress. One step? The FCC can and should issue the 2.5 GHz spectrum licenses that were won at auction and paid for before the Commission's auction authority expired. That decision would not only comport with the law, it would connect an estimated 50 million Americans with new or improved service virtually overnight. That is the type of common-sense action that would make a real difference in the lives of Americans. That is the type of action that we should remain focused on at the FCC.

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In closing, I want to thank you again Chair Latta, Ranking Member Matsui, and Members of the Subcommittee for holding this hearing and for the opportunity to testify. I welcome the chance to answer your questions.