

**Testimony of
John M. R. Kneuer
Assistant Secretary for Communications and Information
and Administrator,
National Telecommunications and Information Administration,
U.S. Department of Commerce**

**Before the
Energy and Commerce Committee
House of Representatives**

March 22, 2007

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss the activities of the National Telecommunications and Information Administration (NTIA). As you know, NTIA is responsible for the development and implementation of domestic and international telecommunications and information policy for the Executive Branch, for the efficient and effective use of the Federal radio spectrum, and for state-of-the-art telecommunications research, engineering, and planning. In addition, NTIA is responsible for the provision of grants in support of the equipment needs of public broadcasting stations, and, most recently, programs directed by the Deficit Reduction Act of 2005.

Historically, NTIA's primary goal has been to advance the development of e-commerce and enhanced telecommunications and information services, both domestically and abroad. The Deficit Reduction Act of 2005, signed into law in February 2006, changed NTIA's immediate focus significantly. Title III of that Act created a number of new programs to be funded under the Digital Television Transition and Public Safety Fund (DTV Fund) from future spectrum auction proceeds.

Digital Television Transition and Public Safety Act

NTIA's portfolio expanded considerably a year ago with enactment of the Deficit Reduction Act of 2005 (Act). The Act authorizes NTIA to administer a number of new programs that will be funded with the proceeds from the auction of recovered analog spectrum in 2008. Some programs are getting underway this year by using borrowing authority provided in the Act, while the remaining programs will get underway upon deposit of receipts into the DTV Fund.

The most prominent programs getting started this year are the Digital Television Converter Box Coupon Program and the Public Safety Interoperable Communications (PSIC) Grant Program. The Coupon Program will subsidize consumer costs as the DTV transition concludes. Through this program, consumers will be able to request up to two \$40 coupons to be used toward the purchase of converter boxes that will convert digital signals for display on over-the-air

television sets. NTIA announced and published the final program rule last week. The final rule sets forth the framework for the Coupon Program and provides guidance for consumers, television converter box manufacturers, and retailers regarding eligibility, responsibilities, and certifications. NTIA also issued a Request for Proposals (RFP) for services in support of the Coupon Program. The services required under the RFP cover three broad functional areas: (1) consumer education and communications, (2) systems processing (e.g., determine consumer eligibility, coupon distribution and activation, certify retailers, and provide training materials), and (3) financial processing (e.g., administer the coupon authorization for redemption and retailer payment process, and perform independent auditing). NTIA will host a Bidder's Conference on March 26, 2007 and offerors must respond to the RFP by April 30, 2007. Close collaboration with the Federal Communications Commission (FCC), the National Association of Broadcasters, and the Consumer Electronics Association, among others, will play an important role in meeting consumer expectations for this Program.

The other major program getting under way in 2007 is the PSIC Grant Program, which is a \$1 billion grant program to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communication systems that can use or be interoperable with systems that use the 24 MHz of reallocated public safety spectrum in the 700 MHz band. Grants will be awarded no later than September 30th of this year. NTIA's efforts are driven by the need to achieve a meaningful improvement in the state of public safety communications interoperability, and to provide the maximum amount of interoperable systems while leveraging existing state, tribal, and local radio communications assets. NTIA will use its in-house public safety interoperability expertise in combination with complementary expertise and in-place grant processing operations at the Department of Homeland Security to ensure the timely distribution of grants to our nation's first responders.

In addition, NTIA recently awarded \$7,855,000 to the Metropolitan Television Alliance for the first phase of its New York City 9/11 Digital Television Transition project. These funds reimburse the Alliance for costs associated with the design and testing of a temporary digital television distributed transmission system at 3 to 5 sites in the New York metropolitan area. NTIA expects to award more than \$21 million in additional funding during fiscal year 2008 to complete the full 20-site system before the digital television transition deadline of February 17, 2009.

NTIA has also begun preparatory work for the Low-Power Television and Translator Digital-to-Analog Conversion program and is on schedule to begin making payments in fiscal year 2008. NTIA estimates that approximately 10,000 facilities may be eligible for this support. NTIA plans to work closely with the low-power television and translator communities to ensure that this \$10 million program effectively assists these communities as the February 2009 deadline approaches.

NTIA received additional borrowing authority and program guidance in Title VI of the SAFE Port Act, with respect to the National Alert and Tsunami Warning program that was created in the Deficit Reduction Act. NTIA is negotiating a new borrowing agreement with the Department of the Treasury and has begun consultations with the National Oceanic and Atmospheric Administration and the Department of Homeland Security to provide adequate funding for the new grant and research programs described in the SAFE Port Act.

When spectrum auction proceeds become available in late 2008, NTIA will launch the Low-Power Television and Translator Upgrade Program and the E911 Grant Program along with the Department of Transportation's National Highway Traffic Safety Administration.

Universal, Affordable Access for Broadband

On March 26, 2004, President Bush established a bold goal for broadband in America: "We ought to have . . . universal and affordable access for broadband technology by 2007, and then we ought to make sure as soon as possible thereafter, consumers have got plenty of choices when it comes to their broadband carrier." In articulating this goal, the President captured not only the importance of broadband for our social and economic well being in the 21st century, but the means for achieving it: having the most competitive broadband marketplace in the world.

With the most competitive broadband marketplace in the world, carriers offer a host of technologies that compete on price, speed, added applications, mobility, and other innovations. Consumers will benefit from the ability to choose the broadband experience that best fits their needs and budget, and the best way to facilitate this is to help foster a competitive market.

Now what can be done to encourage this competition? The Administration firmly believes that the answer is not government mandates or expensive subsidies, but rather unleashing the genius of American innovation and entrepreneurship. To that end, the Administration has adopted a comprehensive set of policies including deregulation, spectrum reform, and fiscal incentives that have been demonstrably effective.

To ensure that 21st century networks are free from overly burdensome regulation, the Administration has supported freeing new broadband infrastructure from economic regulation intended for monopoly phone services. Following this decision incumbent phone companies have announced plans to spend billions of dollars to deploy fiber networks to approximately 20 million homes by 2007. According to the National Cable and Telecommunications Association, the cable industry since 1996 has invested upwards of \$110 billion upgrading their networks, which now pass 119.1 million U.S. homes.

The Administration has taken steps to enable new technologies so that consumers can choose from more than just cable and fiber. Working in partnership with the FCC, the Administration has made additional spectrum available for both licensed and unlicensed broadband services. When every mobile phone carrier is also a broadband service provider, incumbent providers will be forced to compete with lower prices and more innovation. By making more spectrum available for unlicensed devices like WiFi and WiMax it will be possible that wireless hotspots will cover more than just coffee shops and home networks, but entire cities, and hard to serve rural communities.

The Administration has also taken the lead to create technical standards that will allow the rapid deployment of Broadband over Power Lines (BPL) while safeguarding existing licensed radio services from harmful interference. This new technology offers the potential for every electrical socket to become a broadband pipeline as well.

As a result of these policies, broadband use in the United States is growing dramatically. Since President Bush entered office, the number of residential and small business broadband customers in the United States has grown by almost 600 percent according to FCC statistics, and more Americans today access the Internet through broadband than dial-up connections. Despite this progress, many would have us believe that the United States is falling behind the rest of the world and is in danger of becoming irrelevant in the new technology-driven global economy. To support this premise, critics of U.S. broadband initiatives point to the fact that the United States has fallen behind other industrialized nations in rankings that measure the number of broadband subscribers per 100 inhabitants.

In fact, the United States is the world leader when it comes to high-speed Internet penetration, as measured by number of lines. For instance, the United Kingdom-based Point Topic released a study in December 2006 noting that the United States had 54.6 million lines as of September 30, 2006, surpassing China with 48.6 million, Japan at 25.8 million, South Korea with 13.9 million, and Germany at 12.7 million out of a total of 263.8 million lines globally.

Moreover, the United States also is one of the countries most suited to harness the power of broadband as shown by two recent global studies. The Global Information Technology Report (GITR) has developed a ranking of 115 economies based on a "Network Readiness Index, or NRI," defined as the "degree of preparation of a nation or community to participate in and benefit from ICT development." In the 2005-2006 study, the United States ranked number one; South Korea rated a distant #14. A second study, by the Economist Intelligence Unit, evaluates economies according to the "extent to which a market is conducive to Internet-based opportunities" in terms of its Economic Readiness Index (ERI). In its 68-country assessment in 2006, the EIU determined that the United States finished second, behind only Denmark.

Spectrum Policy for the 21st Century

NTIA serves as the Administration's principal telecommunications policy advisor and the manager of federal government's use of the radio spectrum. Wireless technologies and services that depend on spectrum provide critical support to federal agency missions that serve the American people and support a wide array of commercial and non-federal government applications that provide economic benefits and protect lives and property. NTIA's goal is to improve American competitiveness by creating a regulatory environment that fosters private sector innovation in telecommunications and to promote efficient and effective use of spectrum by Federal agencies to increase availability of this scarce resource.

To further develop and implement a U.S. spectrum policy, NTIA continues to implement the President's Spectrum Policy Initiative. During this past year, NTIA established the Commerce Spectrum Management Advisory Committee with diverse and expert members who will provide the agency with advice on spectrum reforms that will expedite the American public's access to broadband services, public safety services, and long-range spectrum planning. NTIA also selected the Washington, D.C. Wireless Accelerated Responder Network (WARN), an interoperable, city-wide, broadband public safety network, to evaluate its effectiveness in sharing the radio spectrum with federal, state and local governments during emergencies. NTIA also completed a plan to identify and implement incentives that promote more efficient and

effective use of spectrum and convened a two-day public forum in conjunction with the National Academies of Sciences to discuss how economic incentives could improve U.S. spectrum management practices.

NTIA has also effectively implemented the provisions of the Commercial Spectrum Enhancement Act (CSEA) of 2004 to facilitate the provision of innovative new wireless services to the commercial market. The CSEA created the Spectrum Relocation Fund to provide a streamlined funding mechanism through which Federal agencies can recover the costs associated with relocating their radio communications systems from spectrum bands auctioned for commercial uses. The first use of the CSEA's provisions has worked well. NTIA identified the 1710-1755 MHz band for reallocation to commercial uses, which the FCC then paired with the 2110-2155 MHz band for Advanced Wireless Services (AWS). NTIA timely provided federal agencies' estimated relocation costs of approximately \$1 billion to the FCC in advance of the AWS auction. That auction, which concluded in September 2006, raised \$13.7 billion in net winning bids. On February 16, 2007, the Office of Management and Budget notified this Committee about the final estimated costs and timelines for federal agencies' relocations. Transfers of relocation funds to the agencies can now proceed to clear the band for new commercial uses.

NTIA has also achieved recent successes in the development of spectrum sharing opportunities that mutually benefit the Federal and commercial users. Research and rulemaking activities have supported innovative solutions to satisfy the growing demand for the spectrum resource. The use of adaptive techniques, such as Dynamic Frequency Selection, that are supported by field measurements conducted by the NTIA lab, is a good example of innovations in sharing. NTIA input into rules to support the use of ultrawideband devices is another example of actions that have enabled extensive new applications for government and commercial users in defense and other security systems.

In addition, our internal process for administering Federal frequency assignments is undergoing a long overdue modernization. Since the modernization effort got underway in 2003, the processing time for serving our Federal agency clients has been reduced over 30 percent.

Advanced Telecommunications and Information Services

During the past decade, the Internet has grown from an emerging communications tool to an essential component of world-wide communications. NTIA undertakes a number of activities to ensure its continued viability, including overseeing a joint project agreement with the Internet Corporation for Assigned Names and Numbers (ICANN) that emphasizes enhanced accountability and transparency in ICANN's decisionmaking, exercising the U.S. Government role for authorizing changes to the root zone file, representing the United States on ICANN's Government Advisory Committee, maintaining the .EDU and .US domain names, and promoting the kids.us domain as a safe space on the Internet for children.

For example, NTIA recently approved a promotional package from NeuStar, the .us administrator, to reduce the annual wholesale price to registrars for all kids.us names from \$65 to \$6 and to halve the \$250 annual content management subscription. NTIA also approved NeuStar's proposed \$6 per name rebate program for the first 2500 kids.us names that registrars

enroll during a three-month period and a \$125 content review fee rebate for the first 200 content providers that activate kids.us sites during a three-month period. In addition, NeuStar will implement a “Show Your School Spirit” promotion to provide a free one-year content management subscription for the first 200 K-12 public schools that purchase kids.us registrations during the six-month term of the promotion.

NTIA works closely with the State Department and other agencies to further U.S. telecommunications interests in an array of international fora, principally through the International Telecommunication Union and the Organization for Economic Cooperation and Development that undertake such issues as spectrum management, Internet and information security, Internet governance, and telecommunications development. NTIA also assists with bilateral discussions on telecommunications issues between the United States and its government counterparts in other countries.

Conclusion

In conclusion, I want to thank the Subcommittee for its support for NTIA’s programs. I will be happy to answer your questions.