

STATEMENT OF JAMES W. CICCONI

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BEFORE:

UNITED STATES HOUSE OF REPRESENTATIVES

**ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON COMMUNICATIONS AND TECHNOLOGY**

**H.J. RES 37, DISAPPROVING THE RULE SUBMITTED BY THE FEDERAL
COMMUNICATIONS COMMISSION WITH RESPECT TO REGULATING THE
INTERNET AND BROADBAND INDUSTRY PRACTICES.**

HEARING MARCH 9, 2011

Chairman Walden, Ranking Member Eshoo, other distinguished Members of the Subcommittee, thank you for the opportunity to testify today. The government's role in broadband network management is an issue of significant importance to AT&T, and I hope that my testimony will inform the Subcommittee's consideration of H.J. Res 37.

AT&T's top priority is ensuring that our nation adopts policies for the Internet that will continue to favor investment in the capital-intensive broadband networks that make the Internet possible. Investment in these networks fosters innovation, creates jobs and produces cutting-edge products and services for consumers.

There are two key ingredients that our industry needs from policymakers so that we can continue investing in the broadband networks that support the Internet: pro-investment tax policies and regulatory certainty.

Congress addressed the first part – tax policies – by extending the tax rules on dividends, capital gains and accelerated depreciation. The extensions of these important tax policies added needed certainty and stability to the industry and allowed AT&T to continue investing. I commend Congress for extending these provisions and bringing this stability to the industry.

The other significant driver (or inhibitor) of investment is regulation. And, at the outset, I want to personally thank each and every Member of the Committee for your focus on this important issue and expressing your views in this critical national debate.

For far too long, the question of net neutrality has hamstrung the Federal Communications Commission and our industry and prevented needed action on far more urgent, and real, problems, like making more spectrum available for broadband services and reforming the universal service program so that it can fund broadband deployment to hard to serve areas. But more important than the distraction has been the investment uncertainty created by the extended and public debate over whether the FCC should adopt net neutrality rules, and if so, how far they should go.

Indeed, the investments in broadband AT&T has already made, and will need to continue making, are multi-billion dollar and multi-year bets on the future of the company and the industry. When you are making such substantial capital outlays, the ability to earn a predictable return on that investment is vital. And if you don't know how these services are going to be regulated – in particular, whether the government is going to prescribe the manner in which the services are to be delivered and priced – that creates a big impediment to investment.

That is why AT&T vigorously opposed the FCC's efforts to impose 19th Century common carrier-style regulation on broadband services – either by adopting the extreme net neutrality rules it originally proposed in October 2009 or by reclassifying broadband Internet access as a Title II telecommunications service. And that is why AT&T participated in discussions with Congressman Waxman and many other stakeholders to try to reach a compromise that would bring urgently needed certainty to the industry and allow us, and other companies, to get back to the business of deploying broadband networks and services.

Late last year, it became clear that legislative efforts to reach a compromise would not be resolved in a timely manner, and the FCC indicated its intent to move forward with new rules in the absence of clear legislative authority. We participated in the FCC's rulemaking process with the overarching objective of obtaining a result that would protect our company's existing and future business and investments. In short, we hoped to bring certainty to the broadband market so that investment and job creation could go forward, while ensuring that we could still meet the expectations of our customers. Is the result ideal? No, and I believe our Chairman, Randall Stephenson, summed up our reaction to the FCC's decision best in comments before the Brookings Institution this past January:

“[We] would be lying if [we] said [we were] totally pleased with it. But, . . . it's a place where we know what we have. . . . [W]e didn't get everything we'd like to have had. I'd like to have had no regulation, to be candid, but that wasn't going to happen, obviously. But we've landed at a place where we have line of sight. We know what we have. We can commit to these 10-year and 15-year horizon investments.”

I would be remiss if I did not mention my support for FCC reform. Many Members of this Subcommittee, on both sides of the aisle, have expressed concerns that, in the modern broadband Internet era, the FCC still operates under a statute designed for the communications services and markets of the last century. This problem impacts our discussion today, but it also impacts urgent issues like spectrum exhaust and universal service. We look forward to working with the Subcommittee to meaningfully review and reform the way the FCC analyzes markets, determines whether rules are necessary and appropriate, evaluates license transfers, and seeks public input before taking actions.

To conclude, I would like to thank the Subcommittee for allowing me to be here today and for your tireless efforts to promote innovation, job-creation and investment through pro-growth communications policies for the 21st Century.