



FEDERAL COMMUNICATIONS COMMISSION

Fiscal Year 2014 Annual Performance Report

(October 1, 2013 – September 30, 2014)

Message from the Chairman

I am pleased to present the Federal Communications Commission's (FCC's) Annual Performance Report for FY 2014. The report summarizes the FCC's progress in fulfilling its strategic goals and meeting its performance commitments as expressed in the Commission's FY 2014 Annual Performance Plan. The Annual Performance Plan was issued as part of the FCC's FY 2014 budget submission to Congress.

In the past, three network-related technological developments -- the printing press, the railroads, and the telegraph -- revolutionized the world's commerce and culture. This millennium has seen the advent of a fourth, and arguably the most transformative, technological development, the marriage of computing and connectivity known as the Internet. High-speed broadband networks have revolutionized our access to the world around us. The virtually limitless sources of information, education, and entertainment these broadband networks carry can erase the disadvantages of geographic isolation and economic and educational disparities. In combination with the broadcast, cable and satellite video services that have for decades and continue today to contribute so much to our society, they will have incalculable influence on the future of America.

All these revolutions have produced fundamental changes in the way people lived their lives. What sets the broadband network revolution apart, however, is how quickly it was deployed and the unabated speed with which it continues to evolve.

The connective technology of broadband networks defines the 21st century, and it is the job of the FCC to ensure that these networks help facilitate innovation in the provision of education, health care, and safety of life and property. That is why I believe that the 21st century economy begins here. And that is why it is vitally important for us to clearly state our goals and objectives to ensure that we consistently and energetically pursue them.

The FCC makes a more concise description of the Commission's performance and financial data for FY 2014 available in the FY 2014 Summary of Performance and Financial Information, located at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>. At this link, the FCC has also posted its FY 2014 Agency Financial Report, which provides a comprehensive look at the FCC's financial operations for the past fiscal year.



Tom Wheeler
Chairman
Federal Communications Commission

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CONNECT AMERICA

Strategic Goal:

Maximize Americans' access to – and the adoption of—affordable fixed and mobile broadband where they live, work, and travel.

FY 2014 PERFORMANCE GOALS

- Maximize broadband adoption by promoting affordability and removing other barriers to adoption by all Americans, including those with low incomes and disabilities.
- Maximize availability of fixed and mobile broadband to all Americans and community anchor institutions, including in rural and insular areas and Tribal lands, while ensuring that universal service programs are efficient, effective, and impose no greater burden on consumers and businesses than necessary.
- Enable the private sector to accelerate the deployment and expansion of broadband networks by minimizing regulatory and other barriers to broadband build out.
- Measure and monitor the country's progress on broadband.

FY 2014 PERFORMANCE HIGHLIGHTS

The Commission took major steps to expand access to cutting-edge digital learning technologies by modernizing its E-rate program to widely support robust Wi-Fi networks in schools and libraries. Modernizing E-rate, the nation's largest program supporting communications technology in schools and libraries, is essential to closing the Wi-Fi gap in these institutions. While E-rate over its 18-year life has succeeded in connecting virtually all schools and libraries to the Internet, it was not geared for today's world of interactive, individualized digital learning. By continuing to support broadband connectivity to the building while significantly expanding support for robust Wi-Fi networks within classrooms and libraries, the FCC's reforms can deliver the benefits of customized learning to students over tablets and laptops and enable library patrons to fully participate in today's digital world. An *Order and Further Notice of Proposed Rulemaking* adopted by the FCC will accomplish three major goals:

- Significantly expand funding for Wi-Fi networks and distribute it fairly to all schools and libraries while recognizing the needs of the nation's rural and poorest school districts
- Maximize the cost-effectiveness of E-rate spending through greater pricing transparency, encouraging consortia and bulk purchasing, and better enforcement of existing rules
- Streamline and simplify the E-rate application process and overall program administration

The Order also maintained E-rate's budget of \$2.4 billion (adjusted for inflation) and made available an additional \$2 billion to support Wi-Fi over the next two years through improved

financial management practices that free up excess reserves¹. For the following funding years, the program will target \$1 billion annually to Wi-Fi – while continuing to ensure funding is available for broadband connectivity to schools and libraries – by phasing out support for non-broadband services such as pagers and phones, and through increased efficiencies. These program improvements will be sufficient to expand Wi-Fi networks in all schools and libraries. The effort will potentially provide a 75 percent increase in Wi-Fi funding for rural schools over the next five years and a 60 percent increase for urban schools, delivering Wi-Fi to an additional 10 million students in 2015 alone.

The Commission took significant steps toward implementing the next phase of its program for expanding robust broadband in rural America, the Connect America Fund. Phase I of the Connect America Fund has already invested over \$438 million to deploy broadband service to 1.6 million previously unserved Americans. Phase I of the Mobility Fund is targeted to invest \$220 million to expand advanced mobile wireless service and nearly \$50 million for better mobile voice and broadband on Tribal lands. Phase II the Connect America Fund will result in a nearly 70% increase in annual support for broadband and voice service in areas served by the nation's largest traditional local providers.

Experiments to explore how robust broadband can be expanded at lower cost in rural America were launched by the FCC. The experiments will inform the agency's broader effort to expand rural broadband through its Connect America Fund. They will also inform the FCC's efforts to ensure that consumers everywhere can benefit from the sweeping technological advances occurring now in the communications industry, while preserving consumer protection, competition, universal service and access to emergency services.

The FCC launched a database designed to eliminate waste from duplicative subscriptions in the Lifeline phone service subsidy program nationwide. The National Lifeline Accountability Database, a cornerstone of the FCC's comprehensive efforts to combat waste fraud and abuse in the Lifeline program, already has identified \$169 million in annualized savings by flagging existing duplicates for elimination while preventing enrollment of new duplicates.

FCC Chairman Tom Wheeler announced the creation of a Universal Service Fund (USF) Strike Force dedicated to combatting waste, fraud, and abuse in Commission programs. The USF Strike Force will focus on safeguarding the USF and the other funding programs that the FCC oversees. The Strike Force will investigate violations of the Communications Act, the Commission's rules, and other laws bearing on USF programs and contributions. In addition to these activities, the Strike Force will coordinate with the FCC's Office of Inspector General, the U.S. Department of Justice, and other law enforcement agencies to prosecute unlawful conduct. The Strike Force's investigations and activities will promote future compliance, protect those who depend on the funds for access, and safeguard contributors to the funds from the unlawful acts of others.

The Commission released the results of its ongoing nationwide performance study of residential broadband service in its fourth "Measuring Broadband America" report. The report continues the Commission's efforts towards bringing greater clarity and competition to the home broadband

¹ On December 11, 2014, the Commission adopted an Order raising the cap on E-rate program to \$3.9 billion.

services marketplace. This year's report revealed that most broadband providers continue to improve service performance by delivering actual speeds that meet or exceed advertised speeds, but some providers showed significant room for improvement particularly with respect to consistency of speeds.

FCC Chairman Tom Wheeler announced the launch of the FCC Speed Test app for iOS devices in the iTunes App store. The FCC Speed Test app is an expansion of the Measuring Broadband America program from fixed to mobile broadband. Testing data will provide valuable information to consumers, industry, and the Commission on the deployment of networks across the United States. In November, the Commission unveiled its first public version of the FCC Speed Test app for Android smartphones in the Google Play store.

The FCC released its latest reports on Internet access service connections and local telephone services in the United States. Highlights from the reports include:

- The number of connections with downstream speeds of at least 10 Mbps increased by 118% over June 2012, to 103 million connections, including 58 million fixed connections and 45 million mobile connections.
- Growth is particularly high in mobile Internet subscriptions. The number of mobile subscriptions with speeds over 200 kbps in at least one direction grew to 181 million, up 18% from June 2012.
- In voice services, there were 90 million end-user switched access lines in service, 45 million interconnected VoIP subscriptions, and 306 million mobile voice subscriptions, or 441 million retail local telephone service connections in total as of June 30, 2013.
- Over the three years between June 2010 and June 2013, interconnected VoIP subscriptions increased at a compound growth rate of 16%, mobile voice subscriptions increased at a compound annual growth rate of 3%, and retail switched access lines declined at 10% a year.

MAXIMIZE BENEFITS OF SPECTRUM

Strategic Goal:

Maximize the overall benefits of spectrum for the United States.

FY 2014 PERFORMANCE GOALS

- Develop and implement flexible, market-oriented spectrum allocation and assignment policies that promote innovation, investment, jobs and consumer benefits, including ensuring meaningful availability of unlicensed spectrum.
- Develop and implement policies that support highly efficient use of spectrum.
- Serve as a resource domestically and internationally on issues involving use and management of our spectrum resources.

FY 2014 PERFORMANCE HIGHLIGHTS

The Commission adopted rules to implement the Broadcast Television Incentive Auction. The two-sided auction will use market forces to recover spectrum from television broadcasters who voluntarily choose to give up some or all of their spectrum usage rights in exchange for incentive payments, in order to auction new spectrum licenses to wireless providers. The Incentive Auction will help meet consumers' skyrocketing demand for mobile broadband services. Today, there are more connected devices than there are people in the U.S., and about 60 percent of Americans use smartphones. By making additional spectrum available for mobile broadband use, the Incentive Auction will benefit consumers by easing congestion on wireless networks, expediting the development of new, more robust wireless services and applications and helping fill in coverage gaps particularly in rural America.

The Commission proposed to modify its Part 15 rules to accommodate growing demand and encourage innovation in the provision of wireless broadband data services. The Commission's Part 15 rules permit devices to operate on unused "white space" spectrum between TV stations. Since the Commission finalized initial rules in 2010, unlicensed white space devices in the TV bands have been used primarily to provide broadband data and other services to schools and libraries. Unlicensed spectrum technologies have the potential to encourage competition in the broadband market, promote efficient delivery of broadband services in residences and businesses, and improve user experience with consumer devices needing short-range but high data rate communications. The proposed changes to Part 15 rules are designed to allow for more robust service and efficient spectral use in the frequency bands that are now and will continue to be allocated and assigned to broadcast television services, while continuing to protect authorized users from harmful interference.

The FCC initiated a proceeding to address the long-term spectrum needs of wireless microphone users. The repurposing of broadcast television band spectrum for wireless services

following the Commission's incentive auction will significantly alter the spectrum environment in which many wireless microphones currently operate. This proceeding fulfills the FCC's commitment to explore how best to accommodate the future needs of wireless microphone users.

The Commission took steps to recognize the important social, cultural, and economic benefits of low power auxiliary station operations, including wireless microphones, by expanding license eligibility for qualifying users. In new rules, the Commission expands Part 74 license eligibility to include professional sound companies and venues where the use of wireless microphones is an integral part of the major productions or events they host. The Commission concluded that these users generally have the same need for interference protection as existing Part 74 licensees and the sophisticated knowledge and capability to manage use and coordination of a large number of wireless microphones.

The Canadian National Railway Company agreed to pay a civil penalty of \$5.25 million to resolve an FCC Enforcement Bureau investigation into the company's acquisition and operation of hundreds of wireless radio facilities in the United States without prior FCC approval. Some of the unauthorized operations continued for more than two decades before the company disclosed its violations to the Commission.

The Commission took steps to provide more spectrum for general consumer use, carrier-grade small cell deployments, fixed wireless broadband services, and other innovative uses, through the creation of a new Citizens Broadband Radio Service. The proposed rules for the Citizens Broadband Radio Service advance the Commission's efforts to meet the growing demand for spectrum by proposing to make 150 megahertz available in the 3.5 GHz Band.

The Commission also provided for accelerated growth and expansion of new Wi-Fi technology that can offer faster speeds of one gigabit per second or more, increase overall capacity, and reduce congestion at Wi-Fi hot spots. The new rules will make 100 MHz of spectrum more accessible for use in homes and congested spaces like convention centers, parks, and airports and increase the potential for more unlicensed spectrum innovation. By its action the Commission significantly increased the utility of the 100 megahertz of spectrum, and streamlined existing rules and equipment authorization procedures for devices throughout the 5 GHz band.

The Commission adopted a *Report and Order* that advances ongoing efforts to make more spectrum available for flexible use wireless services, including mobile broadband. This action represents the largest amount of spectrum suitable for mobile broadband that the Commission has made available for auction since the 700 MHz band was auctioned in 2008. Access to these bands will help wireless companies meet growing consumer demand for mobile data by enabling faster wireless speeds and more capacity.

The Commission auctioned 176 Economic Area licenses for 10 MHz of spectrum, unleashing additional spectrum nationwide for broadband services. The auction, referred to as the "H Block Auction," raised \$1.564 billion that will help fund a nationwide interoperable public safety network. It will also make more spectrum available to serve the broadband needs of consumers and businesses alike.

The Commission also updated its rules regarding antenna structure lighting and marking to provide clarity and reduce regulatory burdens on antenna structure owners and licensees. These reforms will remove barriers to wireless deployment, reduce unnecessary costs, and encourage providers to continue to deploy advanced systems that facilitate safety. It is part of the Commission's broader effort to promote deployment of the wireless infrastructure necessary to provide the public with ubiquitous, advanced wireless broadband services.

In support of the planned incentive auction to repurpose 600 MHz spectrum, the FCC has maintained a high level of engagement with Mexico and Canada to enlist the support of neighboring countries for a common 600 MHz band plan. As a result of our efforts, Canada has initiated a consultation that proposes to adopt the U.S. band plan framework and to commit to a joint repacking process with the U.S. The FCC continues to coordinate closely with Mexico to accommodate Mexico's DTV transition as well as the U.S. goals for 600 MHz spectrum.

The FCC continued its preparations for the November 2015 World Radiocommunication Conference (WRC-15), a treaty-level forum held by the International Telecommunication Union. Decisions will be made at WRC-15 on the allocation of spectrum to allow the deployment or growth of all types of radiocommunication services such as mobile, fixed, broadcasting, satellite, maritime and aeronautical services. The Commission renewed the WRC-15 Advisory Committee (WAC) charter to develop private sector recommendations for the FCC on the issues to be considered by WRC-15. Over 45 private sector entities have been registered as WAC members and many others are participating as observers. Since its re-chartering in 2012, the WAC has held seven meetings of the full Committee and 62 meetings of its Informal Working Groups in preparation for WRC-15. As a result of this work, over 65 recommendations on WRC-15 issues have been provided to the Commission. These recommendations are being used to formulate the U.S. positions during international meetings in preparation for WRC-15.

The FCC served as an international resource for spectrum management and allocation, providing instructors to seven USTTI spectrum related courses. The FCC also actively participated in the Americas Spectrum Management Conference in Washington, DC, and engaged with our international counterparts on lessons learned and best practices with respect to the digital television transition, spectrum auctions, and white space utilization. Additionally, the FCC's International Visitor Program hosted 48 delegations comprised of 402 individuals from 55 countries who were interested in learning about the FCC's spectrum policies and activities.

The FCC reviewed and processed 907,551 applications and complaints in FY 2014, meeting its Speed of Disposal (SOD) goals 96% of the time. In five of the last six years, the FCC met the SOD metrics for at least 96% of applications and complaints. Results of the Commission's bureaus and offices in meeting SOD goals are shown below.

<u>BUREAU/OFFICE</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
CONSUMER AND GOVERNMENTAL AFFAIRS	95%	98%	98%	99%	99%	98%
INTERNATIONAL	88%	86%	91%	88%	83%	77% ²
MEDIA	95%	86%	84%	98%	98%	97%
ENGINEERING AND TECHNOLOGY	99.7%	99.3%	99.6%	99.7%	99.6%	99.7%
PUBLIC SAFETY AND HOMELAND SECURITY	99%	99%	91%	90%	97%	99%
WIRELESS TELECOMMUNICATIONS	98%	99%	98%	98%	85%	95%
WIRELINE COMPETITION	100%	99.6%	99.9%	99.8%	99.6%	99.5%
FCC TOTAL	97%	98%	97%	98%	92%	96%

² The International Bureau's SOD goals are significantly affected by the process of consultation with the Executive Branch on foreign ownership issues.

PROTECT AND EMPOWER CONSUMERS

Strategic Goal:

Empower consumers by ensuring that they have the tools and information they need to make informed choices; protect consumers from harm in the communications market.

FY 2014 PERFORMANCE GOALS

- Promote transparency and disclosure.
- Act swiftly and consistently in the use of enforcement authority to protect consumers.
- Develop and maintain policies that encourage variety in media programming sources and services for consumers.

FY 2014 PERFORMANCE HIGHLIGHTS

Continuing its efforts to combat waste, fraud, and abuse in the Lifeline program, the FCC released Notices of Apparent Liability proposing approximately \$80 million dollars in fines against seven Lifeline service providers to combat waste, fraud and abuse in the Lifeline program and protect the Universal Service Fund. The apparent violations involve thousands of consumers who had more than one Lifeline subscription from the same provider, resulting in duplicative support requests and payments. The proposed forfeitures are in addition to recovery of universal service funds paid to the carriers for intra-company duplicative Lifeline service. The Commission has also conducted pursuit of multiple, additional investigations against Lifeline service providers for possible violations of the Lifeline rules and related statutes and regulations.

The Commission repealed its sports blackout rules, which prohibited cable and satellite operators from airing any sports event that had been blacked out on a local broadcast station. The action removes Commission protection of the NFL's current private blackout policy, which requires local broadcast stations to black out a game if a team does not sell a certain percentage of tickets to the game at least 72 hours prior to the game. The Commission found that its sports blackout rules were no longer justified in light of the significant changes in the sports industry since these rules were first adopted nearly forty years ago. At that time, ticket sales were the primary source of revenue for the NFL and most NFL games failed to sell out. Today, television revenues have replaced ticket sales as the NFL's main source of revenue, and blackouts of NFL games are increasingly rare. The Commission also found that the NFL, whose current contracts with the broadcast networks extend through 2022, is unlikely to move its games from free, over-the-air broadcast television to satellite and cable pay TV as a result of elimination of the sports blackout rules. They therefore concluded that the sports blackout rules are no longer needed to ensure that sports programming is widely available to television viewers.

The FCC reached a \$7.4 million settlement with Verizon to resolve an investigation into the company's use of personal consumer information for marketing purposes. The investigation uncovered that Verizon failed to notify approximately two million new customers, on their first invoices or in welcome letters, of their privacy rights, including how to opt out from having their personal information used in marketing campaigns. In addition to the \$7.4 million payment, Verizon agreed to notify customers of their opt-out rights on every bill for the next three years.

Sprint Corporation will pay \$7.5 million to resolve an FCC Enforcement Bureau investigation of the mobile wireless company's failure to honor consumer requests to opt out of phone and text marketing communications. This represents the largest Do-Not-Call settlement that the FCC has ever reached. In addition to the payment, Sprint will implement a two-year plan to ensure compliance with FCC requirements designed to protect consumer privacy and prevent consumers from receiving unwanted telemarketing calls.

Time Warner Cable (TWC) failed to file a substantial number of reports with respect to a series of reportable wireline and Voice over Internet Protocol network outages. TWC admitted that its failure to timely file the required network outage reports violated the Commission's rules. To resolve the FCC's investigation, TWC will pay a civil penalty of \$1.1 million and implement a three-year compliance plan to ensure future compliance with the Commission's network outage reporting rules.

Deceptive marketing practices, changing consumers' preferred long distance carriers without their authorization, and billing consumers for unauthorized charges continues to be an issue leading to multiple FCC investigations. The Commission proposed fines and forfeitures for U.S. Telecom Long Distance, Inc. (\$5.23 million), Central Telecom Long Distance, Inc. (\$3.9 million), and Consumer Telecom, Inc. (\$3.56 million) for allegedly deceiving consumers. Many of these actions victimized elderly and disabled consumers.

The FCC proposed to fine Optic Internet Protocol, Inc., a Roswell, GA telephone company, \$7.62 million for allegedly switching consumers' long distance telephone services without their authorization, billing customers for unauthorized charges, and submitting falsified evidence to government regulatory officials as "proof" of consumers' authorizations. Optic allegedly switched consumers' preferred long distance carriers and also billed the consumers for long distance service by placing charges for its set-up fee and recurring monthly fee on their local telephone bills. The Enforcement Bureau reviewed more than 150 complaints against Optic that consumers filed with the Commission, the Federal Trade Commission, state regulatory agencies, and the Better Business Bureau.

The FCC also proposed to fine Net One International, Inc., a Florida telephone company, \$1.6 million for allegedly billing consumers for unauthorized charges and late fees even though the customers had already closed their accounts and paid their final bills. Based on its review of over 100 consumer complaints, the FCC found that over a period of several years, Net One repeatedly billed consumers long after the consumers had affirmatively cancelled their service, paid their final bills, and switched to other carriers.

Assist 123, LLC, a Las Vegas, NV telecommunications carrier, will pay \$1.3 million to resolve an FCC investigation into allegations that the company billed wireless telephone consumers for a

“Concierge/Directory Assistance” subscription text messaging service, a service that they did not want or authorize.

The Commission took major steps to remedy the serious and unacceptable problem of long-distance calls failing to reach rural homes and businesses. New rules unanimously adopted by the FCC will provide immediate solutions and empower future agency enforcement efforts while giving providers incentives to improve their service. In addition, the FCC took significant action against telephone companies who failed to complete long-distance calls to rural areas on a just, reasonable, and non-discriminatory basis. These include Windstream Corp. (\$2.5 million payment) and Matrix Telecom, Inc. (\$875,000 payment).

The FCC cited Panasystem Corp., a California-based online electronics retailer, for importing and marketing counterfeit smartphones marked with unauthorized or invalid labels falsely indicating that the devices were certified by the FCC. The FCC investigation identified the smartphones imported by Panasystem as counterfeit Samsung models. Although these devices were labeled with seemingly-valid FCC Identifiers, the investigation showed that Samsung neither manufactured the devices nor authorized the FCC Identifier labels. The investigation also revealed that another set of smartphones imported by Panasystem contained counterfeit BlackBerry model 9790 devices. These smartphones were labeled with invalid FCC Identifiers, which rendered them illegal for sale in the United States.

The FCC planned to fine Dialing Services, LLC over \$2.9 million for allegedly making numerous illegal “robocalls” to mobile phones. These robocalls contained artificial or prerecorded voice messages on behalf of political campaigns and candidates. The Commission had previously cited Dialing Services for making more than 4.7 million robocalls to mobile phones without consumer permission during the 2012 election cycle.

The Commission held the first filing window in over a decade for new low power FM (“LPFM”) stations. The LPFM service was established to improve the diversity of media nationwide by creating opportunities for new local voices to be heard on the radio. Over 1400 permits to construct LPFM stations have been issued as a result of the filing window.

PROMOTE INNOVATION, INVESTMENT, AND AMERICA'S GLOBAL COMPETITIVENESS

Strategic Goal:

Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.

FY 2014 PERFORMANCE GOALS

- Foster international engagement and cooperation on communications policy issues, including the broadband innovation initiative and free flow of data across borders.
- Advocate U.S. spectrum interests in the international arena.
- Preserve the free and open Internet as a platform for economic growth, innovation, job-creation, and global competitiveness.

FY 2014 PERFORMANCE HIGHLIGHTS

The Commission launched a rulemaking seeking public comment on how best to protect and promote an open Internet, following a decision by the U.S. Court of Appeals for the District of Columbia to strike down rules that prevented Internet Service Providers from blocking and discriminating against online services. The *Notice of Proposed Rulemaking* posed a broad range of questions to elicit the broadest range of input from everyone with an interest in the Internet, from consumers and small businesses to providers and start-ups. The FCC also sought comment on the most appropriate statutory basis for new rules, including Section 706 of the Telecommunications Act of 1996, and Titles II and (for wireless services) III of the Communications Act.

The FCC hosted a series of Open Internet Roundtable Discussions. The roundtables provide an opportunity for the Commission staff and interested parties to further examine the actions the Commission should take for its goal of determining the best approach to protecting and promoting Internet openness. Specifically, the roundtable discussions focused on public policy considerations and how they should be addressed to protect and promote Internet openness in both the fixed and mobile markets; the technological considerations involved in protecting the open Internet; how the competitive landscape and the economics of providing broadband and online services affects Internet openness; how the Commission can effectively enforce the current and proposed open Internet requirements; and the various legal theories underlying possible Commission actions in this area.

The FCC launched a broad set of voluntary experiments meant to ensure that the nation's communications networks continue to provide the services consumers want and need in this era

of historic technological transformations. Driven by developments in the marketplace, technology transitions in communications networks are already well underway. They include, for example, the transition from plain old telephone service delivered over copper lines to feature-rich voice service using Internet Protocols, delivered over coaxial cable, fiber, or wireless networks. The experiments and data collection initiatives will focus on how the enduring values underlying operation of today's networks can be preserved and enhanced throughout technological change.

The Commission proposed to comprehensively simplify and streamline its rules governing satellite communications to make the regulatory approval process for satellite licenses easier and more efficient. This rulemaking was one of the key reforms called for by the Report on FCC Process Reform released earlier this year. Specifically, the Commission's Further Notice proposes changes that will:

- Facilitate international coordination of proposed satellite networks, by permitting early submissions to the International Telecommunication Union;
- Simplify showings associated with milestone requirements and eliminate some of the current milestone requirements;
- Revise the two-degree spacing requirements to better accommodate the use of small antennas, and
- Expand options for simplified routine earth station licensing.

As the expert agency on telecommunications policy and regulation, the FCC participated on many U.S. delegations to international meetings and engaged with counterparts around the world to encourage forward-thinking approaches to increase broadband investment, deployment and adoption, as well as to further the U.S. policy of maintaining a free and open Internet. Specifically, the International Telecommunication Union (ITU) held its World Telecommunication Development Conference (WTDC) in Dubai in March 2014. At that Conference, for example, the FCC contributed to the U.S. delegation's success in focusing work at the ITU on studying how developing countries can facilitate access to cloud computing services. At the ITU and in similar fora, the FCC helped the U.S. achieve its goal of concentrating the international conversation on creating an enabling environment for technological innovation and the promotion of competitive markets to facilitate the continued development of transformative Internet services for everyone.

While working with our international partners on the radio spectrum issues, the FCC continued to advocate for efficient and effective use of spectrum to facilitate worldwide deployment of new spectrum-based technologies and services, shift from rigid to flexible policy models and to promote ease of access to spectrum by more users.

PROMOTE COMPETITION

Strategic Goal:

Ensure a competitive market for communications and media services to foster innovation, investment, and job creation and to ensure consumers have meaningful choice in affordable services.

FY 2014 PERFORMANCE GOALS

- Ensure effective policies are in place to promote and protect competition for the benefit of consumers, including appropriate interconnection policies for communications networks.
- Promote pro-competitive and universal access policies worldwide.
- Ensure expeditious and thorough review of proposed transactions to ensure they serve the public interest.

FY 2014 PERFORMANCE HIGHLIGHTS

The Commission adopted a *Report and Order* that strengthens its rules governing retransmission consent negotiations. This will help curtail a practice that has put upward pressure on cable and Direct Broadcast Satellite programming costs as well as prices to consumers. The *Report and Order* prohibits a television broadcast station ranked among the top four stations (as measured by audience share) from negotiating retransmission consent jointly with another top four station if the stations are not commonly owned and serve the same geographic market. Joint negotiation by these stations leads to higher retransmission consent fees because the practice reduces competition between the stations.

The FCC took steps to close a loophole in its TV ownership rules, making sure that a party's interests in a market are properly counted. Removal of the loophole helps ensure competition, localism, and diversity in local broadcast markets by preventing a practice that previously resulted in consolidation in excess of what is permitted under the Commission's rules. A Joint Sales Agreement (JSA), is between two stations in the same market in which one station is authorized to sell advertising time on the other station. The Commission's radio rules have long recognized that these agreements create an ownership interest when the JSA allows for the sale of 15% or more of the advertising time on a competing local station. This *Report and Order* applies this same standard to broadcast television.

The Commission clarified its policies and procedures for reviewing transactions in the broadcasting industry that would result in foreign ownership stakes exceeding a 25 percent benchmark set by statute. The ruling potentially removes obstacles to new capital investment, which will support small business, minority, and female broadcast ownership, and spur innovation.

The Commission approved new, more comprehensive rules for TV closed captioning to ensure that viewers who are deaf and hard of hearing have full access to programming. This action resolves decade-long concerns from deaf and hard of hearing communities to improve captioning quality and provides much needed guidance to video programming distributors and programmers. The new rules apply to all television programming with captions. Specifically, the Commission adopted quality standards for accuracy, synchronicity (timing), program completeness, and placement of closed captions.

The Commission also approved new rules that will enable people who are blind or visually impaired to have easier access to digital video programming on a wide range of electronic devices. The rules will also enable consumers who are deaf or hard of hearing to activate closed captioning on their devices with greater ease. This action represents the final major step in the FCC's implementation of the Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA), enacted to bring people with disabilities access to modern and innovative communications technologies. As a result of the FCC's implementation of the CVAA, more than 50 million Americans will have greater access to advanced communications. Devices covered under the rules include navigation devices used to access cable or satellite services, such as set-top boxes and TiVos, as well as other devices used to receive or play back digital video, ranging from televisions and computers to tablets and smartphones. Being at the forefront of policies regarding people with disabilities, the global community looks to the FCC as a leader internationally with regard to an appropriate and forward-thinking regulatory framework for these issues.

The FCC adopted a *Report and Order* revising rules for its mobile spectrum holding policies. Access to spectrum, particularly low-band spectrum, is essential for the provision of mobile wireless services. This action will promote more competition in more markets, and facilitate consumers having more choices of wireless providers, lower prices, and higher quality mobile service.

Through its work in many international organizations and at a variety of conferences, the FCC advanced the U.S. policy of promoting competitive markets around the world. For example, at the ITU WTDC, FCC experts worked with delegates from many countries to tailor broadband policy statements consistent with U.S. goals and objectives. These policies will be used by other countries as they shape their domestic plans to stimulate broadband investment and increase adoption of advanced communication services. The increased access to these services fostered by implementation of these policies will enhance the value of communications and Internet services for everyone; increasing demand and stimulating further investment in facilities and infrastructure in all corners of the world.

PUBLIC SAFETY AND HOMELAND SECURITY

Strategic Goal:

Promote the availability of reliable, interoperable, redundant, rapidly restorable critical communications infrastructures that are supportive of all required services.

FY 2014 PERFORMANCE GOALS

- Promote access to effective communications services, including next generation services, in emergency situations across a range of platforms by public safety, health, defense, and other emergency personnel, as well as all consumers in need.
- Evaluate and strengthen measures for protecting the nation's critical communications infrastructure and facilitate rapid restoration of the U.S. communications infrastructure and facilities after disruption by any cause, including cyberattacks.
- Implement, maintain and conduct exercises for the FCC's Continuity of Operations Plans (COOP) and Emergency Preparedness Plans and act swiftly in matters affecting public safety, homeland security, and disaster management.

FY 2014 PERFORMANCE HIGHLIGHTS

The Commission adopted rules requiring text messaging providers to enable Americans to text 911 in an emergency. Building on commitments made by America's four largest wireless carriers to support text-to-911, the new rules will ensure that all remaining wireless carriers and certain IP-based text application providers are prepared to support text-to-911. If a 911 call center requests text-to-911, text messaging providers will have six months to deploy the service in that area. This action will make text-to-911 more uniformly available and keeps pace with how Americans communicate. Text messaging is also widely used by Americans who are deaf, hard of hearing, or have speech disabilities.

The FCC proposed fines against Viacom, ESPN, NBCUniversal, and Turner Broadcasting System for transmitting advertising or programming that misused the warning sounds of the nationwide Emergency Alert System (EAS). The FCC has long prohibited the transmission of actual or simulated EAS Attention Signals or tones in circumstances other than a real alert or an authorized test of the EAS system.

The Commission proposed rules to help emergency responders better locate wireless callers to 911. The proposed updates to the Commission's Enhanced 911 (E911) rules respond to Americans' increasing use of wireless phones to call 911, especially from indoors, and take advantage of technological developments that allow for more accurate location information to be transmitted with 911 calls. Many Americans are replacing landlines with wireless phones, and calling patterns are changing. For example, reports indicate that nearly 73 percent of 911 calls in California are made from wireless phones, and approximately 80

percent of all smartphone use occurs indoors. In light of these trends, the Commission proposed changes to its E911 rules to include indoor location accuracy, particularly location accuracy in challenging indoor environments such as large multi-story buildings, where first responders are often unable to determine the floor or even the building where the 911 call originated.

The Commission adopted rules to help ensure that Americans' phone calls to 911 are delivered during disasters. The rules were designed to improve 911 communications networks nationwide by requiring 911 service providers to take reasonable measures to provide reliable and resilient 911 service, as evidenced by an annual certification. The FCC also strengthened its rules to ensure that 911 service providers give 911 call centers timely and useful notification of network outages.

The FCC adopted technical service rules to govern the spectrum that will be used for deployment of a nationwide public safety wireless broadband network by the First Responder Network Authority (FirstNet). The rules, which include power limits and other technical parameters for operating in this spectrum band, will provide a foundation for FirstNet's operations, help avoid harmful interference to spectrum users in adjacent bands, and expedite the availability of equipment for use on the public safety network.

Hinton, a local exchange carrier serving parts of Caddo and other counties in Oklahoma, apparently willfully and repeatedly violated the Commission's Rules by failing to use reasonable judgment when it knowingly routed 911 calls to an automated operator message, creating a significant threat to the life and property of the residents of those counties. The FCC proposed to fine Hinton \$100,000.

ADVANCE KEY NATIONAL PURPOSES

Strategic Goal:

Through international and national interagency efforts, advance the use of broadband for key national purposes.

FY 2014 PERFORMANCE GOALS

- Promote and facilitate the use of broadband to address key national challenges, including health care, education, energy, and e-government.
- Ensure that small businesses have the access to broadband and other communications tools needed to drive innovation and economic growth.

FY 2014 PERFORMANCE HIGHLIGHTS

FCC Chairman Tom Wheeler announced the formation of a new Commission Task Force, Connect2HealthFCC, to serve as an umbrella for all FCC health-related activities, bringing together the expertise of the FCC on the critical intersection of broadband, advanced technology, and health. Specifically, the Connect2HealthFCC Task Force will consider ways to accelerate the adoption of health care technologies by leveraging broadband and other next generation communication advancements. The Task Force will work with the leadership of the FCC, continue close collaboration with other agencies, and build partnerships with public and private stakeholders in the health care and technology space domestically and internationally.

The FCC and the National Institute on Aging (NIA) entered into an agreement to partner on research into the use of modern Internet Protocol (IP) technology to improve and make more accessible phone service to Americans who are deaf, deaf-blind, or hard of hearing. Under the joint agreement, the FCC will collaborate with the NIA to develop and support research plans for assessing IP technologies that can benefit older adults with hearing disabilities or deafness.

Through its work at the ITU and in regional organizations like CITELE (Inter-American Telecommunication Commission) and OECD (Organization for Economic Cooperation and Development), the FCC shared U.S. experiences with its use of advanced communications and broadband to address these applications and obtained valuable information on approaches taken by other countries to use broadband in health care, education, energy, disaster recovery, and e-government. For example, the FCC worked with CITELE colleagues during 2014 to prepare a regional contribution to the ITU Plenipotentiary meeting in October 2014 that addressed the use of broadband and advanced communications for disaster mitigation and recovery. This work and the information it provides contribute important insights that inform FCC work to make domestic policies more effective and efficient.

OPERATIONAL EXCELLENCE

Strategic Goal:

Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

FY 2014 PERFORMANCE GOALS

- Effectively manage the FCC's information technology resources by maintaining secure systems that meet the needs of both the FCC and the system users.
- Effectively manage the human resources of the FCC in order to ensure sufficient resources and knowledge to handle the FCC's workload.
- Effectively manage the FCC's financial resources to best achieve the FCC's mission and to maintain internal controls that allow for sound financial management and accounting.
- Effectively manage the FCC's administrative and management program resources to provide for the appropriate support for all of the FCC's activities and to maintain internal controls that allow for sound facility and equipment expenditures.
- Effectively manage the FCC's processes for monitoring and disposing of applications, petitions, and complaints before the FCC in order to achieve timely action on pending items.
- Continuously review and examine our regulatory processes and significant regulations to achieve statutory objectives while reducing burdens on industry and promoting innovation and job growth.

FY 2014 PERFORMANCE HIGHLIGHTS

The FCC released its Report on FCC Process Reform. The Report was prepared by a staff working group led by Diane Cornell, Special Counsel to Chairman Tom Wheeler, and includes a comprehensive list of the group's proposed recommendations for process reform at the Commission. The Report seeks to further the goal of having the agency operate in the most effective, efficient and transparent way possible. It examines the agency's internal operations with the aim of improving the overall functioning of the agency and its service to the public. Based on both internal and external suggestions, the Report identifies initial steps in what will be an ongoing process of reexamining, and revising, the way the Commission does its work. The Report proposed more than 150 process reform recommendations covering a wide range of specific topics. These recommendations, when implemented, would enable the Commission to work faster, smarter, more efficiently, more transparently, and more inclusively.

One area of particular focus has been tackling matters that have been considered backlogged, and – even more importantly – increasing speed of disposal for all matters. Two key internal process reform working groups have been examining ways to not only reduce the number of items currently pending at the Commission, but to also move incoming items through the system faster. A few examples of progress in this area include:

- Consent Agenda: One of the first recommendations implemented was to institute a "consent agenda" process, which enables the Commissioners to vote a group of items during the monthly Open Agenda Meeting in an expedited way, without staff presentations. Utilizing this process, the Media Bureau has disposed of 59 licensing applications for review so far this year, with more on course for adoption.
- Closing Dockets: So far this year, the Consumer & Governmental Affairs Bureau, working with other Bureaus and Offices, closed over 760 dockets and sought comment on another 750 dockets that appear to be eligible for closing by the end of the year.
- Backlog Reduction Plans: Every Bureau and Office with responsibility for responding to requests from external petitioners and licensees has developed a backlog reduction plan. The plans focus both on how to reduce existing pending items at the Commission, and also process improvements for the future. Every Bureau and Office has ensured that their tracking systems include a complete inventory of all pending matters.
- Best Practices on Backlog Reduction: Based on the backlog reduction plans, a working group established “best practices” for management of pending items before the Commission, including suggestions for streamlining handling of matters. The best practices have been circulated internally and discussed in individual meetings with the Bureaus and Offices so useful methodologies can be shared across the Commission.
- Bureau/Office Streamlining and Backlog Reduction Efforts:
 - The Media Bureau revised the way it issues effective competition rulings, issuing omnibus rulings periodically instead of individual rulings on each request. In March, the Bureau released an order disposing of 55 such requests.
 - The International Bureau eliminated the effective competitive opportunities test for submarine cable landing licenses and 214 applications, streamlining the processing of those applications.
 - Between May and September, the Wireless Telecommunications Bureau resolved 2,046 applications older than six months, resulting in a 26% reduction in its applications backlog.
 - On September 15th, the Wireline Competition Bureau released a public notice announcing a process for streamlining disposition of certain USF related appeals. Under this approach, the Bureau will release monthly notices detailing the resolution of those appeals. In the September notice, the Bureau disposed of 29 pending requests.
 - In February, the Consumer & Governmental Affairs Bureau released an order which streamlined the process for receipt and processing of requests for closed captioning so that parties can file such requests electronically.

The Commission adopted a *Report and Order* to streamline and eliminate outdated provisions of rules governing the construction, marking, and lighting of antenna structures. As part of the Commission’s ongoing process reform initiative, this item provided clarity and reduced the

regulatory burden on tower owners and licensees. This is an important step in the FCC's efforts to facilitate wireless infrastructure deployment. It harmonizes Commission rules with FAA guidelines, recognizing that FAA is the expert agency on matters of air safety. The Order also modernizes the Commission's lighting and marking requirements to reflect technological advancements and current industry standards.

The FCC continued to effectively manage its financial resources during the fiscal year. For the ninth consecutive year, the Commission received a "clean" audit opinion of its financial statements. Nine straight years of unmodified opinions is the longest consecutive period of "clean" audit opinions that the Commission has received in the sixteen fiscal years that its financial statements have been audited. The FCC's Financial Operations staff also developed a dashboard analysis for the E-Rate (Schools and Libraries) program that incorporated more efficient and effective management and financial practices, resulting in up to \$1 billion in additional funding for the program for FY 2015.

The Commission made tremendous strides in using information technology to make its operations more efficient and effective. These accomplishments include:

- Establishing a transformation roadmap for the FCC's IT portfolio that leverages cloud solutions to reduce complexity and costs. As part of this effort, the IT staff identified legacy systems, selected new technologies, and mapped performance goals to the Commission's strategic goals.
- Delivering an FCC.gov website prototype that incorporates public feedback on design, ease of use, and functionality. When implemented, the redesign simplifies the steps necessary to access FCC information and improves accessibility for disabled persons and those on mobile devices.
- Developing a new Consumer Complaints System that improves the customer experience and reduces five year costs by more than 60%. As a result, the public can easily communicate concerns with the FCC.
- Initiating creation of a new Electronic Comment Filing capability designed to handle the future growth of public comments. By addressing feedback and performance limits of the legacy system, the new system was designed to scale effortlessly in times of peak demand and deliver a quality experience to all filers.
- Delivering a Consolidated Database System (CDBS) that permits television stations to participate in future Incentive Auctions for reallocated spectrum, and deploying an Experimental Licensing System (ELS) for medical devices.
- Introducing virtual desktop computing to the FCC to increase telework capabilities, reduce ongoing maintenance costs, and significantly lower the potential for hackers to exploit FCC systems.