



STRONG SIGNALS

How The FCC's Deregulatory Push
Will Bolster Broadcasters
and Cut Red Tape



About Capstone

Capstone is a global, policy-driven strategy firm helping corporations and investors navigate the local, national, and international policy and regulatory landscape.

Work With Us

We tailor our work to help our clients predict meaningful policy and regulatory backdrops, quantify their impact, and recommend strategies that unveil novel opportunities and avoid hidden risks.

Contact Us

To learn more about our products, services, and solutions, reach out to corporateadvisory@capstonedc.com or visit our website at capstonedc.com.



Brendan Carr,
FCC Commissioner

STRONG SIGNALS

How The FCC's
Deregulatory Push Will
Bolster Broadcasters
and Cut Red Tape

Capstone believes we're at the start of a two-year deregulation spree at the Federal Communications Commission.

We expect the Trump Administration's zealous slashing of onerous FCC regulations and needless paperwork to benefit the entire telecommunications sector, from wireless companies such as AT&T Inc. to broadcasters like Sinclair Broadcast Group; American Tower Corp. and other cell-tower owners, SpaceX's satellite business, and local radio stations. We also envisage deals between merger-minded industry titans to go more smoothly than they have in the past.

But there's a wrinkle. Both President Trump and his FCC chair, Brendan Carr, embrace the use of regulatory authority as a way of imposing their political will on the business community. It's just one of the many compelling storylines that Capstone is following as the implications for investment emerge from the frenzy of the real-time remaking of government.

Delete, Delete, Delete

“Delete, Delete, Delete” was the mantra invoked by a March message from the Federal Communications Commission, sending a strong signal that the agency under President Donald Trump and his FCC Chair, Brendan Carr, is dead serious about gutting government regulation.

“Delete, Delete, Delete” was how the FCC titled its invitation to experts and everyday folks to comment on rules that the Republican-led commission should eliminate. No doubt inspired by Trump’s second-term vow that his administration would trash 10 rules for every one it adopted, nearly 1,200 Americans responded.

Plenty to cut:
The FCC has
added 3,000
rules in the past
century.

They have their champion in Carr. Since June, when the FCC chair finally got his quorum on the commission’s governing panel, making it possible to act, rule-unraveling has begun at a brisk pace. One of the proposals with wide implications came on July 17th, when the FCC issued a Notice of Proposed Rulemaking (NPRM) that would significantly ease National Environmental Policy Act (NEPA) regulations that apply to building out telecommunications network infrastructure, such as cell phone towers. If the rule is approved, cell-tower owners such as American Tower (AMT) and Crown Castle Inc. (CCI) would benefit. So would wireless companies Verizon Communications Inc. (VZ), AT&T (T), and T-Mobile US Inc. (TMUS).

Other proposals are moving toward enactment. The commission is planning to approve a final rule that would simplify and expedite the approval of space and earth stations by eliminating some requirements that are viewed as burdensome and not in the public interest. The goal is to make it easier for applicants to support the growth of the US satellite industry by eliminating some FCC regulatory requirements for space and earth stations while streamlining the renewal application review and processing process.

Another proposed final rule that will likely be approved would enhance the FCC’s scrutiny of licenses for submarine cables. The commission aims to address national security concerns related to cables landed in countries deemed threats to national security. This would benefit domestic suppliers of subsea cables and cybersecurity services by locking out foreign adversaries from connecting directly to US networks and promoting US investment in subsea cables using domestic content. US telecommunications companies and large technology companies such as Alphabet Inc. (GOOGL), Meta Platforms Inc. (META), and Microsoft Corp. (MSFT) actively invest in subsea cables.



Build, Build, Build

Fans of
deregulation
have their
champion in
Brendan Carr.

The NEPA regulations were in the Trump Administration's crosshairs from the very beginning. On January 20th, his first day on the job, President Trump signed the Unleashing American Energy executive order directing agencies to review and revise current NEPA regulations, which the administration views as obstacles to building infrastructure projects. The FCC's NPRM seeks comments on proposed changes to the commission's NEPA rules and would bring them in line with this executive order.

Major federal actions (MFAs) must be reviewed under NEPA if they are not granted a categorical exclusion (CE). NEPA reviews are often cited as a major cause of delays in deploying cell sites on buildings and free-standing cell towers. The FCC aims to expand the scope of projects that are covered under CEs, especially new wireless infrastructure.

NEPA reviews are split into three distinct parts that slow the construction of new infrastructure, and which Carr, the FCC chair, is hoping to eliminate. A provisional review/CE normally takes three to six months to complete. If a CE does not apply, the FCC then initiates an environmental assessment (EA), which determines the impact of the proposed project on the environment. The EA process typically takes six to 12 months. If the impact is likely to be significant, then an environmental impact study (EIS) is required, which takes about 12 to 24 months to complete. The commission is reviewing how to define an MFA because the current definition from the Council on Environmental Quality has been rescinded with the executive order. The issuance of an MFA triggers a NEPA review, but this step is excluded if it falls under one of the broader categorical exemptions.

The FCC wants to codify MFAs and is evaluating whether the exemption process should be revised to accelerate growth. By expanding the scope of categorical exemptions, the commission can accelerate buildouts of communications infrastructure. The FCC also wants to determine whether issuing new geographic licenses constitutes an MFA. If it decides that this is not an MFA, then a project would be fully exempt from NEPA review, and, by extension, the CE process.

NEPA regulations were written along with the rules for the National Historic Preservation Act (NHPA), which is now under review. The NHPA allows the Advisory Council on Historic Preservation to assess the impact on protected properties when there is what is termed an “undertaking.” For years, the commission considered the definition of undertaking to be synonymous with a major federal action. It will now reassess the definition of undertaking to determine if it should still be linked to MFA or revised to stand on its own.

The construction of some geographic area antennas requires NEPA and NHPA review, but if these projects were exempt from NEPA, then they would be exempt from NHPA. The commission is assessing the impact of an exemption and how to proceed with the NHPA procedures.

Categorical exclusions currently allow for the exemption of all MFAs unless they meet one or more of the FCC’s extraordinary circumstances. Extraordinary circumstances arise when a project could have an adverse impact on protected groups, such as animals, human health, or environmental quality, or when the technology used is the first of its kind on the market. The commission is considering removing or revising the current list of extraordinary circumstances to allow for more projects to be captured under the CE umbrella instead of escalating to an environmental assessment.

Capstone believes the proposed changes to NEPA would be positive for the construction of new projects to expand wireless communication coverage, as timelines would be expedited due to a NEPA review that is accelerated or skipped altogether. Large metropolitan centers could see significantly enhanced 5G coverage, allowing for better connectivity and performance. The large mobile network operators stand to gain the most, including Verizon, AT&T, and T-Mobile, while cell tower owners such as American Tower and Crown Castle are also likely to get a boost.

Trump’s second-term vow: Toss 10 regulations for every one adopted.

Deregulating Space

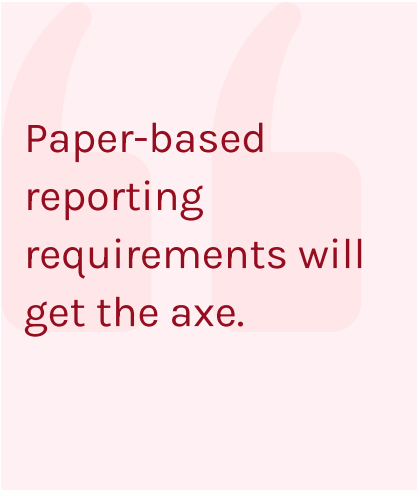
The FCC is slated to review a proposed rule to modernize the process for licensing space and earth stations, which would streamline processing license renewals by imposing a 30-day shot-clock on renewal applications.

Another major change would allow applicants to receive a baseline license without the requirement for an earth station, without having to identify which specific satellite the earth station will be pointed at. This means that when licensees reoriented their dishes to point at a different satellite, they would not have to apply for a license modification.

Other changes under the rule include:

- Applicants for licenses would no longer be required to retain paper copies of applications and have a longer time frame to file license renewal applications for earth and space stations.
- All license applications would be “permit-but-disclose” proceedings to make it easier to solicit broad public participation without opening a formal docket and soliciting comments.
- The FCC will allow special temporary authorities access to non-US licensed markets and limit its time frame to respond to renewal applications to 30 days. Privately held SpaceX has been the most vocal proponent of this FCC proposal. The company has launched more than 80% of commercial missions licensed by the Federal Aviation Administration, and the FCC’s revised review process would streamline the legal and regulatory functions it faces. Companies such as Iridium Communications Inc. (IRDM) and others involved in satellite services would also benefit, as they face the same legal and regulatory requirements as SpaceX.

The FCC maintains that the new, looser regulations will yield savings both for licensees and the FCC by reducing the total number of hours that lawyers and paralegals bill for license applications and the number of applications the FCC must process annually.



Paper-based reporting requirements will get the axe.

Deregulating Under the Sea

National security:
The FCC wants to
keep foreign
adversaries off US
networks.

The FCC is looking to streamline the licensing process for submarine cable infrastructure and impose rules to protect vital infrastructure against foreign adversaries that could endanger national security.


The order clarifies when a cable landing license is required under the Cable Landing License Act and updates application requirements and definitions. It also proposes a modernized definition of “submarine cable system” and adopts a definition for “foreign adversary” that can be incorporated in the FCC’s rules on submarine cables.

The order would also prohibit applicants from landing a submarine cable in a country where a foreign adversary could install submarine line terminal equipment (SLTE) on a submarine cable landing in the US.

Submarine cables are estimated to carry 99% of intercontinental internet traffic and serve as the backbone of global communications. There has been significant concern recently about how vulnerable these cables are to attack by foreign adversaries. This proposed rule does not focus on hardening cables against physical attack or damage, but it does address the risk that hostile foreign governments pose to cables landed in these countries and prohibits a direct connection from these nations to the US via a subsea cable.

Capstone believes the rule is broadly supportive of US submarine cable manufacturers and installers, as well as the companies and investors that own these cables. In addition, it is not unusual for technology companies such as Google, Meta, and Microsoft to invest in subsea cables and own their own network infrastructure. This would provide a broader opportunity as they continue to invest in data centers and artificial intelligence that will have to be connected to telecommunications networks, which is now done primarily through fiber-optic cabling.

The FCC on a Mission



The administration is looking to cut rules for land, sea, and space.

The mission to reduce government began at the dawn of the second Trump Administration. The president signed dozens of executive orders in the weeks after he was sworn into office, and one of the first was a freeze on all ongoing rulemaking by federal agencies. Trump followed that with another order that directed agencies to repeal 10 regulations for every new one issued. The 10-for-one directive is substantially more aggressive than the two-for-one order Trump issued in his first administration. **Capstone believes** the 10-for-one order is somewhat unrealistic, but it signals the administration's whole-of-government approach to eliminating regulations.

At the FCC, Carr is Trump's eager partner. He made clear upon his elevation to the position of FCC chair that deregulation was his top priority. Carr initiated this push by eliminating over 2,000 open proceedings launched by prior FCC chairs that were soliciting comments either in connection with notices of inquiry or notices of proposed rulemaking. He followed up by opening a docket requesting comments that "identify outdated and overly burdensome regulations that should be repealed."


Capstone expects Carr to expand his search for regulations to repeal or ease beyond those identified in the agency docket, as he has expressed the desire to, in the words of the March inquiry, "Delete, Delete, Delete."

Trump and Carr both firmly believe in using the federal government's regulatory authority as leverage to help implement Trump's political agenda. This can be seen through Carr's investigations into how the press has covered President Trump and Carr's threats to block mergers if companies do not eliminate their diversity, equity, and inclusion (DEI) policies. So, while Trump and Carr broadly support deregulation, both also embrace the use of regulatory authority as a means of imposing their political will over the business community.

The Power to Act

Carr announced the tentative agenda for the FCC's June 23rd open meeting on June 4th, the same day Commissioners Nathan Simington (R) and Geoffrey Starks (D) said they would be leaving the agency at the end of that week. That meant the FCC would not have enough commissioners to meet the quorum and do business. However, on June 18th, the Senate confirmed Olivia Trusty (R) as commissioner, giving the commission a quorum with a 2-1 Republican majority in time for the June meeting.

The newly constituted commission got to work right away. Three docket items on the June agenda considered eliminating regulations in three different segments of the telecommunications industry.



The FCC is targeting cable TV, broadband, and obsolete tech.

The first item on the agenda would remove specific regulations governing cable TV systems, including eliminating forms and regulations surrounding equipment not used to provide the most basic tier of cable service (BST). BST rates have been deemed competitive due to the availability of streaming and satellite television, making rate regulations for basic cable service no longer necessary.

The second item would eliminate the requirement that broadband data collection filings be certified by an individual holding a professional engineering certification. Once adopted, these filings could be made by any qualified engineer with a minimum level of relevant work and educational experience.

The third would delete a provision requiring that Telecommunications Relay Services (TRS) providers support the American Standard Code for Information Interchange (ASCII) transmission format. TRS devices enable individuals with impaired hearing to make and receive phone calls through companies that provide phone services for the hearing-impaired. ASCII is considered an obsolete technical standard, so the FCC is essentially eliminating a requirement that TRS providers cease supporting a technical standard that equipment manufacturers phased out years ago.

A New Direction for Telecom

OUTLIER

T-Mobile US, Inc. (TMUS)

+213%

Stock Price Change
Since August 2019

Some of the companies that Capstone believes stand to gain the most from FCC deregulation have been headed the wrong way financially, or lagged way behind the pack, since before the pandemic. A notable exception is T-Mobile (TMUS), whose stock price has jumped 213% since August 2019. Here's a sampling of some others:

Comparative Company Analysis

Company	Business Focus	Market Cap	6-Year Stock Price Change
American Tower Corp. <small>AMT</small>	Cell towers	\$96.5 billion	-8%
AT&T Inc. <small>T</small>	Phones	\$203.11 billion	+ 10%
Crown Castle Inc. <small>CCI</small>	Cell towers	\$44.56 billion	-27%
Iridium Communications <small>IRDM</small>	Satellites	\$2.57 billion	+ 12%
Sinclair Broadcast Group <small>SBGI</small>	Local TV stations	\$1.03 billion	-68%
Verizon Communications <small>VZ</small>	Phones	\$184.3 billion	-22%
S&P 500 6-year change: +127%			

Risks to Our Thesis

Capstone believes the primary short-term risk to the FCC's deregulation mission is the potential resignation or termination of Democratic FCC Commissioner Anna Gomez. If she leaves the commission, the FCC would lack the quorum it needs to move on rulemaking—and rule-unmaking—until the Senate confirms a third commissioner.

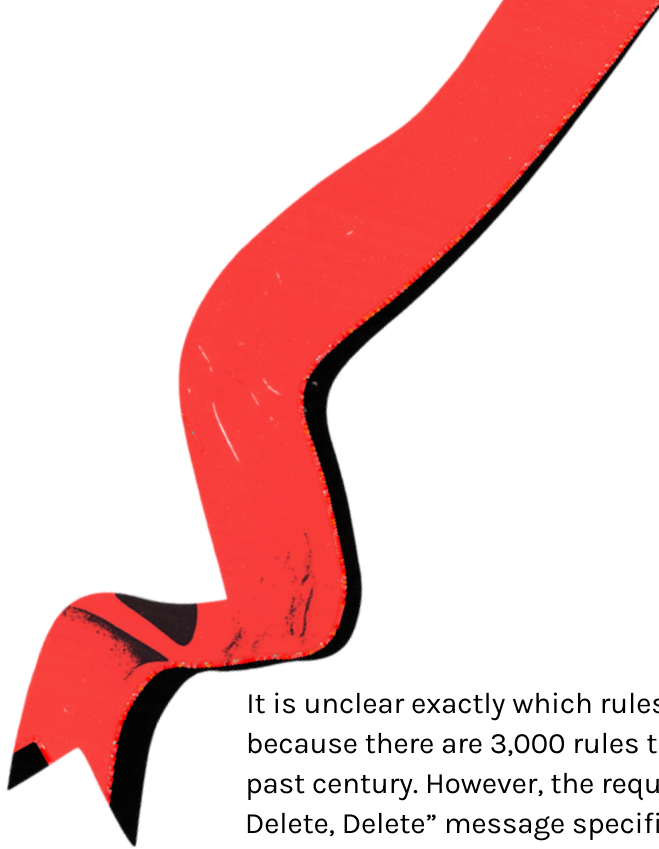
Over the longer term, the primary risk is a lack of consensus among a majority of commissioners on which specific regulations to either eliminate or water down. **Capstone expects** that this poses a risk only to specific rule changes, given Republicans' general bias toward deregulation.

What's Next

Capstone believes the FCC under Carr will continue to pursue an agenda of deregulation across all sectors of the economy that the FCC regulates, including wireline and wireless telecommunications services, radio and television broadcasters, satellite operators serving the US market, and cable companies. The FCC's focus will be on eliminating outdated regulations, easing regulations it views as excessively taxing, and eliminating regulations where the costs associated with a particular regulation far outweigh the potential benefits.

We expect the FCC to focus its efforts on issues including:

- Broadcast media ownership rules, particularly with respect to limits surrounding how many TV stations in each market a company can own, and the percentage of households any one group of stations can cover. Easing these rules would make it easier for companies to consolidate their stations, and the FCC is already seeking comment on a 2017 notice of proposed rulemaking on easing media ownership rules.
- The FCC has some vague rules surrounding cybersecurity obligations imposed on broadband providers, which the wireless industry would like to see eliminated. Vague rules that impose hard-to-quantify costs for no real benefit are likely a high priority for Carr.
- The FCC has imposed significant paperwork-filing requirements on all the various companies it regulates, and many view the rules surrounding these filing requirements as burdensome and redundant. A major focus of the FCC will be on streamlining requirements or eliminating them if they are found to serve no useful purpose. For example, we expect the FCC to eliminate a rule that compels the owners of broadcast licenses to submit biennial ownership reports even when no change in ownership has occurred since the last report was filed.



It is unclear exactly which rules the FCC will eliminate or ease because there are 3,000 rules that have been approved over the past century. However, the request for comments in the “Delete, Delete, Delete” message specifically asked for feedback on the costs and benefits of existing rules to help identify those not seen as cost-effective.

The invitation also asked for feedback on rules that are no longer necessary because of changes in the marketplace and technology, and whether the regulations serve as a barrier to entry for new entrants.

Finally, the notice sought input on regulations that may need to be repealed, either due to recent legislation or because the agency exceeded its authority—putting the rules at risk of being overturned following the June 2024 US Supreme Court’s *Loper Bright* decision, which ended judicial deference to agency interpretations and allows courts to exercise their own judgment when interpreting the meaning of legislation.

Capstone at a Glance

Our Clients

- 110+ public market investors
- 200+ private equity firms
- 50+ corporate/trading clients

Our Coverage

- Trade
- Energy & industrials, and infrastructure
- Healthcare
- Financial and business services
- Tech, media, and telecom
- Special situations
- National Security

The Capstone Edge

- We make predictions and specialize in real-life, commercial analysis
- We proactively share insights that matter for investment and business decisions
- We are industry and policy experts with backgrounds in government, investment banking, and consulting—enabling us to deliver unique strategic insights on how policy impacts the commercial landscape

What We Offer

Distribution Research

- Differentiated and comprehensive policy research on actionable investment ideas
- Coverage of energy, healthcare, financial services, TMT, and special situations
- Weekly compendium of research including invitations to events

Events

- Policy days: 1-2-day events with one-on-one meetings with key policymakers and industry experts
- Lunches: Small group setting lunches with in-office policy and regulatory leaders
- Conference Calls with global industry leaders

Bespoke Research

- Client requests: ad hoc policy research at the direction of clients, where we identify key regulatory issues impacting an investment
- Memos and calls: 2-3-day projects digested into a memo and/or phone call

Strategic Advisory

- Strategic advice and transaction-related due diligence for transactions in heavily regulated industries
- Identification and quantification of regulatory and policy risks and opportunities
- Extensive review of public record / outreach

Technology, Media & Communications Coverage

Big Tech

- Antitrust Reform Competition Policy
- Merger Review
- App Stores
- Mobile Platforms
- Cloud Providers
- Consumer Tech Section 230/Moderation
- Cybersecurity
- Online Advertising
- TikTok

Consumer Protection

- Algorithmic Bias
- Cookies
- Mobile App Attribution
- Data Aggregators
- Data Brokers
- Data Breaches
- GDPR and Data Transfers
- Product Liability/Safety
- Forced Labor
- Live Events Ticketing

Emerging Technology

- Artificial Intelligence
- US-China Relations
- CHIPS Act
- ADRs and Delistings
- CFIUS Review
- Export Controls
- Cryptocurrency
- Fintech/Insurtech
- Online Gambling and Gaming
- Semiconductors

Labor, Logistics, Retail

- App-Based/Gig Economy
- Food Delivery Fee Caps
- 1099/Independent Contractor Labor Platform
- Last-Mile Delivery
- Sharing Economy
- Automobile Dealership
- Trucking
- Worker Classification
- E-Commerce/Fashion
- De Minimis and Tariffs

