

Internet Telephony: America Is Waiting

**Remarks By
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Before The
Voice Over Net Conference**

**September 12, 2000
Atlanta, Georgia**

(As Prepared for Delivery)

IP Pioneers: The Progeny of Paley

Thank you, Jeff, for that kind introduction.

I am grateful for the opportunity to speak to such an extraordinary assemblage of talent, and I congratulate you, Jeff, for bringing this group together.

The incumbent telephone companies may have started with Ma Bell, but it's pretty clear the IP telephone companies are starting with "Pa Pulver."

I feel like I am at a convention of Bill Paleys.

As you know, Bill Paley was the father of the modern business of broadcasting.

In 1928, Paley's father took \$400,000 of the family cigar fortune and bought CBS Radio. He told his son to go run the company. No one thought that radio would amount to much. NBC was only two years old and was struggling. CBS was in worse shape. It had only 16 affiliates. It was losing money. CBS didn't even own a single radio station. And Paley was 27 years old in 1928 and had no broadcasting experience.

But Paley understood something very important about radio. He understood that the power of radio was in its reach. When Paley came to broadcasting, the networks sold programming to radio stations. The radio stations bought the programming, so they were the clients.

Paley developed a new business model. He just gave the programming away to the stations, to get the widest distribution, and made the advertisers his clients.

Paley shifted the paradigm in radio, and in the process, he jumpstarted an industry that became the most important cultural medium of his time.

You might say that Bill Paley was CBS's very first "Survivor."

He stood the conventional business model on its head. He thought outside the box.

You in this room are not only thinking outside the box, you've got a whole new box, and it's called the Internet. And I am confident that you will use it to shift the paradigm and forever change the way people use the telephone in this country.

So here we are, present at the creation – present at the creation of the IP telephony revolution.

You only have one percent of the voice traffic in this nation.

How do we know this? Because Jeff Pulver says so.

No one really knows. So we all just quote Jeff.

I was thinking about the top six reasons to encourage IP telephony. I had ten reasons, but we are streamlining at the Commission, so now I have only six.

Number six: The string and two-paper cup phone system we have between the FCC and the White House has gotten notoriously unreliable lately.

Number five: So telemarketers can find ever cheaper ways to harass people during the dinner hour.

Number four: So we can actually get some equipment at these conferences, instead of just consultants.

Number three: So net-savvy teens will finally free up the traditional phone for their tech-illiterate parents.

Number two: Because when you're angry it's so much more satisfying to slam down the mouse.

And the number one reason: So Jeff Pulver can keep having conferences.

You may have one percent of the voice traffic now, but estimates are that in five years you will have 15% of the traffic. IDC estimates that in just three years, 300 million people worldwide will be using voice over the net.

I am convinced that once Americans discover the cost and functionality of IP telephony, they will leave the circuit-switched world forever. And it will happen very fast.

The Internet is Born (and the Government is Midwife)

Of course, IP telephony would not have been possible without the birth of the Internet.

The role of the government in the New Economy is hotly debated these days, but I will tell you that much of the New Economy could not have happened without government.

This is an area where government has made the right decisions most of the time.

In the 1960s, the federal government funded a Defense Department computer network called ARPANET, and the National Science Foundation worked to extend this nascent net to universities and industry.

But the ARPANET was a long way from the network the Internet is today. To create that, you had to crisscross the country with a transport backbone, and get cheap modems and computers into America's homes and offices.

The FCC's initial instincts were right: allow entrepreneurs to innovate, and trust the American people to choose the technology they want. So when telephone-related equipment like computers and modems and their software surfaced in the 1970s, we did not regulate them. And we told the monopoly phone companies that you had to allow people to plug them into the network.

In the 1980s, government broke up AT&T and opened up competition in long distance services. Investment flowed into long distance, laying the foundation for the Internet backbone.

And when technologists began to use the telephone network for "enhanced services" in the 1980s, we declined to regulate those services, paving the way for the unregulated Internet. Like our equipment decisions in the 1970s, we said that old laws should not automatically be applied to new technologies.

In the mid-1990s, the whole process culminated with the passage of the Telecommunications Act of 1996. That act radically departed from the past by taking two big steps:

First, it ended the 100-year-old monopoly franchise over the last mile; and,

Second, it embraced competition as the organizing principle for the future.

My tenure at the FCC has been devoted to implementing the 1996 Act. We have moved aggressively to open up the last mile to competition from anyone willing to invest in bringing the American public competitive choice in phone service.

That's why we have so much competitive local access to the Internet today.

And cheap, competitive Internet access was only the first of our goals.

Our E-Rate program has connected over one million classrooms to the Internet in the past three years.

Our wireless policies today are encouraging the migration of the Internet from our desktops to the palms of our hands.

And now my top priority at the FCC is to get high-speed broadband access into every home and hamlet in this country.

We got it right when it comes to our Internet policies.

These are among the reasons why the number of Americans on the Internet jumped from about three million in 1994 to more than 130 million today, and why virtually every country on the planet is following our lead in opening markets and creating opportunities for entrepreneurs.

The Myth of the “Level Playing Field”

Your industry is on the map now. How do I know that? It’s not just because this conference gets bigger and bigger every year. It’s because in Washington I am beginning to hear calls for a level playing field.

I hear this a lot in my job. Everyone says that I have to guarantee a level playing field. I’ve learned that when most people ask me to level the playing field, they want less regulation for themselves and more for their competitors.

And today, people are telling me that voice communications, whether delivered by the Internet or the traditional phone companies, should be treated the same: licensed the same, regulated the same and taxed the same. In other words, more regulation for IP telephony.

After all, the logic goes, bits are bits, and all bits are created equal -- and should be treated equally.

But while symmetry may be important in art and architecture, in the world of economic regulation, it’s not necessarily so.

In regulation, symmetry does not necessarily equate with fairness.

We have to distinguish between treating the same differently and treating that which is different the same.

A heavyweight and a middleweight may box in the same ring, but no one would say that it’s a fair fight.

So is it a fair fight to expect a start-up just out of the incubator to take on a hundred-year-old incumbent – an incumbent which, thanks to an exclusive franchise given by government, owns 96% of the local market?

The fact is, not all bits are created equal.

It's not that we don't want a level playing field. In fact, we are working hard to liberate all competitors from regulation.

But during this transition, the answer is not to saddle nascent technology with the increasingly obsolete legacy regulations of the past.

It's not that one playing field is level and the other is not. They're two different playing fields.

Their architectures fundamentally differ, and so should their rules.

In short, one-size regulation does not fit all.

That's why I think treating incumbents and newcomers in a market the same would only result in creating barriers to new entrants and killing innovation.

It just doesn't make sense to apply hundred-year-old regulations meant for copper wires and giant switching stations to the IP networks of today.

The Sword and the Shield

I also think that regulation is too often used as a shield, to protect the status quo from new competition – often in the form of smaller, hungrier competitors -- and too infrequently as a sword -- to cut a pathway for new competitors to compete by creating new networks and services.

You see, all too often companies work to change the regulations, instead of working to change the market.

I call this behavior “regulatory capitalism.”

Regulatory capitalism is when companies invest in lawyers, lobbyists and politicians, instead of plant, people and customer service.

It's always easier to prowl the halls of Congress than compete in the rough and tumble of the marketplace.

Regulatory capitalists would rather litigate than innovate.

We have seen this in some foreign markets. Rather than compete against IP telephony, incumbents get their cohorts in government to simply outlaw it. Criminalize it.

Regulatory capitalism always works best for companies that have the resources and know-how to play the regulatory game. And, trust me, it's never the newcomers. Most new industries – yours included – don't have the time or resources to spend money on oak paneled law firms and limousine lunches.

Bob Pepper told me that instead of unbundling monopoly networks for competitors, we should unbundle some lawyers for them. You know, there may be something to that.

But what your industry needs most is not more lawyers and lobbyists. What it needs is some space to do what you're best at.

You need to be working on new applications and new business models, on perfecting your technology.

Like the emerging broadcast industry at the time of Bill Paley, now is the time for you to invent new paradigms, new ways of using your technology to provide service to the public.

The best thing we can do for ourselves is to give you the time and space to create and grow.

So that is my pledge to you: to stay out of your way.

I will practice the High-Tech Hippocratic Oath: First, do no harm.

We have learned some humility from watching the Internet grow over the last eight years.

We now know that decisions once made by governments can be made better and faster by consumers, and we know that markets can move faster than laws.

I support and applaud the independence of the Internet, including the delivery of voice traffic over the Internet.

And I also oppose any plan to levy any new fees or taxes on IP telephony.

Here is all I ask in return.

If you are good enough, if you really are the new Bill Paleys of our culture, you who now attack the old order will someday become the established members of the new order.

And then you will be the incumbents . . . you will be the defenders of the realm.

On the way to your new eminence, remember to bring along those who would otherwise

be left behind in our digital economy: the poor, those on remote Indian reservations, and the inner city kids who want to be a part of the economy that you are creating.

Not to mention the 55 million Americans with disabilities. For many of them, the Internet is their ticket out of isolation and discrimination.

Design the curb cuts in your products and your services now. Make them accessible. And I thank those of you in this room who have risen to this challenge and are working with me to meet it.

See that the schools and libraries and universities have access to your services.

And give attention to the kinds of problems the Internet must resolve if it is to be the truly democratic medium that it can be . . . problems of privacy and copyright, of consumer protection and access for all.

In the process, you will be creating the new digital citizen, the American who works, learns, and raises a family through both real and virtual communities. You will help in raising Americans to the highest, fullest quality of life they've ever known.

Meanwhile, I am going to go back to Washington and do what I can to stay out of your way. And, perhaps most important, to do what I can to keep others out as well.

What did the poet say? "They too serve who only stand and wait."

Well, I'll be back in Washington, standing for you . . . and America will be waiting.

Thank you.

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