"Building New Crossroads for the Information Age"

Remarks By
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Introduction

Thank you, Ambassador Tufo, for that very kind introduction.

Jo estet kivanok (Good evening).

My greetings to President Frischmann. Thank you for your wonderful hospitality, and I look forward to your remarks.

And my special thanks to Stephen O'Connor and the Budapest Business Journal for inviting me, and for organizing this excellent conference.

It is an honor to speak before this prestigious group of business leaders.

And it is an honor to be in Hungary.

I was born and raised in Hollywood, California. Hollywood is an interesting place to grow up. But much of the history of that city began eighty years ago with the birth of the motion picture industry. By contrast, I have been fascinated by the depth and richness of the history of Budapest.

The history of Hungary goes back ten centuries, and the cities of Buda and Pest were joined long before my nation was even imagined.

Hungary's home in the Carpathian Basin has provided fertile ground for civilization since pre-historic times. For much of world history, it has been at the crossroads of culture and commerce. Those great crossroads were made possible by the road builders, who cut through rock and forest to link the towns of Buda and Pest with the cities of Rome and Constantinople.

Today Hungary sits at another kind of crossroads, the crossroads of a New Europe and a New Hungary and a new destiny.

The road builders of today are those of you in this room who are building electronic crossroads to link our cultures through telecommunications.

Instead of cutting through mountains and forest, you cut through the restraints and culture of bureaucracy and open new pathways for technology to make the airwaves and fiber optic cables of the modern world flow with commerce and ideas.

In doing so, you are seizing control of your destiny and molding your country's future. I grew up learning the stories of the Hungarian Revolution of 1956, and I remember well the images of a Hungary whose fate was not determined by Hungarians.

But today you have taken back your culture and your history, and your destiny. Now you determine your own fate.

The great Hungarian poet Janos Pilinszky, who died in 1981, said it well when he wrote:

"Do not leave your fate to the stars: let it strike in yourself."

The FCC's Development Initiative

That is a message I have championed for the last two years through what we call the Federal Communications Commission's (FCC) Development Initiative: take charge of your own telecommunications fate. Do not leave it to the "stars" or monopolists or any other single controlling entity.

Instead, rely on the wisdom of your people to choose among competing providers. Competition will increase services and decrease prices, and it will stimulate investors to build your nation's infrastructure, so that you can more fully participate in the new global economy.

And the means to this end is clear. Set up an independent regulator and give that regulator real independence: the power to break up monopolies, and the wisdom to deregulate as monopolies dissolve.

Require monopolies to share their facilities with their competitors, and require networks to interconnect at cost-based pricing. Manage your radio spectrum as the precious resource it is, in a manner that is fair and efficient.

As you know, this is easier said than done. I know this from my experience at the FCC.

Skeptics ask how can a monopolist retool for competition, yet open its facilities to competitors at the same time? Where, they ask, do you find innovative people if everyone who is knowledgeable has been trained by the incumbent monopolist?

And what's an independent regulator? Some thought that just meant the new regulator had a separate office and title and staff, even if it continued to work for the ministry or legislature.

Slowly, country by country, the world's growing professional community of independent regulators addressed these issues.

We made it clear that the independent regulator must be infused with a culture of transparent, independent decisionmaking. And it must be financially free of the companies it regulates.

The regulator must operate through open and fair procedures that allow all parties to participate. The decisions must be made with dispatch, in public, and they must be consistent. These features are important for fairness to the public and the regulated parties, and for the regulator's credibility as a receptive and honest broker.

The regulator also must be free from political pressure. This is perhaps the most difficult feature to achieve. But it is the most important task of all.

The independent regulator should report only to the public. It must have its own staff and budget, and both should be insulated from politics. Finally, its jurisdiction should be clear and its decisions should be enforced.

These are not easy institutions to develop. You here in Hungary know this to be true. The very issue of the Hungarian Telecommunications Authority's (HiF) role and jurisdiction is currently being debated as the Uniform Communications Act is drafted.

It is imperative that the Act give the HiF plenary authority over regulatory matters as Hungary prepares to open its market fully to competition in Janaury 2002. For example, the HiF must have ultimate responsibility for licensing decisions, for establishing and enforcing interconnection rules, and for establishing and enforcing dominant carrier safeguards.

And it is imperative that the HiF be given independence from the Information Technology Commissioner's Office. Nothing short of the success of competition is at stake in these decisions.

Hungary is in good company. Governments around the world at first questioned whether to embrace competition, and whether to set up an independent regulator, but gradually the dialogue has changed from "whether" to "when and how."

The numbers bear this out. In 1990, twelve nations had independent telecommunications regulators. Today there are ninety-three. In 1995, fewer than twenty countries had even one competitive telecommunications market. Today there are seventy countries, and fifty have competition in three markets: local, long distance and international.

Participating in this wave of changing attitudes, the FCC has signed partnership agreements with eight nations in Africa, Latin America/Caribbean and Asia.

And today, we signed our ninth agreement, with President Frischmann, representing the HiF.

In each case, we chose regional leaders whose example inspires neighboring nations to pursue the principles of the Initiative, and that certainly is the case with Hungary.

Once again, Hungary is at the crossroads of important advancements in civilization, strategically linking Eastern and Western Europe, and Northern and Southern Europe, and serving as an example to all.

Universal Access

With nine nations serving as catalysts for regional change, we can set to work expanding one of the core features of a successful competitive telecommunications system, and that is universal access. There are two principal reasons we should do this.

First, universal access is the key to digital citizenship. Digital citizenship is the ability to participate in society's basic functions through the telecommunications system. We are all becoming digital citizens.

Telecommunications access is becoming necessary for access to health care and such tasks as registering for class, doing school homework, shopping, getting bus schedules, buying tickets, obtaining a driver's license, securing a job, and, even voting.

Digital citizenship eventually will become a basic right of all peoples, recognized by the law, the courts and the just information society.

So one reason for universal access is fairness and practicality.

But second, and equally important, universal access also makes good business sense. It does more than coexist with competition. It stimulates competition.

The monopolists will tell you that you cannot have competition and universal access too. Competition, they say, is a system of seeking commercial advantage, and there is no commercial advantage in serving remote or low-income areas.

But competition and universal access can co-exist. In the United States we do this through a universal service support system, to which every competitor contributes proportionately. Clearly, a regulator needs the support of the nation's leaders to create such a system, but once in place, it becomes routine.

And then a symbiotic relationship between competition and access develops. Competition lowers prices and expands service areas, so that more consumers come onto the network. Once more customers are on the network, competition in all types of services is stimulated.

This is the principle of "Metcalf's Law": each new use of the network increases the value of the network exponentially. In other words, the more people connected to the network, the greater the business opportunities.

This will happen with competition in Hungary. Currently, Hungary has the highest local phone rates of all Organization for Economic Cooperation and Development (OECD) countries. These rates, and the system of charging per-minute for Internet access, are believed to be a key reason why Internet penetration is so low – less than 5% of Hungarian households have Internet access at home. With the introduction of competition, phone rates will come down and Internet access and usage will increase.

But in the rush to the future, we must not leave anyone behind.

There is no single path to access. Access may be through a wire to every home, but it also may be through the airwaves. I understand that in Hungary the wireless growth rate surpasses the wireline growth rate. Emerging economies, such as Hungary, have the opportunity to leap-frog old technologies, and they can become the technology test-beds of the future.

It is written that God created the Earth in seven days. That's very fast. But, of course, He did not have to deal with a monopoly provider and legacy technology.

The Road Ahead

I have challenged the private sector in my country to take the lead on universal access, and I present this same challenge to you today.

Technology companies can work through trade associations to set standards to make equipment accessible by everyone, including persons with disabilities.

Companies can adopt schools, or set up cyber-labs in low-income neighborhoods, or provide training for those who cannot afford to pay for it. They can sponsor apprenticeship programs, and make software available in several languages, or provide logo-driven menus for customers who lack language skills.

And as new communications systems are put into place, businesses can link universities, schools, libraries, and job markets . . . public institutions that nurture the aspirations of our people.

I challenge each of you in this room this evening to take at least some small step toward closing the digital divide by opening up access.

You could donate one day's time and equipment to wire a school to the Internet.

Cisco Systems has launched the Cisco Networking Academy to train students in developing and emerging nations to build and maintain computer networks, and Cisco has brought several network academies to Hungary.

Cisco also is assisting the FCC in our Development Initiative by helping us to convert our training program for emerging independent regulatory agencies to a CD-ROM format, so that it may be more widely distributed.

Intel's "Teach to the Future" program gives 400,000 teachers the computer skills they need to help today's student. I am sure those skills are needed in Hungary and the rest of Central Europe.

AOL's "PowerUp" project helps keep youths off the streets and in after-school computer labs, where volunteer mentors teach them the real survival skills they need for the digital age.

The private sector in Hungary can follow the lead of the Government. Hungary's school net program, "sulinet," aims to wire all 1500 secondary schools in the country by 2002. The program, one of the first of its kind in Europe, also will equip about 20% of primary schools with computer and Internet connections.

We have seen a great commitment by the private sector to help close the digital divide. But there are parts of our society that have not been adequately served by the market. In those cases, the government has had to play a role in ensuring access.

For example, we have provisions in our laws in the United States that require firms to make telecommunications services accessible to people with disabilities. And we have what we call the E-rate program which subsidizes Internet access for schools and libraries. As a result of this program, 95% of the public schools in the United States have incorporated the Internet into the education they offer.

Where necessary, governments should not hesitate to step into the breach when the market leaves some behind.

New Economy

The possibilities created by universal access are, to me, the real potential of the "new economy."

The new economy has been defined too much by its power to create wealth for a few, and too little by its power to create opportunities for the many.

We should use the new economy to unlock the potential of all of our people — to educate our poorest children, to empower people with disabilities, to uplift rural and inner city communities and to repair and revitalize the fabric of our communities.

Abundant and accessible communications systems can make this possible.

In Washington, D.C., where I live, there is a building called the Kossuth House. At the door of the building is a plaque to Lajos Kossuth, commemorating his speech in 1852 to the Ohio State Legislature.

As Governor of Hungary, and a fighter in the Hungarian independence movement of 1848, he said:

> "All for the people, and all by the people.
> Nothing about the people without the people.
> That is democracy."

These eloquent words define the essence of democracy: "Nothing about the people without the people."

I believe that information technology is the most important force for democracy in the world today. It is the single most powerful tool to provide citizens information that they want and need about their economy, their government, their world.

There is a direct relationship between the pace of liberalization and how and when the citizens of this country have more choices, more information, more opportunity.

I am confident that if we work together in partnership – sharing our successes as well as our failures – then we will hasten the day when the wonderful people of this country will reap the full benefits of the Information Age.

Koszonom (Thank you).

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