

**Remarks of
Michael K. Powell
Chairman
Federal Communications Commission
At the
Associated Press Annual Meeting and
General Session of the Newspaper Association of America Annual Convention
April 28, 2003**

“Hear Ye, Hear Ye Read all About it!”

I. INTRODUCTION

It is a great honor to come before the nation’s publishers

Speaking before this august group, I feel enormous pressure to generate a headline. I may not have a ready-made headline, but I do have a story to tell, or I should say a substitute for the communications story that dominates the pages of our thinking.

I have the distinction of overseeing the communications industry. The FCC is an agency like no other. Its portfolio is breathtakingly wide and deep and seems to grow larger each day, despite all the spirited talk of deregulation. We regulate television, telephones, satellites, cable, mobile phones, public safety spectrum, radio, and we even dabble in the Internet. In a nutshell, if an electron or photon glances off something carrying information, there is a good chance we regulate it.

II. THE SAME OLD STORY

With all this talk of electrons and photons, you would think that communications players are space age cowboys and that communications policy is forward looking, cutting edge stuff. Regrettably, it is not as much as it should be. Rather, it is too often governed by an old and increasingly tired story that seems to endure through the ages. When you read stories about our industry it seems like a bad political campaign in which everyone has gone negative on the other guy—the mud flies. Someone is always evil, and someone is always claiming moral supremacy as the true promoter of the public interest. Welcome to my world. This popular, and at times pathetic, story deserves a little background.

In the early 1900s, the first lines of today’s communications play were written. There were really two components that make up the whole story: How we would regulate telephone service, and how we would regulate broadcasting.

In the telephone world, the government bought the view pushed by Ma Bell that there should be one really big phone company and that was the best way to guarantee that all Americans would get phone service at affordable rates. The public good would be achieved by this exclusive grant from the government. In exchange, the industry would be heavily regulated to ensure it did what we wanted and would not get too carried away with making money, which was its nature to do. The regulation was often arcane, complex, and mind-numbing. It

produced a lexicon, jargon and acronyms that the Pentagon could envy, ensuring regulation was an experts game—not one for the uninitiated or faint of heart.

In the same era, commercial broadcasting was born. Government seized complete control of the airwaves and, in turn, passed licenses out as it saw fit to the worthy—in effect controlling the supply of this critical commodity and serving as the guarantor of the public interest. The “scarcity” of the spectrum became a justification for the government to demand that those who had it use it for the public interest. This has continually included some government meddling in broadcast content, a fate that newspapers thankfully have avoided.

The common carrier telephone model and the broadcast model long ago framed communication policy and produced the regulatory ethos that still dominates today. At the core, the idea is that the public good is served by a few producers, who are governed strictly by a powerful regulator. The result is that large companies and the government stand at the center of communications policy. The evolution of electronic communications in this country is an unending clash between the two. Like Hegel’s philosophy of history, there is a thesis, inviting an antithesis, resulting in a clash that produces a new synthesis and it starts over again. This is how communications progresses. Political clashes between competing wants and desires of industry and government—each purporting to act on behalf of otherwise uninvolved and passive consumers.

This dynamic is a very cozy one. It makes life simple. If there is a concern, you can push a handful of companies to do what you want. Those companies would often yell, - and it was their fiduciary duty to do so — but they were the yelps of Brer Rabbit, pleading not to be thrown on the briar patch, for the companies would always be able to extract some benefit from their governmental patron.

Telecom is a noisy sector—lots of screaming. Incumbents fight to retain their privileged place and special interest groups fight to maintain a regulatory system that gives them one-stop shopping to force socially desirable outcomes. This “clamoring supplicants approach” has riddled communications policy with political interests that masquerade as the public interest.

Indeed, this cozy dialectic model has led the government consistently to stifle change that would probably accrue to the enormous benefit of our citizens, but upset the time-honored rules of the game. Like the golf club at Augusta, new members were unwelcome for they might upset the unique chemistry of the place.

- Bill McGowan, the founder of MCI had to find a clever way to circumvent FCC rules to become a competitor to AT&T, and eventually sue to create the first competitive opportunity in the sector. Now consumers enjoy cheap long distance rates as a consequence.
- The FCC was very concerned about the introduction of cable television as a threat to the broadcast model and moved to regulate it, claiming it was necessary to protect free over-the-air television. Cable did survive and prosper and is now the preferred media platform of a significant majority of Americans.

- When cellular telephone service came into the market, the FCC permitted only two licenses in a market and gave one to the existing telephone incumbent. Once these restrictions went away, we had an explosion in mobile phone penetration and there are now 6 nationwide carriers, and many more regional and local carriers. We see more minutes, equipment innovations and lower prices.

Government regulators have become like zoo keepers --- feeding the animals, ensuring the portions are fair, deciding how much freedom each will be allowed to have, but never wanting to let anyone roam completely free. The elephants and lions are the most restricted, kept in the stronger cages.

III. THE REAL STORY

This tired tale has gone on for decades and probably would continue for decades more if left to its own devices. Except, something life-altering has happened. We have discovered a warp in the Matrix. The penguins are swimming in circles.

Did you follow that story? Last November, six newcomer penguins, formerly of Sea World in Aurora, Ohio, were added to the mix in San Francisco. Almost from their introduction, the entire group of penguins started swimming in circles, from daybreak until dusk when they would stagger out of the pool. The zoo's penguin keeper remarked: "We've lost complete control; it's a free-for-all in here. After 18 years of doing this job these birds are making mincemeat of me."

The same is true in the communications zoo—the penguins are swimming. Yes, something really different has happened and it is more than an aberration. We have, I think, witnessed the arrival of something new—a defining tenet around which to organize our thinking, our industrial activity, and our conception of the public interest. It is technology—not classic economics, not political science, not law, but physics, biology and chemistry.

I know what you are thinking. We heard this talk before in the time of the great Internet boom. It flopped.

Things looked wildly exciting just a few years ago as the Internet Age dawned. Penguins were swimming everywhere. Companies were changing their names to strange, glowing symbols of the new future. Bell Atlantic would not suffice. They combined Veritas and Horizon to produce Verizon! An accent on the future produced Accenture. "E" became the only letter that mattered in the alphabet. The Old Economy was suddenly New. And even that venerable punctuation mark, the period, got a hip make-over, becoming the "dot!" and rejecting as passé just being known as "the punctuation mark formerly know as period."

It got crazy, like an office party that spontaneously turns wild and where people through caution to the wind, with workers dressing up in lamp shades and wearing weird hats. The music is loud, the buzz is good, you are in halcyon state and then Bam!, somebody flips the lights on (probably that guy Buffet, or Greenspan) and sobriety rushes back. The feelings of guilt, embarrassment and shame are unbearable.

So now we are doing our penance. Back to fundamentals and sensible shoes. Any risk is unacceptable. Companies, policymakers, venture capitalists, technologists and the new age philosophers are whipping themselves mercilessly, like Arthur Dimsdale in *The Scarlet Letter*, tortured for having carried on with Hester Prynne. We secretly enjoy watching 25 year old millionaires crumble, and return to jobs at the Dairy Queen dishing out soft-serve cones.

The zoo has quieted down again. But when you look over at the pool, the penguins are still swimming.

While stock prices fall and debt balloons, technological advances continue relentlessly, undeterred by a sluggish economy, war or disease. It continues to sprout, like Bette Midler's rose, beneath the fallen snow, to use a really bad gratuitous simile.

The microchip continues to increase in speed at an amazing rate. Memory continues to double and triple, while the cost of producing it all falls. Optical technology surges forward as photons continue to overtake electrons and take us into Mr. Einstein's speed of light world.

The technology revolution is developing its roots. It is not a fluke. And, it is finally going to change the nature of how communicating and communication policy will evolve from here on out.

Technology will break the cozy model so comfortable and familiar to members of the club, featured in the old story. It has unleashed a swift wind of innovation as the central driver producing constant and unending change that cannot be easily contained.

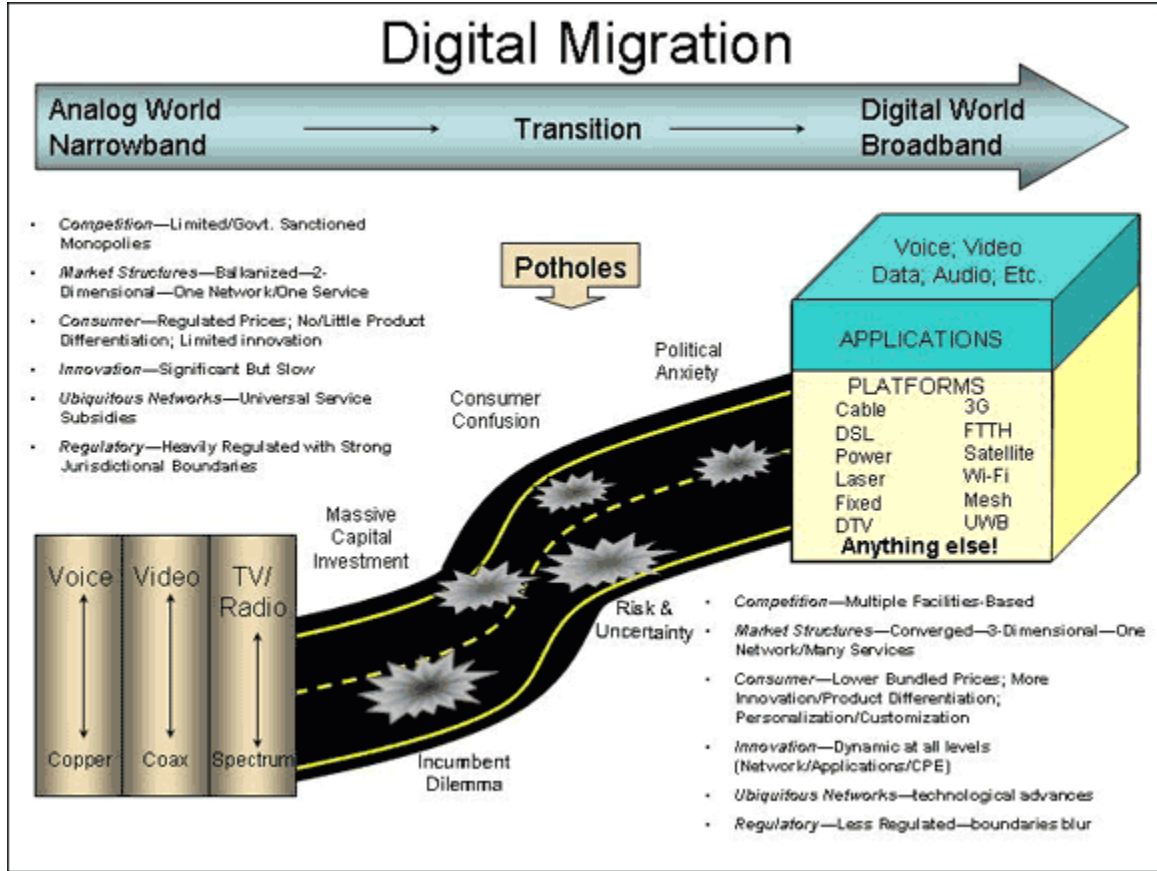
IV. DIGITAL MIGRATION

Change is now inevitable. A digital migration has begun taking us from the old world—marked by analog technologies, narrowband infrastructure, and the monopoly regulation model—to the new world; marked by digital technologies, broadband infrastructure and a broader minded view of regulation, informed by listening to technology more than lobbyists. The changes brought forth by digital life will finally force a change in the decades old outlook of communications policy.

A migration is defined as the movement from one place, region or country to another with the intention of making a permanent settlement in a new location. Yesterday's migrations—from the European migration to the United States during the World Wars to the Great Migration of African-Americans from the South to the North—fundamentally and profoundly altered the character and shape of our great nation over the last century and a half.

Similarly, in the communications world, the digital migration—from old to new—will fundamentally change the way people communicate, work, learn and play in the 21st Century. As this migration breaks the chains of the hundred-year stranglehold on the communications industry, profound benefits will flow to the American public and our economy.

Characteristics of the Narrowband, Narrow-minded World



The old world was dependent almost exclusively on that large monopoly carrier.

The platform on which communications traveled was integrated with and optimized for the application that was being offered. Twisted copper wire was used for voice communications and controlled by your phone company, and your state regulatory agency. Coaxial cable was used for multi-channel television and controlled by your cable company and your local franchise authority. Commercial airwaves were used for free over-the-air television and radio and controlled by the FCC.

In each case, a monopoly or quasi-monopoly was explicitly or implicitly sanctioned in exchange for strong regulation. In this world, there are few competitive choices and where they exist, there is only the most modest product differentiation, given that competition is supported mostly by letting others resell the services of the incumbent to varying degrees. The incumbent remains at the center of that universe.

Characteristics of the Broadband, Broad Thinking World

Innovation Platforms

The most important development is that platforms and application are now separated. Broadband platforms are not tied down to particular applications, but are a conduit for an

infinite number of applications, which are simply software products. This means the dumb wires and dumb phones we are all accustomed to are supplanted by innovation platforms, on which any number of new and exciting products will rise. This makes innovation a hallmark of 21st century communications.

Real Competition

We should not be surprised to find that we are moving past the one-pipe problems that justified the older model. For years, the phone company's control of the only communications pipe into your home, meant monopoly. It meant complex and heavy regulatory structures. It meant little opportunity for competition, since few could duplicate the enormous expense of constructing this type of network. Competitors had to live off a hostile incumbent and sell only what the incumbent had to sell.

We are seeing a world emerging of spider pipes—multiple routes into the home, all connecting to the web. We already see Cable Modem, DSL, Powerline, 3G wireless technology, WiFi networks, Satellite broadband, and Fiber to the Home networks. More arrive each day and are showing us the potential for smashing another central pillar of yesterday's narrow-minded model. Healthy broadband competition may create a new dynamic for achieving the right price, availability and product differentiation, rather than the regulator. Competition will finally be transformed into a meaningful concept, rather than a moniker for the old ideologies.

Because software applications are central in the new communications sphere, there will be many more competitors enhancing the communications dynamics. We will see Microsoft, Intel, Sun, Linux and many other software providers contributing to communications.

Democratization of Technology

As I have said, in the old world governments are central and monopolists are central. The most important thing technology is doing is placing consumers and citizens more squarely in the driver's seat of choosing and controlling their personal communications space. This is having profound implications for how consumers communicate, how they are informed and how they must be reached by the purveyors of news and information like yourselves.

Small more powerful chips, advances in memory and storage, and improvements in battery life are creating personal technology devices that allow individuals to take the reins, using personal computer devices to select and control what they see, when they see it and how they see it. They increasingly can configure their own communications networks and set the parameters of their use.

Cronkite to TiVo

The trends of television are one example of digital migration. In the 1960s, broadcasting was a one-to-many medium—the epitome of mass communication. Everyone gathered around to watch a favorite program at a given time. We tuned in to listen to Walter Cronkite, or enjoy Uncle Milti. There certainly was a sense of community, but little diversity and little consumer control. Viewers were passive. Cable television presented a new chapter of

media. It was able to create parochial television—channels dedicated to history, sports, shopping, arts, movies, education and more. Now we enter Act III of mini-media and the TiVo generation. Consumers demand the ability to do more programming themselves. They want “My Amazon, My Yahoo and My TV.” Personalization and personal control will become more central, presenting enormous challenges to television producers trying to communicate with Americans.

WIFI

Spectrum has always been a mysterious ether that somehow was used to bring you television and radio. More recently, the wireless phone industry harnessed spectrum to give consumers mobility and freedom in their voice conversations. One’s cell number is now tagged to them personally and not just to one’s home or place of business. Consumers now know a little bit more about spectrum—discussing signal strength and coverage. WiFi networks are pushing further technology democratization. Consumers buy their own devices at retail. They install it themselves, setting up personal networks in their homes and use the natural spectrum, without needing a license, to communicate throughout their home. This model is revolutionary.

Broadband Demands Broadminded Public Policy

We must escape the regulated monopoly mentality. We need to center our policy on technology and promote and drive the possible, rather than give counsel to the fears of change, or worse the protection of what we have come to know.

Just as the industry needs venture capital to finance this migration. We need venture policy to govern it—one that is focused on building innovation platforms and empowering the consumer and citizens of our society.

V. THE POTHOLE ON THE PATH

Money and Risk-taking

First things first. Before we get carried away, we must get these new platforms built. Getting these networks constructed will be very expensive and require massive amounts of cash. This is particularly troublesome to incumbents that are already deeply invested in their existing networks of yesterday. Indeed, their great success in the old world makes it very difficult to take the risks necessary to radically change. Public policy must stimulate capital expenditures that flow into building innovation platforms that will bring our nation into the next century, and not just reinforce the same tired paradigm.

Self-Doubt

Anyone that has strapped on a Blackberry RIM pager, hooked up a new personal video recorder, or gotten a new digital phone knows the excitement and promise of technology. We are excited, but we also are frustrated and maddened. Things are a little less reliable, more complicated and more confusing than they should be. We ache for the simplicity and reliability of our old telephone. Consumers will ebb and flow from exhilaration of frustration and confusion. Companies will struggle to find ways to produce exciting innovation and will be fatigued by the effort. But, they must find ways to take risks for the long-term and not be tempted to turn back when the waters are rough. There is nothing to return to. All promise lies on the far shore.

Politics

Policy is made or affected by politicians. Yet the political system is optimal for giving voice to anxiety. A politician tends to respond to the worries and anxieties of the large incumbents, as well as the confusions and frustration of consumers. All of which will churn as we move down the path that technology has set out for us. We must try and make the transition smooth, but we must have the courage to stay the course and not throw regulations all over the emerging technology space in an effort to quell short-term anxiety, for like a wet blanket, it could smother the creative fire of this tech revolution.

VI. CONCLUSION

Yes, the penguins are still swimming, and signs of evolutionary and sustained change abound. It's time to do more than notice. It's time to embrace technology as our central organizing principle.

In the words of broadcaster Paul Harvey: "That is the rest of the story. Good day."

- FCC -