Remarks of Michael K. Powell,
Chairman, Federal Communications Commission
At the
National Cable and Telecommunications Association Convention
May 4, 2004
New Orleans, LA

"Conversation with NCTA President Robert Sachs"

MR. SACHS: Mr. Chairman, it's great to have you with us again on our porch out here this year.

CHAIRMAN POWELL: This is pretty awesome.

MR. SACHS: As I said, you were appointed in November of 1997, so you're in your seventh year now. At the time of your appointment, what was your expectation? The landscape was much as I described: no broadband, no HDTV, no real local telephone competition; here you are coming from the Justice Department, Chief of Staff for the Antitrust Division; you're now an FCC Commissioner. What were you thinking was going to occur during your tenure?

CHAIRMAN POWELL: I had no idea. You start a job like that with very little major expectations. You don't really know what you're getting into. But at the time I think the FCC was perceived as a much more kind of ministerial agency, a place that processed licenses, took care of basic regulatory requirements. And it certainly wasn't an institution that would find itself on the A sections of newspapers almost on a daily basis.

Over the seven years, the revolution that we've seen in the market has really revolutionized the role of the Commission too, placing it front and center to some of the most important questions affecting American citizens' lives, indeed global citizens' lives, and the future of technology, and the future of U.S. competitiveness. Sometimes I think about when I first came, we used to play checkers, now we play four-dimensional chess. And the questions are much more complicated, much more multi-dimensional and much more difficult because it's very difficult to predict where things will go. But it is just as exciting, probably ten times more exciting and more thrilling to be a part of it.

MR. SACHS: That brings us to the present. Let me ask you to look out into the future. Let me give you a few facts for this scenario. It's now December of 2008. President Bush is completing his second term. Vice President Cheney has stepped down and in his place has been appointed --- Ken Ferree, for the work that he did on the digital transition is now Vice President and you are still FCC Chairman.

CHAIRMAN POWELL: I always knew Ken would step over me eventually.

MR. SACHS: Have we achieved the digital -- we're now at the end of 2008. How close are we to achieving the digital television transition at that point in time and then I'll get you to talk about broadband.

CHAIRMAN POWELL: I think from a government policy perspective, we'll be quite far. I think that the variable that's most powerful and most important at the end of the day are consumers and the depth and the degree to which consumers have fully embraced the technology as an indispensable part of their home and their life and their experience.

My sense is high definition is more of a "killer app" than anyone truly understood or maybe even still fully appreciates because I think high definition is revolutionizing consumer entertainment in more ways than just simply the prettier pictures of the content. In many ways, this broadband home sort of tells the story. Digitalization allows all kinds of changes, for example, in form factor. We see the flat screen television and smaller televisions, televisions that fit in bathtubs and televisions that can be integrated in your lives and in your homes.

Just think about it. How many people here own a mini van and they have kids and it doesn't have a TV that pops out of the roof? We're really changing our perspective of where we might expect to see television and expect to be entertained, informed or educated. And I think high definition is just the ticket to the digitalization of the future for video content providers in a way that's really going to change the patterns of consumer behavior.

And so I think I see that pace moving very, very quickly. I spend a lot of time on weekends wandering through Circuit City and Best Buy and television stores and watching the discussions that take place. Hey, I wish retailers knew a little bit more about what they're talking about. Sometimes I have to step in and explain, "No, no, no, that's wrong," and they say, "Who the hell are you?" and I say, "Just a guy interested in transition."

MR. SACHS: Mr. Chairman, we have a seven second delay so we'll just clean that up for you.

CHAIRMAN POWELL: For the record, I've unilaterally declared that word is not one of the profane uses.

MR. SACHS: Is the digital transition really about television or is it about spectrum in your view?

CHAIRMAN POWELL: Of course, it's about both. But it isn't -- my own view is that if you conceptualize it about television as we've always understood it, you are very rearward looking and are going to miss the revolution.

I think digitalization is about a lot of other trends that are powerful. I think it's moving from a pure passive experience, which I think is exemplified by the phrase, "we're couch potatoes," we're going to lay on the couch and be passively entertained without any control over what we see, how we see or when we see it. If you watch a child, you'll see the future. They loathe passivity. It better have a control that comes with it, and increasingly it better not be just the remote.

The new technologies have a premium on personalization, that it's customized for your preferences and I think interestingly enough, I think it has to have some capability for interactivity and consumer interaction and even to some degree mobility. I think consumers are looking for the ability to sort of unplug things, put them in their pocket, move to other places, stick whatever that thing is in another box and have the world that they've spent time creating over here, available to wherever they go.

It's just like the Ipodization, if you will. People want to load all of their music in a space and be able to take that music to any place in any format and plug in. And I believe those kinds of trends will also come to video. If I spend a lot of time setting up a PVR with personal preferences and choices, how do I migrate those preferences and choices to other things? I think digital TV is about beautiful imagery, but it's about a whole lot more and if you miss that whole lot more part, you're going to miss the revolution.

MR. SACHS: And from a government policy perspective, most of the people in this room are involved in an industry that has been built with a physical infrastructure of coax and fiber. In terms of the urgency and immediacy of the government's need to reclaim the analog spectrum for other wireless purposes and public safety, how immediate is that in your view and how important is that happening in the near term?

CHAIRMAN POWELL: I think it's extremely important. You know, we have a lot of metaphors for the digital revolution. One of them is Star Trek with the imagery that we have of being able to sort of flip open your communicator and call Scottie or Spock or your wife or your 15-year-old --- and to be able to really have that ubiquitous communication world I was talking about a minute ago that I can actually not have to think about my location or my movement as part of my information or entertainment.

This cannot fully be realized without spectrum because I think wireless technologies are going to be invaluable in and of themselves as full distribution systems, but more importantly for the important hops between inconvenient locations: the inconvenient location of the automobile in transit; the inconvenient location of I happen to be stuck at the Starbucks when I need to get the report turned in; the inconvenient location of this or that. And I think wireless is beginning to really explode technologically as being able to offer broadband caliber speeds that mean video and entertainment and information at an unprecedented level.

So as a spectrum manager, we look out over the country and we say look, we have important things going on with the digital transition, but this country has an over-investment of the most valuable spectrum in the wrong place. Meaning, I think most people recognize and understand we have an enormous amount of important spectrum being tied up in the television transition. And it isn't getting it back just so the government can sell it and spend the money. It's getting it back so that the government can get that quickly allocated for innovation that is crying out for greater amounts of broadband-capable spectrum to serve the needs that we're all sort of hungering for.

So it is absolutely essential, I want to emphasize, not just to get the revenue, but to continue this country on the innovation path that it's begun with technologies like WiFi and fixed broadband and satellite-delivered services, all kinds of things.

MR. SACHS: So when you hear forecasts like 2009 or 2012 or 2020, what strikes you as realistic from a spectrum standpoint?

CHAIRMAN POWELL: Well, here's the trick. It's not as complicated as we all try to make it. It depends on what constitutes success. That is, what does it mean to be finished sufficiently to take this stuff back and how do you count? In many ways, the debate that's going on right now about how to think about the digital transition is that question. So how do we count? There are some ways that you can count that the transition will take 50 years.

If we're going to count by saying it's 85 percent of every American household with an over-the-air high definition television, or worse in every one of the televisions in their home, we'll be doing this for many, many decades to come.

If you count more aggressively - - - one of the ideas that's floating around is whether carriage on a cable system down-converted to analog would count - - -the numbers will run up very, very quickly in some markets. You'll reach 85 percent at a much more rapid pace. So one of the things I think the government and industry working together have to do is sort of struggle over settling how we're going to actually measure.

The final thing is what is success? Right now, the law says success is 85 percent of consumers have access to the service, but we all sort of, in our heart, know somebody is going to have to do something about the 15 percent. It isn't going to be very politically popular in the most aggressive scenario to get to 85 and then turn the other 15 percent TVs black. And so I think the Commission is interested in looking at creative ways to deal with whenever we get to that point how to deal with the remaining numbers of our citizens and I think there are a lot of creative ways and we may be exploring those soon.

MR. SACHS: Let me - - - we're still at the end of 2008 now --

CHAIRMAN POWELL: Am I still at the Commission?

MR. SACHS: You're now in your third term

CHAIRMAN POWELL: Could I please get another job?

MR. SACHS: No, Ken Ferree is down on Pennsylvania Avenue and you're still at the Commission. The President has articulated a national goal of affordable universal broadband access by 2007. At this point between cable and DSL, there are broadband, wireline broadband alternatives available to 85 or 90 million households. The Commission recently authorized broadband over power line. What further measures in your view, government measures, public policy measures, are necessary to get us to a place where there truly is ubiquitous, affordable, broadband for all Americans?

CHAIRMAN POWELL: Let me start by saying I think the President's embrace of this objective, and the fact that it has arrived so prominently on the national political scene, is a reflection of how truly powerful and important this is for the American body politic. This is not any more the inside province of all of us techno geeks who are just sort of dying to get at this stuff and might actually buy this house for $2 trillion.

MR. SACHS: We've already had two offers over the asking price.

CHAIRMAN POWELL: No, I think the President's recognition and leadership on that suggest that this is a critical component of the competitiveness of any great nation in the 21st century. It will not be able to serve its citizens both economically in health care and education, we will not have the information workers of the future, we will not have the health care system of the future, and we will not have the economy of the future if we don't have the platform that's designed for growth and innovation and that platform is broadband.

We have made good progress on broadband, but it is -- we shouldn't rest on that. I personally, because it's what I know best, believe that one of the greatest impediment remains the government clarifying the legal and regulatory regime in which the emergence of these synergistically new services are going to be viewed and classified. It is an enormous risk factor that continues to hang over entrepreneurs who go out and borrow risk and venture capital that's risky enough and are going to set out to plow up ground and lay capabilities or deliver services and they don't know that whether at any moment, some state or federal regulator or legislator is going to sort of pounce in and declare you something akin to an old telephone company with all with that entails.

I think we've worked really hard on our piece of that equation. But if any policy maker in this country is committed to broadband, whether they are a state official, a national official or for that matter if they're an official in any nation in this world, I think they will be working aggressively to bring more stability and clarity to the legal and regulatory regimes so that this stuff can flow, understanding how to handicap what risks exist and understanding how freely they can run.

Look at where we've been clear and lighter in our approach and ask me which is better. The wireless cellular industry compared to the wireline voice industry has done nothing but explode in consumer value, innovation and choice. Lower prices, more innovated pricing plans, cooler technology, cooler phones, more applications, new changes every day and we're up to 155 million consumers who find that an indispensable product. And I submit everyone will in the near future.

WiFi, unlicensed spectrum: this is the accident of greatest benefit to the Commission. It issued this spectrum thinking it was junk and no one wanted it. Thank God we thought that because we put out a model that nobody envisioned would go from cheap baby monitors to broadband distribution. But it shows when you allow the American entrepreneur freedom of movement, creativity, investment challenges, they'll take the risk. They will deliver 9 times out of 10. The government doesn't have to micromanage the success of the product. I think every time we seem to muster the courage to do this, it flowers and prospers in unimagined ways. So I think that first and foremost the focus is the right legal regime, the right regulatory regime and leadership in a commitment to getting there.

MR. SACHS: Speaking of which, there's a lot of buzz at the show around voice over IP. The Commission has had several proceedings on this. You have a major rulemaking launch now. Two questions, one is what's the realistic time frame do you think for the Commission completing action on VoIP, but secondly what do you think the impact of voice over IP is going to be on telephone service as we know it today?

CHAIRMAN POWELL: I think it's going to turn it on its head and remake itself into something that consumers are going to find enormously valuable. We talk about broadband. You point out the statistics of how much broadband is available. But the number of people who have actually subscribed is quite low and you ask yourself why. I think consumers are still waiting to see what the killer applications are.

More importantly, why is this a now indispensable appliance in my home? Why should it rank like the refrigerator or the air conditioner or the toaster or the microwave oven or the broadband box? Why has that reached the point in which I organize my family and my behavior around it? And I think they're looking for services and applications that begin to make that more compelling.

As you can tell from my wordiness, talking is a killer app. You can make a whole career talking. But voice is a powerful, the most powerful form of human communication, and when that can speak the language of a computer, the potential for its revolutionized use is enormous. So the telephone system is a marvel. It is one of the great engineering feats of mankind. It works beautifully. But the amount of innovation that has occurred on it in decades is minimal.

And I think there's an enormous amount of running room to change the phone from something that is a dumb device that sits on your desk, and does what the central organizer tells it to do, to something that really comes to life: that you can speak English and have it come out French; that you can take a number and log in from anywhere in the world and have your phone ring; that you can tell it I'm having dinner between these hours, don't ever ring here, roll it to my cell phone; or features that allow everyone in your house to have separate controls, different rings.

Just think about the cell phone and what it's allowed to do for personalization and imagine whether all home phones or hotel phones had the capability to be dynamically programmed into all kinds of ways. And that's what I think VoIP is going to do for the world.

The good thing for once is that it is blossoming and it doesn't need that much from the Commission. And so if I was a VoIP guy I would hope we never get to it. But we are going to continue to persistently look at the questions and make sure we protect the public policy interests, like E911 and important services like that. But I think as an economic matter, I make no secret of my belief that the burden is on those who would choose to go after it for that purpose and not on those who -- those entrepreneurs who are proving its benefits to the public.

So I think this year we'll work through the VoIP proceeding, but to sum up, I think the benefits are already there and entrepreneurs need very little from us directly on that front.

MR. SACHS: And finally, while still on the subject of VoIP, how do you see it impacting the competitive landscape, the impact on the incumbent Bell Companies existing in our exchange carriers? Obviously, our industry has a large interest in this, but how do you see that playing out?

CHAIRMAN POWELL: I think it's going to be the very, very best and biggest breakthrough in our ambitions and dreams about competition ever. Because just like every other kind of IP application, whether it be e-mail or whatever, you don't have to own a billion dollar network to offer a service. And whenever that's possible, entry is easier and more effective and possible in competition versus needing to get access to tons of switching equipment and the reliability systems that a typical phone company does. If you can packetize and distribute in a web-based way, your costs are phenomenally lower than anyone else's and I think you can come in and compete.

We've seen the emergence just in a year, I would submit, of more entrepreneurial VoIP competitive firms than we've seen traditional competitive local exchange carriers in eight years applying the old model. I just think that the number of them that have actually sprouted is pretty significant.

So if you're a big incumbent, and you enjoy the competitive advantages of being the owner of that kind of infrastructure system, you, in my opinion, ought to be terrified.

You ought to be terrified because we are lowering the barriers in which people can effectively reach consumers and offer them alternatives that look a lot like what you have a massive infrastructure dedicated to providing.

I think if consumers respond to it --- and we'll have to be vigilant about not allowing an incumbent in an anti-competitive way choke off that possibility --- but if we are successful there, I think you're going to see an explosion in competition, the kind we dreamed of in 1996, but have yet to fully realize.

MR. SACHS: Mr. Chairman, as I said in introducing you this morning, one of the real perks of my job is to be able to interact with you and have discussions like this. I'm glad we could have it with 3500 of our friends this morning.

Thank you very much.

CHAIRMAN POWELL: Thank you very much.

- FCC -