

**REMARKS OF FCC COMMISSIONER
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AT THE
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Distinguished guests, thank you for your warm welcome and for the opportunity to address this prestigious and important gathering. I am impressed and so encouraged by the caliber of representation here today, from our entrepreneurial as well as our public sectors. I am also pleased to note the quickening pace of progress between our two countries on high technology matters. Such initiatives as the U.S.-Russia High Technology Agreement and the U.S.-Russia Innovation Council on High Technologies can take our high tech cooperation to new levels, and this assemblage of private and public sector representatives can provide the core for an amazing array of partnerships to make it happen.

I am an ardent advocate—a true believer—in this kind of private-public sector dialogue. Before I became a Commissioner at the FCC, I served as Assistant Secretary of Commerce for Trade Development in the Clinton Administration. My job was to enhance international business opportunities for U.S. companies and to use public-private forums to encourage that result. In that job I had the good fortune to work with Russia more than with any other country, traveling there 16 times. We worked to establish partnerships in energy, chemicals, agribusiness, manufacturing, and, importantly for today's symposium, telecommunications and technology. I like to think we laid at least a few of the foundation stones for the progress you in this audience are presently making.

My role as FCC Commissioner is very different. Now I focus exclusively on telecommunications and technology, rather than that broader range of sectors I just mentioned. And I am part of an independent regulatory Commission that is tasked with establishing and implementing rules under our national telecommunications statutes, rules designed to serve the interests of all our citizens. Rather than advocating for U.S. companies abroad, I work to ensure that the U.S. market provides our consumers, business people and investors with competition and innovation. But another part of my job is to share experiences with regulatory colleagues in other nations and to work with them to encourage the harmonization of telecommunications policies among us.

The perspectives I have gained from these different roles have led me to two observations about technology and government that I think are relevant to this symposium. My focus, of course, is on the telecommunications component of technology. First, telecommunications technologies are important because they are enabling infrastructures. When you have better telecom, it is easier to make progress on a whole host of other important priorities that are often completely outside of the high technology realm. Second, to reap the benefits of this enabling infrastructure and thereby create economic growth, governments must have effective regulatory bodies that spur

investment. This means that a regulator must be independent, transparent, and predictable. Why? Because given the opportunities for business around the world, meaningful capital and investment will only go where these attributes exist.

An Enabling Infrastructure

Let me begin with the idea of telecom technology as an enabling infrastructure. This is a wonderful audience of important decision-makers and policy formulators. The room is filled with people who have great influence in two of the most powerful nations on earth. What you think, say and do makes a difference. You struggle with difficult issues on a wide range of critical matters. Health care, economic development, education, agriculture, energy, transportation, and national security.

With all of these pressing matters, why are so many distinguished men and women gathered here today discussing technology policy? The answer is, I think, that you are here because you understand that the more communications infrastructure improves, the more power you have to find success in all these other sectors. A country with a robust national telecommunications network, with a widespread and diverse television and radio system, with access to the most current and powerful new technologies for all its citizens -- rural or urban, rich or poor -- will find its health care challenges and its economic development and education and agricultural and energy and transportation and national security challenges far easier to address. It's interesting. When I first joined the Clinton Administration's Commerce Department, I was responsible for our basic industries operations, and I believed that energy, chemicals, transportation, automobiles, materials and machinery were what infrastructure is all about. It took me a little while to realize that communications infrastructure is in fact key to progress in all these other important areas. It has become, in fact, the great enabler of every sector. If that was only a dawning realization then, it's more obvious now as we look around and realize how the communications revolution has transformed the way each of us lives, works and plays every day of our lives.

How does this work in the real world? Wireless services can connect your most remote rural health centers to your best urban hospitals. Low cost radio stations can broadcast health care information in local languages. A variety of telecommunications technologies are already making huge contributions to global health. Widespread and state-of-the-art telecommunications facilities will also allow Russian and U.S. entrepreneurs to create new businesses and expand existing enterprises. Lower priced telecom services will attract more direct international investment and entrepreneurship. Schools with access to the Internet will have an almost infinite library to provide children and teachers in even the most remote towns access to the great world of ideas. Agricultural companies will manage their crops more productively and find customers around the globe if they have access to high-tech agricultural and business communications systems. The successful harvesting and marketing of a farmer's crop depends nowadays on the planting not just of seeds, but the planting—or deployment—of broadband, to his farm. Oil and gas companies will increasingly cut production costs by

using telecom to connect their extraction facilities, workers and shipping operations. Airlines, shipping ports, and ground transportation systems will avoid delays, increase safety, enhance productivity and reduce expense by deploying the technologies about which I speak. And our military and police will use advanced radio and satellite technologies to secure our borders and fight crime.

Technology and telecom comprise, then, the foundational enabling infrastructure for whole economies and whole nations. Whatever the challenge, whatever the sector, these technologies can be—must be—powerful tools to solve our problems and expand our success.

Independence, Transparency, and Predictability

Some may ask how I can say all this after the burst of the great telecom bubble. When that bubble burst several years ago, many said it had been based on nothing more than irrational exuberance, and the analysts and pundits plunged into an even more irrational pessimism. Things seem now to be balancing out and the transformative nature of these technologies is being properly understood. So today, in the first years of this new Twenty-first century, I believe we are entering what will be the most productive and rewarding time in all of history for communications—rewarding for business, more importantly rewarding for consumers. Investment in international communications is already coming back. Technology is leap-frogging ahead. I am totally convinced that the communications transformations of the 21st Century are going to make all of the dramatic changes of the past century – and they were dramatic – pale by comparison.

But as the venture capital experts here today know, as investment returns, it won't resemble what it used to be back in the heydays before the bubble burst. Investment now is much more discerning and selective and will become even more so in the years ahead. There is significantly more competition for the investment that is becoming available. And that investment will increasingly flow to countries that have worked to lay the foundation for economic success in advanced telecom technologies.

This brings me to my second observation. To reap the benefits of telecom as an enabling infrastructure, thereby creating economic growth, governments must have effective regulatory bodies that spur the confidence that investors demand. Let me say right here that no country has figured out how exactly to do this. Each of us has some successes; each of us has some failures. No nation—certainly not mine—is in a position to preach. No nation that I know of has yet discovered the road to a smooth transition from the vestiges of monopoly or state-controlled telecommunications to the new world of entrepreneurship and competition. None has discovered the right regulatory mix among converging technologies, some of them new, others of them old, and how to create a level playing field upon which they can compete to bring their services and products to consumers. None has developed a way to deploy broadband to cover truly rural areas. Indeed, when it comes to broadband deployment generally, other nations are eating both our countries' lunches. No country has consumer protection down to a perfect science.

None has developed the interoperability and redundancy that communications systems must have in this era when the threat of terror attack is always with us. And new challenges are coming our way in the Internet era. I have cautioned before that our dynamic and mostly open Internet is not immune from the challenges of restricted access, and the morning newspapers report that such access problems may already be upon us—something else for both of us to deal with. So I always try to go into our discussions – bilateral and multilateral – with a healthy sense of humility, with a sense of how far we still have to go in the U.S., and with enough candor to cite our own shortcomings even as we advise one another on what we should or should not be doing. Having experienced it first-hand in years of dialogue with my Russian friends, I know how much each of us has to learn from the other. That is why forums like this one, and the many other public-private sector forums between our two countries, can help us meet these challenges together in a spirit of mutual cooperation and mutual benefit.

So with that in mind, permit me a few moments to lay out what I see as the four most important attributes of an effective regulatory body that will spur investment and entrepreneurship: (1) independence; (2) transparency; (3) predictability; and (4) the right people. I'll offer just a brief thought or two on each.

First, to be effective and spur investment, a regulator needs to be independent from the companies it regulates and free from direct political pressure. This allows it to put the public interest first and it lets investors know that they will receive a fair shake. Our American telecommunications statute mandates this through the requirement that the Federal Communications Commission be independent from the Administration, from Congress and from communications businesses. Another key part of independence is having adequate funding. Good data, adequate staff and effective mechanisms don't come cheaply these days. Regulators around the world handle this differently. Some self-fund through spectrum auction revenues; others charge low administrative fees to cover expenses; still others receive their money directly from their legislature rather than from their Ministry.

Second, to be effective and spur investment, a regulator must be open and transparent. Where a regulator publishes all of its rules and decisions, opens them for comment from all stakeholders, and everyone knows the rules and the reasons for decisions, the regulator does its job better and investors invest more. So on one level, transparency means clear and openly arrived at decisions and processes that people can understand and count on.

There is another dimension of openness that I would suggest for your consideration. A regulator should make access to decision-making easy. I look for as much input as I can find, wherever I can find it. This input allows me to tap the tremendous technical, business, and legal resources in the telecommunication world to make FCC decisions better. I can't imagine doing my job without the input of the companies we regulate. But—and this is a large “but”—we must also take special care to seek input from consumer groups, the disabilities community, minority and diversity

organizations, and many others. I call these our “non-traditional” stakeholders. They don’t usually have Washington lawyers or lobbying teams, they don’t always know what decisions are being considered at the Commission—but they are the ones who live every day with the consequences—and the costs—of our decisions. They need to be our partners in making decisions. Sometimes regular citizens find it to hard to interact with the FCC, and that is a terrible failing. I try to listen to everyone, taking what advice I find useful, and not taking advice that I think would not serve the public interest. And I always urge our Commission to strive for better outreach to all those affected by the decisions we make.

Third, to be effective and spur investment, a regulator must be predictable. Predictability allows entrepreneurs and investors to manage their risk better. This audience knows better than I do that the ability to quantify and manage risk leads to more investment. The first part of predictability is ensuring that the regulator has clear authority and jurisdiction through its national laws. The legal framework should define the respective roles of, and relationships among, different agencies involved with telecom policy-making and regulation. In my country, we are constantly working to improve, for example, cooperation with state-level telecom regulators, because each of us has an important role to play. The legal framework must also be clear in granting the regulator power over licenses, spectrum, pricing, or whatever other authority is determined to be needed. And it should also give the regulator the power to enforce its rules. This is an important point. Even if a regulator has excellent rules on the books, if it lacks the legal, political, and practical ability to enforce these rules, its rules will not be respected. Predictability is thereby undermined. It is also critical for the law to make clear that, if there is a government-owned telecom company, the regulator’s rules apply to the government-owned company. Good and successful law cannot play favorites.

To promote predictability, legislation should make it clear for all to see that any decision of the regulator can be appealed to the courts. If the regulator’s decisions are not appealable, entrepreneurs and investors will be wary of making a commitment. Parties that have the right to appeal adverse decisions to the courts, and who know how to exercise this right, have the confidence to take risks and to maximize investments.

Fourth and finally, the right people. Where is he going with this, you may be asking yourself? My point is that the people you have working on all this are so critical to the success of the regulatory mission. Developing a professional, independent and always up-to-date professional staff is a never-ending challenge. A few years ago, as I was arriving at the FCC, Chairman Michael Powell realized the need for us to improve the Commission’s engineering knowledge and he launched a successful effort to recruit more engineers. Here, too, we need to learn from one another. The knowledge base coming out of Russia’s institutions of science and learning is of course world-class, as are the men and women coming out of Stanford and many other schools in the United States. Yet governments don’t always have the resources to recruit everyone they need from this world of the best and the brightest, nor can we always offer the incentives necessary to retain them. One such incentive is to keep them current with all the exciting

developments occurring in entrepreneurial companies and in research institutions. Training just has to be an important part of a regulatory body's budget priorities. Another way to facilitate training is to encourage exchanges between us. The FCC is doing an ever-better job to encourage this, although we still have a ways to go and I wish we had more resources available for it. Other groups, like the United States Telecommunications Training Institute, are also doing fine work in this regard. So there is "human infrastructure" to be concerned with, too—and it is as critical to the telecom's sector's success as are fiber optic wires and the newest technology break-throughs.

Conclusion

Getting all this accomplished is, of course, not easy. It is much easier to talk about it than it is to do it. No one, certainly including the United States, has put all this into practice. Just ask the U.S. business men and women in this audience if the FCC has everything right—but wait, please, until I've left town! While none of us have our act totally together, fortunately we can look to one another for ideas on how to achieve independence, transparency and predictability and how to meet the human infrastructure challenges. For my part and my Commission's, we want to exchange ideas with Russia as we work on this in parallel. We want to counsel together, learn together and progress together. We are intensifying our efforts to deepen our global dialogue. My door—our doors—at the FCC are always open to Russian Federation officials and to any of the talented academicians, business people and investors in this room. I welcome any chance to go into more detail with you about our common challenges and strategies for overcoming them—as long as you agree to share your experiences with us!

More than at any time in the history of relations between our two great countries, I think we realize now the common challenges we face in putting the gifts of knowledge and technology to work for the benefit of our citizens and our countries. More than ever, I believe we understand the mutuality of benefit that comes from our continuing commitment to work together in this great endeavor. I look forward to working with all of you to make our hopes reality.

Thank you.