

**REMARKS OF  
COMMISSIONER MICHAEL J. COPPS  
ALASKA TELEPHONE ASSOCIATION WINTER CONFERENCE  
WAIKOLOA, HAWAII  
JANUARY 23, 2007**

Aloha. How wonderfully odd it seems to start with such a greeting to the Alaska Telephone Association. You folks certainly know how to pick a venue and I commend you for being so smart about it. Too many Washingtonians plan their outside inauguration parties in January or their ever-enticing summer conferences in breezy Las Vegas. No, perhaps the only thing better than visiting this paradise island in January is visiting Alaska during summer time. But I've been in politics long enough to let Senators Inouye and Stevens decide which one is better. The bottom line is that wherever I see my Alaska friends, it's always a good place and a good time. From the moment my friend Jim Rowe invited me to speak I've been looking forward to being with you again. I see a lot of old friends in the audience and some new faces, too, and I'm looking forward to our discussion. Let me first take a moment to publicly thank Jim for his leadership of this terrific organization. Jim is one of the savviest, nicest, truly good people I've met since I joined the FCC over five years ago—or met anywhere else, for that matter. I know he serves his members back in Alaska as well as I know he does in Washington, DC and he's someone who's been just plain good for you, for Alaska and for the country.

Before we wade into some of the many issues confronting us, I also want to thank ATA and its members for all the work you do to roll out modern telecommunications to the most rural parts of America. What you do resonates with me even more as we watch some of the really big telecom companies head down the road of spinning off access lines in largely rural states as part of their strategy to exit the “traditional” phone business and to focus more on urban/affluent broadband and wireless services. We had another one of *those* announcements just last week. You know, some folks are pretty good at “talking the talk” about getting their services out to everyone, but when it comes to “walking the walk” and actually making it happen—well, it's not always the same thing. You know what I mean. It's an important reminder that folks can spend a lot of time talking about the importance of bringing broadband to rural areas and the need to prevent rural consumers from falling further behind their urban brethren, but the delivery truck never quite seems to make it. The good news here is that while some of the big guys are closing up shop for greener pastures elsewhere—“elsewhere” being far from anything that looks like a real pasture—*you* are the ones pitching in, staying the course and deploying telecommunications to some of the hardest-to-reach places on earth—and I am talking not just about deploying basic telephone service, but advanced services, too. So while others may grab more headlines and claim the credit for building new networks, the truth is that many of ATA's members have done more to actually deliver advanced telecom to rural areas than anyone else. For that you deserve our thanks and also the ever-attentive ears of policy-makers in Washington. And with Chairman Inouye and Vice-Chairman Stevens sitting where they are, you're batting pretty well on this one!

Rural America is our heartland. I actually went to a high school in a town named Hartland, in Wisconsin, so I always thought I understood a little about rural America. That was until I had a chance to go *really* rural when I visited some Bristol Bay communities unreachable by road but connected nevertheless by the power of the telephone and by the power of the Internet—rural communities with broadband, with bandwidth for education, and with telemedicine bringing the resources of our vast country into the smallest hamlets in your state. Students in one village school had actually used their broadband connection to carry on a conversation, in real time, with the crew of the International Space Station, orbiting far out in the heavens. Imagine the impact that made on those little kids who may never have been 10 miles from home! It seemed almost surreal—but real is what it was.

What a long ways we have come from when some of us were kids. When I compare the communications tools I am using now with that old crank telephone in the general store I used to visit as a kid in the Upper Peninsula of Michigan, it's mind-boggling. But you know what? We ain't seen nothing yet. It's mind-boggling. Several months ago, I participated in a demonstration of Internet 2, a consortium of edge-of-the-envelope companies and leading-edge universities. Sitting in an office in Washington, DC, I actually "drove" a camera exploring the ocean floor in Monterey Bay. That was a voyage of discovery for me in more ways than one. Then they told me to put on some three-dimensional goggles, and I went on to perform long-distance knee surgery on a far-away patient, with my hands guided by specialists in California and Australia. Don't worry, it wasn't a real patient, but it was a totally realistic experience. The Internet 2 folks had earlier been by to tell me how one day not that far away we'll have meetings in our D.C. office attended by folks from around the world—although those folks will be in your office not in the flesh, but in hologram. Imagine that hologram sitting in the next chair and talking with you. How much would that change the worlds of business and diplomacy? And researchers down at my old grad school, UNC, are working to impart the sense of touch to those holograms, so you could reach over for a handshake to seal the deal or give 'em a pat on the back, Washington-style. So I don't think there's any doubt about it—the telecom times are a-changin' and you folks are smack dab in the middle of a revolution that will transform the way we live in just about every facet of our daily lives.

The trick is to make sure we're smart enough to get the job done right. That means asking the right questions, focusing on real, hard facts, and implementing policies in both the private and public sectors that will allow these technology marvels to deliver on their potential. And, importantly, to make sure they deliver as fully and as well for rural America as they do anywhere else. We've got a long way to go to get it done.

With that in mind, I thought I'd spend a few minutes talking about some of the issues we just have to get right if we are to reap the benefits of all this great telecom potential. Three of them—and they're the same three that were up their on my priority list last time we spoke—are (1) homeland security and public safety, (2) universal service and inter-carrier compensation reform, and (3) broadband. I want to talk about what's

happening and what needs to happen on these priorities since we last got together in Homer almost two years ago.

We should always begin with public safety, given the life-altering changes and costs that our dangerous world is always capable of visiting upon us, whether from more murderous terror attacks or the ravages of Mother Nature. I've said this before but I never get tired of repeating it: the safety of the people is always the first obligation of the public servant. We are now over five years since the tragedy of 9/11 and a year and a half since Hurricane Katrina, and we know this: America is not as ready as it could be and should be for the next attack or natural disaster whenever that awful day should come. And make no mistake about it: this is just as important for rural America as any place else. A bioterror attack or some other terror incident is, to me, just as conceivable in a rural town as a major city, and probably a lot easier to pull off. A lot of rural towns, already strapped for resources, wonder how to get prepared. The good news is that we now have the Public Safety and Homeland Security Bureau that could help them—and I again commend my friend and Chairman, Kevin Martin, for making it happen last fall. Our charge now is to make sure this Bureau has the resources to do the work we're all counting on it to do.

Part of what we can do is to act as a clearinghouse for ideas and proposals to address public safety—an idea I suggested early-on. As I travel this great land, I see some cities and towns and service providers doing a lot of work to prepare themselves. But many other towns haven't been able to do that much, often because they don't know where to begin or they lack the money and resources to do the job right. It's hard work, it takes time and it costs money. Well—why not have this new Bureau act as an expediter and convener and facilitator, keeping track of what others are doing so that every carrier and community doesn't have to begin at Square One? Then we could tell a community, "That's been looked at, but here are the problems;" or, "Here's something that might work better for you." Think how much work and money and time—and maybe even lives—this kind of help from the FCC could save.

The new Bureau has started down this road, I am happy to report. But to do it right is going to take a huge commitment. It's going to take some pretty heavy resources—people and money both. The Commission needs to continue to push hard every step of the way; we must keep the public safety/homeland security priority right up on top; and if we need more money I for one would support asking Congress for it in order to ensure that communications works to enhance the safety of all our citizens. Budget times are tough, I know that, but this is homeland security and public safety and the FCC needs to be using its expertise and its ties to get this job done. I never have been able to understand why previous FCC leadership allowed the Commission to be shunted aside in the confused reorganization that followed 9/11. I tried to do something about it then, but to no avail. The nation is still paying a price for what happened.

Let me turn to universal service. It's a logical progression, because a critical component of protecting the safety of the people is making sure we are all connected. It would benefit both homeland security and universal service if more people understood

this tie. My goal as a FCC Commissioner since the day I arrived almost six years ago is to help bring the best, most accessible and cost-effective communications system in the world to our people—and I mean *all* our people. That most certainly includes those who live in rural communities, as well as those who live on tribal and native lands, those who are economically disadvantaged, and those with disabilities. Each and every citizen of this great country should have—and increasingly *requires*—access to the wonders of communications.

Now I'm willing to bet that the big cities and fast-growing suburbs will see exciting new technologies like IPTV. But this raises some questions in my mind. How do we ensure that consumers in the far-reaches of the country also enjoy the benefits of these new technologies? How do we build the infrastructure to deliver all these new services? What a huge challenge! But what a real one, too. You know, we don't hear so much about the digital divide these days. But it hasn't gone away. In fact, I think our country runs the real risk of having a greater urban and rural digital gap in the 21<sup>st</sup> century than we had in the 20<sup>th</sup> century, when our challenge was getting basic phone service out to all our communities and citizens. We can't afford to let that happen. But it *can* happen unless we think and act anew.

So we come back to the principle of universal service. Our crying need is to take that idea of universal service and bring it into the 21<sup>st</sup> century. That means adjusting our policies, recrafting incentives and fine-tuning our thinking so that in this new digital age, no community, no citizen, is left behind by lack of access to advanced telecommunications services. Today, having access to broadband is becoming just as important as access to basic telephony was in the past. Less than three weeks ago, Senator Stevens re-introduced legislation that brings broadband under the universal service umbrella and there have been similar proposals in the House. I am pleased that Congress is going to be considering this critical question. I also believe the time has come for the Commission to consider how to bring broadband into the universal service system, although we sometimes seem to be heading in the opposite direction. I'm not saying everything needs to be supported. But I do think broadband facilities are key to getting everyone in America connected, and I don't believe we can separate the future of broadband from the future of universal service.

To get these lofty concepts right, we're going to have to deal with the less lofty mechanics of universal service. As we all know, contributions to universal service are based on interstate telecommunications service revenues. With the growth of IP services, the expansion of any-distance pricing plans, and new difficulties identifying interstate and intrastate traffic, there are real challenges to the current system. But it *is* fixable.

What should the underlying system be? I continue to find a revenue-based contribution system attractive. It's equitable. And it makes simple sense that those who use the network more contribute more to further the goals of universal service. That being said, I understand the enormous pressures being brought on the revenue-based system. There are proposals out there to move to a numbers system, or to a connections system, or some variant thereof. But before committing to any system I would need to

know the answers to some very tough questions: How would proposed changes impact low volume users? What would be the consequences for rural consumers? Will the mechanism provide specific, predictable and sufficient support for rural America? Will it still help us ensure comparable services at comparable rates? Is it administratively feasible—for consumers who pay and for carriers who collect? And are there ways for Universal Service to be sustained apart from major surgery? There are those who think that a solution lies in this: make sure we have wireless and VoIP trued up right, and we have made progress on that front; include broadband in both the recipient and contribution side of USF; and, through Congress, include intrastate and as well as interstate contributions. We might not have to do anything more than that. Sounds interesting to me and I'd like to get your thoughts on such an approach.

I do know this—the broader the base for universal service assessment, the lower the burden on the consumer and the more stable the fund. So going forward, that's one principle that will guide my thinking. And frankly I think the challenge for you is to get behind a system that enables you to stand up and convincingly say that the proposal is not just good for business, but good for your consumers as well.

As some of you know, I serve on the Federal-State Joint Board on Universal Service. The Board has spent some time, and I expect it will spend some more, on the pros and cons of reverse auctions. Dozens of comments are in, there is no unanimity in those comments and, in fact, the comments raise quite a few questions about how to establish and then implement a reverse auction system, what standards are necessary, how active a FCC role would be required, what do we do about carrier of last resort obligations, and the like. I'm all for examining new ideas but we should not do that at the expense of some of the other issues that have been sitting before the Joint Board for too long. I'm hopeful that the Joint Board will work expeditiously to provide recommendations to the FCC for future action. I would appreciate having your thoughts on this one, too.

It's impossible to talk about universal service without raising the need for reforming Intercarrier Compensation. I've long said the system is Byzantine and broken, although that doesn't require any startling intellectual insight. It cries out to be fixed. But I know that for rural telephone companies, access charges are a truly vital component of cost recovery. They are an important part of your revenue stream. And when it comes to Intercarrier Compensation, one size may not fit all. What works in urban America may not be the fix we need in rural America.

I have said this before, but I'll say it again: I will not vote for an order unless it provides stability for you to undertake investment in your communities. I will not vote for an order unless it allows you to recover the legitimate costs of serving rural America. And I will not vote for an order unless it allows you to plan for the future and modernize your networks, including investment in advanced telecommunications. And, again, a word of caution about solutions as they affect consumers: unless those of us who want to fix it can explain why a particular plan is good for consumers and won't raise their phone bills, any plan will have a really difficult time making it out of the starting blocks.

I also know that so-called “phantom traffic” is a substantial problem facing independent carriers. In the first instance, my preference was to fix this problem as part of comprehensive intercarrier compensation reform. But I recognize that the costs to some of you keep growing and that you cannot wait forever. If we’re not going to move quickly on comprehensive reform, then we should address this problem separately and soon.

One final thought on Universal Service. I am, as some of you know, a true believer in both the E-Rate and Rural Healthcare programs. As part of the Commission’s new rural healthcare pilot program, we are currently receiving applications to fund the construction of state or regional broadband networks and services designed to bring telehealth and telemedicine services into some of our most rural and isolated communities. My hope is that the pilot program will give a real kick-start to the Rural Healthcare program and that we can build upon it to make quality care in the far reaches of the country as easy as it is today to go to the corner store. Also, very importantly, I believe that maintaining the integrity of *all* the component parts of Universal Service is essential if we are going to protect *each* of them from those who would diminish them—and from some who would just as soon pull the plug on the whole program. Maintaining political support for government programs is always a game of addition. Believers in *any* of these programs—High-Cost, E-Rate and Rural Healthcare—ought to be working together to keep them *all* on-the-books and on-the-job.

So, a busy year on this front, too. And we are going to need your help and the benefit of your experience and insight if we are going to successfully navigate these shoals.

A few words about another huge priority—broadband. I think we need to do more and better—we as a country, the FCC as an agency. It’s not just having a goal. The President set out a goal of universal broadband access by 2007. We didn’t make it. Our problem is that as a country we had no *strategy* to realize the goal. You generally can’t achieve a goal without having a strategy, unless dumb good luck smiles on you. And it hasn’t. Your country and mine is probably the only industrialized country on the face of the earth not to have a broadband strategy. Let’s face it—other countries are cleaning our clock—and not just those places where people live in high rises, by the way. The ITU last year developed a new Digital Opportunity Index that ranks how nations are doing in the transition to a digital world. The United States of America ranked twenty-first, right after Estonia and in a dead heat with Slovenia. Your country and mine—the United States of America—21<sup>st</sup>! Can you imagine that? Can you accept that? I can’t. Twenty-one is twenty rungs too low when Asian and European consumers are getting broadband speeds of 25 to 100 megabits per second at a fraction of the cost Americans are paying for much less bandwidth.

For openers, the Commission should be gathering better data and fleshing out real-world options—far more extensively than we do now, so we can make more intelligent decisions. Congress’s investigative arm—the Government Accountability

Office—said as much in a recent report that tried to assess the extent of broadband penetration in rural America. Not surprisingly, the GAO concluded that the FCC’s data “may not provide a highly accurate depiction of local deployment of broadband infrastructures for residential areas, *especially in rural areas*.” We should not be using fuzzy math to guide our thinking as we make critical decisions on how to better incent the deployment of broadband networks to rural communities. The Commission’s mission in the months ahead should be to provide Congress and the Executive Branch with the information and analytical tools they need to formulate a national broadband strategy.

So, as this brief overview shows, there is a lot to do—and I’ve barely scratched the service. Germane to all of it is ensuring *your* continuing ability to provide the kind of high-quality, community-based services that every one in Alaska and the rest of America will need to prosper in the Twenty-first century. To get there, we’ll need your input on all these many issues teed-up at the FCC. We need your experience, your expertise, your good judgment. None of these problems are easy; they are often very complex; and finding the right answers is going to take some very hard work. If they were simple, they would have been resolved long ago. But together, business, government, all the stakeholders—and there are a lot of them, all of whom we need to be talking with—together we can make sure that every American gets to take advantage of the wondrous technologies that await us. It’s a great objective, and I am looking forward to working with you to make it happen.

Thank you very much.