

**Remarks of Commissioner Deborah Taylor Tate
Upon Receiving the Jerry Duvall Public Service Award
Phoenix Center for Advanced Public Policy Studies
November 28, 2007
As Prepared**

Thank you, Larry, for your kind remarks. It is an honor to receive the Jerry Duvall Public Service Award. As most everyone in this room knows, Jerry is a tireless and talented public servant who has served the Federal Communications Commission well for many years, most recently as Chief Economist of the International Bureau. I consider him a model of how one person can make a difference in government.

The previous winners of the Jerry Duvall Public Service Award know something about making a difference in government. As I personally know these previous winners, I can attest to their effectiveness, and I am especially honored to follow in their footsteps.

I also would like to recognize the Phoenix Center for its valuable contribution to advancing sound public policy. The Phoenix Center – Larry Spiwak, Tom Koutsky, George Ford, and my former colleague Connie Hughes – facilitates and contributes to the telecommunications policy debate with quality research, reports, and events such as today’s symposium. The Federal Communications Commission – and Congress – hears you and appreciates your input. You are an important part of the regulatory process.

Since today’s symposium has addressed how to construct a policy framework for the future, I want to talk about the regulatory philosophy that I bring to the table, as well as some specific policy objectives.

Regulatory Philosophy

First, my philosophy. As I look in amazement at the new technologies that come forward every day, as well as the new ways we make use of existing technologies, I am humbled by the awesome power of the human spirit to innovate, create, and improve our lives. Nowhere is this more evident than in telecommunications. From telemedicine to mobile banking, from the use of a cell phone in rural America to place an emergency call for help, to the use of a cell phone in rural China to help poor farmers get the best prices – something I saw when I visited China last year – advances in telecommunications help make us healthier, wealthier, safer, more productive – the benefits are seemingly endless.

As I consider the proper role of regulatory policy in such an innovative world, I am reminded of a simple fact. We will not know – and cannot know – where the market will take us next. And when they try to predict the future, the experts often get it wrong. A generation ago, who would have expected that a device the size of a pack of playing cards could hold more processing capability than the Apollo spacecraft, that this device could be taken almost anywhere, and that it could provide mobile telephony, Internet access, and even television? Today, who knows whether consumers will embrace mobile video? I don't know, but I trust the market, not any one expert in government or industry, to figure it out. It was one of the great leaders in cinema, Harry Warner of Warner Brothers, who famously greeted the end of the silent movies era with the comment, "Who wants to see actors talk?" Probably more than one expert was equally skeptical about building the first camera into a cell phone. Yet today, Nokia – the world's largest mobile phone manufacturer – is also the world's largest camera maker.

We should welcome these advances in technology and changes in the market. They are reminders that, in today's world, change is the only constant. This often means that old technologies get left behind. The Polaroid camera is seldom used, and the silent movie has already faded into history, along with the buggy whip. This is all part of what the economist Joseph Schumpeter called "creative destruction" – destroying entrenched business models and technologies through innovative vehicles to create value, whether in goods or services, for consumers.

It is in the face of such an ever-changing and always-innovating world that I have developed my regulatory philosophy, which calls for, first and foremost, regulatory humility. This is something I have tried to practice, both as a state regulator and now a federal one. I look to and especially encourage the industry to put forward market-based solutions whenever possible. I recognize that most of the consumer benefits we see in the communications sector of the U.S. economy are directly related to the significant levels of competition, and to our deregulatory policies that have encouraged investment and thus fostered that competition.

Of course, I also understand the need for regulation, if and when there is a clear market failure. Such market failure is probably less common in communications markets as compared to other sectors, but we should not assume that it does not exist, and we should acknowledge that market failure may at times occur as new competitors appear, sometimes in most unlikely forms, while others go the way of the silent movie.

At the same time, we should not assume there will not be "government failure," such as when we adopt rules and regulations that we intend and expect will benefit consumers but, in the long run, do not in fact do so. I suppose it may not be a popular

position to take here in Washington, DC, but policymakers, like businesspeople in the market, make mistakes, too. This is partly because we have imperfect information, which is another reason why we need your input. This also underscores why it is so important that the Commission adhere to the APA, maintaining an open and transparent process that allows plenty of time for public participation.

As for policy objectives, in the interest of time, I will list only a few. In each case, I have tried to approach the issue in a manner that is consistent with the regulatory philosophy just described.

Spectrum, DTV, and New Services

One area in which new technologies are particularly exciting is the use of the radio waves, or electromagnetic spectrum. For wireless services, spectrum is a necessary ingredient. If we want new and innovative wireless services, we thus need to make this critical input available, and under the right set of rules. Having just returned from the World Radiocommunication Conference in Geneva, I can tell you that the rules matter. In fact, I never knew how important a simple footnote could be. Our negotiations at the WRC covered rules for spectrum suitable for valuable new mobile services, as well as aeronautical and satellite services, which will have a significant impact on the wireless communications industry for the next decade and beyond.

The good news is that, when it comes to spectrum policy in the U.S., we are headed in the right direction. Last year we assigned licenses for 90 megahertz of spectrum in the Advanced Wireless Services (AWS) auction. This January, we will auction 62 megahertz of the 700 MHz Band, spectrum that some have referred to as

“beachfront” property. The 700 MHz Band is part of the DTV transition, which in total will make 100 megahertz of spectrum available both for consumers – in the form of innovative new services – and public safety providers – in the form of a nationwide broadband network for public safety first responders.

I never give a speech without talking about the benefits of this DTV transition, which, by law, will take place all in one day, February 17, 2009. I applaud the industries that are partnering with all federal entities to provide outreach. For example, the cable industry has pledged \$200 million for a consumer education campaign, and broadcasters have pledged almost \$700 million for a similar effort, which they estimate will generate 98 billion impressions on the DTV transition. All consumers – and this means all of us – can get informed by going to www.dtv.gov.

Broadband

Another issue that is critical to all policymakers, and especially to the FCC, is promoting access to broadband. Connecting to the Internet at broadband speeds means connecting to the world – *literally*. The Internet can, with the click of a mouse, take our children on an educational adventure – to the Louvre or the Library of Congress, on an exploration of the Great Barrier Reef or the Great Wall of China. It can help promote civic participation by adults, increase access to healthcare for families, positively impact worker productivity, even help create virtual employment opportunities.

In the U.S., we have opted for a light regulatory touch for broadband service provided over cable systems, telephone lines, power lines, and wireless platforms, which helps ensure what we refer to as a level playing field – or equality of regulation – among

competing providers, no matter the technology or business model. A light regulatory touch promotes vigorous competition, and last year the number of broadband connections in the U.S. by all these competing providers increased by 61 percent, to 82.5 million lines.

The fastest growing portion of this market is wireless, where our technology-neutral approach to policy has allowed technologies based on CDMA and GSM to compete head-on. The mobile wireless market has produced dramatic results, with wireless providers employing a quarter million people and generating annual industry revenues well over \$100 billion. Most notably from this competition, there are over 240 million mobile subscribers in the U.S. who use over *two trillion* minutes every year. As the competing mobile technologies offer high-speed Internet access with, for example, EDGE and EV-DO, we see the exciting opportunity to offer broadband service to more and more of these 240 million mobile subscribers.

The U.S. has the most broadband connections in the world, and virtually all of our schools have high-speed Internet connections, and have had them for a number of years. At the same time, we can and should improve broadband access to more of our citizens. How to accomplish this is an important policy question, and the Phoenix Center has been especially helpful in addressing this issue. In fact, I took your report on broadband to the Global Forum in Venice last month and shared it with leaders from around the world.

The Phoenix Center's research has aptly pointed out, for example, that international comparisons have their place in any analysis, but they should be done with care. Failure to properly consider differences in household size or population density across countries can confuse rather than enlighten the debate. To illustrate how these

variables matter while putting the issue in terms that are a bit more personal for me, consider South Korea, which has an impressive track record in advancing broadband deployment. While South Korea is about the same size as my home state of Tennessee in terms of geography, it is much larger in terms of population. In fact, in order to equal the population of South Korea, Tennessee would need to add a few people to its current population, roughly everyone in the nearby states of Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, and Kentucky. A high population density tends to make a market more attractive to providers, as residents of Manhattan will quickly attest. Nonetheless, the bottom line is that broadband should do as much to promote jobs in Memphis as it does to promote jobs in Manhattan.

Public/Private Partnerships

Less-populated states and regions should not be left off the Information Super Highway, and thanks to some innovative thinking, it looks like they won't be. In this regard, I especially want to highlight public/private partnerships, such as "Connected Nation," a non-profit group that coordinates governments, communities, businesses, and service providers to identify supply and demand conditions and tailor services to unmet needs. Through GIS mapping of areas without access to broadband, Connected Nation outlines a "business case" scenario, identifies barriers to consumer adoption, and helps develop plans to build out broadband services. In the State of Kentucky, which has almost half of its population living in rural areas, a local public/private partnership, "Connect Kentucky," envisions 100 percent broadband coverage of the entire state by the end of this year. My home state of Tennessee recently launched "Connect Tennessee,"

and there are other examples where cities, local mayors, communities and neighborhoods are leading efforts to attract broadband providers rather than waiting on a government program or government subsidies. This is truly what democratization of the Internet means. Most public policy issues are never solved entirely by the government. That is why I generally believe in market-based solutions and in creative approaches, such as public/private partnerships, which converge at the intersection of technology, consumer needs, and proven business models – all of which is “in the public interest.”

Online Safety

I could not leave today without addressing an issue that is particularly important to me. As we work to deploy broadband and access to the Internet to every family in America, and as these families enjoy the educational and social benefits that this access provides, we also must recognize and educate our citizens regarding the potential dangers of the Internet to our children. Just as the Internet can transport our children anywhere in the world in a mouse click, so can it take them to the back alleys of abuse and sexual exploitation. In fact, one in seven youth between the ages of 10 and 17 in the U.S. has been sexually solicited online. Parents need to be just as aware of the dangers in their online world as they are in their offline one.

I am pleased that, here in the U.S., many companies have made important strides to help in this effort, including starting education and outreach campaigns to teach parents about the tools that are available to protect their kids online. Cox Cable hosted a “teen summit” with Miss America to reach teens by video. The Entertainment Software Association recently hosted a Congressional forum on Capitol Hill, and nonprofit groups

such as Common Sense Media have partnered with Internet service providers to offer ratings systems and blocking tools. To reach young children, the I Keep Safe Coalition has developed animated programs and a mascot to teach online safety. The National Center for Missing and Exploited Children also has developed a variety of resources for both parents and kids, such as NetSmartz, an award-winning interactive educational program. And now that wireless devices are being marketed to children as young as six, I have encouraged the wireless industry to be part of the solution as well. I have been working with many companies and associations regarding particular solutions to this critical issue. I also urge every parent to get involved and get educated.

While I have been and will continue to be very passionate in urging companies to help protect our children, I also want to be clear. This is not about censorship. It is about illegal activities online – child solicitation and worse – that are clearly criminal. We as policymakers, along with law enforcement officials, have addressed issues that have already arisen in cyberspace, such as financial fraud and identity theft. Now we must begin applying this expertise to child health, child safety, and child protection.

Universal Service

Finally, since you are recognizing my efforts on universal service, I would like to say a few words about this important issue. As you know, this discussion is timely, as the Joint Board's Recommended Decision has just been released. I would like to take this opportunity to recognize all of the Joint Board members for their commitment to the in-depth study of the complex issues related to universal service and to making decisions in the public interest.

As a commissioner, I have been clear about my commitment to the key tenets of universal service: to promote the availability of quality services at just, reasonable and affordable rates, to increase access to advanced telecommunications services throughout the Nation, and to advance the availability of such services to all consumers in the U.S., no matter where they live. We also must recognize the need for fundamental reform of the Universal Service Fund, especially as this relates to the provision of services in high-cost areas.

Like many of you, I have seen and experienced firsthand the opportunities provided by universal service in very rural areas. I remember the day the telephone wire was rolled up a gravel road to my grandmother's house in rural Tennessee – likely an impossibility without a universal service program. At the same time, in my roles at the Commission and on the Joint Board, I have a fiduciary responsibility to preserve and advance the Universal Service Fund to best serve the public interest.

Our Recommended Decision is a common sense, practical, first step toward more fully implementing universal service reform. Nonetheless, some of the Joint Board's recommendations raise questions that need to be addressed in more depth. I especially question whether it is prudent to create three new government-administered funds instead of reforming the existing high-cost fund. Like most citizens, I know that when government starts creating new funds, more often than not it ends up impacting their pocketbooks. We must not forget that it is the consumer who ultimately pays universal service contributions, and thus any increase in the size of the Universal Service Fund will raise the burden on consumers.

In closing, I want to again thank the Phoenix Center for this recognition and for its good work. Mostly I want to encourage you, and all those who care about the quality of our public policy, to stay engaged in these kinds of debates. What you do matters. We need leading-edge thinking to keep up with leading-edge innovation in technology. Not because we need a new regulation for every new technology, but precisely because we need to know what the appropriate policy framework should be in this dynamic world. With your help, we can create a policy framework that provides effective incentives for the investment and competition that ultimately benefit consumers. I look forward to continuing this effort with all of you.