

**Prepared Remarks of Chairman Julius Genachowski
Federal Communications Commission**

47th Annual OPASTCO Summer Convention and Trade Show

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Thank you, Catherine Moyer, for that introduction. And thank you, John Rose, for inviting me to be here.

It's great to be in Seattle. With the summer we've had back east, it's nice to be in Washington state – and not DC – for even a day.

It's even better to be with all of you.

The FCC was founded on the principle that communications services should be available to **all** Americans.

You work to deliver on this promise to the American people.

You have brought vital communications services to millions of rural Americans who would otherwise have been bypassed, and you have gone a long way to extend broadband to your communities.

I want you to know how much I appreciate what you do to make universal service a reality.

Our shared mission of delivering modern communications to rural America has never been more vital.

Our country is still working its way out of the worst economic downturn since the Great Depression.

A vibrant U.S. economy requires a vibrant rural economy.

Roughly 50 million Americans live in rural areas of the country. If we want the United States to be the world's leading market for the innovative new products and services that drive economic growth and job creation, we need rural Americans to be full participants in our economy.

America needs a vibrant rural economy.

And a vibrant rural economy requires universal broadband.

Broadband is the indispensable infrastructure of the digital age – powering everything from our personal devices to the global economy.

It is our 21st century platform for economic opportunity. Multiple studies tell us the same thing: higher broadband adoption equals more jobs.

Broadband's power to conquer distance and open new markets is particularly important to our rural economy.

With broadband, an entrepreneur in a small town doesn't need to move to a big city to find a market for his or her goods or services.

Broadband can help new businesses start and small businesses grow, regardless of location.

In rural areas with broadband, the digital seeds of opportunity are sprouting.

Look at Ulysses, Kansas, a town of 6,500 people in the southwest corner of the state, where broadband is widespread thanks to the efforts of the local carrier.

Large oil and gas production companies, which create and sustain a large number of jobs in the area, are utilizing broadband to manage their networks.

Grant County Bank has digitized its systems, improving the reliability of its operations and the availability of capital to local businesses.

Local farmers are using broadband to manage their irrigation systems, and local ranchers are selling their livestock in online auctions.

These stories confirm what I've seen in my own travels.

I met a farmer in Pennsylvania who grew up thinking computers and connectivity had no relevance to him. He now thinks farmers can't live without broadband – can't succeed without real-time access to weather, commodity pricing, and agricultural information.

Broadband not only gives businesses a chance to grow and thrive in rural America, broadband is essential to addressing health care, education, and other national challenges in 21st century America.

With broadband, patients in the most isolated parts of America can receive care from the very best specialists thousands of miles away.

Patients don't have to travel long distances to receive diabetes counseling, for example, or even chemotherapy, making them more likely to keep appointments and complete treatments.

With broadband, any school library can become a portal to more information than the Library of Congress. Outdated textbooks can be replaced by e-readers and ever-updating digital tools.

Distance learning, distance tutoring can help prepare our children for a 21st century economy and democracy, wherever they live.

In the 20th century, government worked with the private sector to bring electricity and then telephone service to America's countryside, and it transformed rural America.

Broadband holds similar potential to bring new waves of opportunity and prosperity in the 21st century.

Unfortunately, we are not where we need to be when it comes to broadband in rural America.

Only half of rural Americans have adopted broadband, compared to a 65% adoption rate for the nation.

We estimate that broadband with actual speeds of at least 4 megabits per second downstream isn't available at all in more than one out of three U.S. counties – almost all of them rural.

Just last week, the FCC issued a report finding that up to 24 million Americans – again, mostly in rural areas – do not have access to robust broadband.

The different reactions to this report were telling. Some saw that high-speed broadband was available to a very large percentage of Americans, and said everything is fine. Nothing more to do. Mission accomplished.

I disagree.

When up to 24 million Americans don't have access to a communications technology that is essential to participation in our 21st century economy and democracy, I say that is unacceptable.

To close these gaps, to bring high-speed Internet and its benefits to all Americans, to lead the world in broadband – we developed the National Broadband Plan.

One of the core pillars of National Broadband Plan is reform of the Universal Service Fund for the 21st century.

USF has been a success story.

This public-private partnership has brought affordable telephone service to all reaches of our country, strengthening communities and our economy.

The central role of rural telecommunications companies in this success story deserves our recognition and respect.

But maintaining the status quo for USF and intercarrier compensation is not an option.

Since its establishment, the technological and competitive landscape has changed dramatically, putting pressure on rural carriers and on the Universal Service Fund.

Access lines and voice minutes of use are declining, in some cases dramatically.

Many rural carriers are seeing competition in their cities and towns, yet still have an obligation to serve high-cost customers living outside the city or town where others don't provide service.

We've seen the development of a rural-rural divide, in part due to USF's uneven distribution of subsidies to different carriers serving rural America.

Meanwhile, the burden on USF – and on the consumers who ultimately pay into the fund – continues to rise.

USF and intercarrier comp are on an unsustainable path.

I agree with Representatives Rick Boucher and Lee Terry, two strong and leading members of Congress from rural districts, Democrat and Republican, who said last week in introducing USF reform legislation – and I quote – “The Universal Service Fund is broken.”

As the math of the overall Universal Service Fund gets worse each year, the importance of broadband to rural America gets greater.

There is a clear need to reform USF – not to end it, but to reorient USF to directly support broadband all over America.

There is unanimous agreement on this at the FCC. In March, all five commissioners adopted a joint statement stating, “The Universal Service Fund and the intercarrier compensation system should be comprehensively reformed to increase accountability and efficiency and encourage targeted investment in broadband infrastructure.”

Of course, there are many hard issues we will need to work through to modernize USF. I recognize that.

But let's not kick the ball down the road. Let's focus on principles, let's focus on facts, let's work together to reform USF, and provide clarity for the path forward.

Let me lay out five core principles of USF reform:

One, universal service policies must be based on the future, not the past. Technology is changing. The market is changing. The opportunities and challenges are changing. Our policies must reflect these changes.

Two, the Universal Service Fund must deliver universal broadband. Not only must we reorient USF to support broadband deployment directly, but we must do so in a way that maximizes the number of households served by broadband.

Three, no flash cuts. New rules should be phased in over a reasonable time period to give service providers and investors time to adjust to a new regulatory regime. Not forever, but not in an instant.

Four, fiscal responsibility. USF funds are finite. They must deliver the most bang for the buck, and they must not unfairly burden consumers.

Five, the reform process must be transparent, fact-based and data-driven. Let's have all the numbers on the table, and let's have smart economics guide the best path forward.

While being clear about principles, I also want to be clear about what the National Broadband Plan proposed – and what it didn't.

During the extensive public input period for the Broadband Plan, a number of strong voices proposed that we significantly reduce the size of the Universal Service Fund. They continue to do so. The Broadband Plan rejects that idea.

The Broadband Plan also rejects the concept of flash cuts, and instead proposes a sensible, 10-year transition plan.

More specifically, the Plan proposes the creation of a new Connect America Fund to distribute broadband funding to high-cost areas. Over time, the Connect America Fund would replace USF's existing high-cost program.

The Plan does not propose eliminating or reducing USF. It proposes broadening and refocusing its mission.

And any reductions in the existing USF would be coordinated with increased funding through the new Connect America Fund.

The Plan recognizes the need to maintain broadband where it already exists; the new Connect America Fund would support both new deployment *and* existing broadband networks in high-cost areas.

The Plan acknowledges the need to replace lost intercarrier compensation revenues – in part through Connect America Fund support. Of course, to do this, we need data from you.

The Plan concludes that in areas where universal service funding is needed to make broadband service economically viable, USF shouldn't support multiple competitors; it should support a single provider.

The Plan proposes that the initial download speed for broadband funding be 4 megabits.

Let me pause on that for a minute, because some of have argued that the American public should fund speeds greater than that. In arguing for increased public funding, they have pointed to the Broadband Plan's 2020 national goal of 100 megabits.

What are the facts about these different numbers in the National Broadband Plan?

100 megabits is a stretch goal for the year 2020. We want to achieve it everywhere in the United States.

Four megabits is an initial level for minimum service that would apply to funding now, and it is designed to increase over time.

Four megabits actual speed—which translates to a typical advertised speed of 8 megabits per second—would be a 20-fold increase over the FCC’s old 200 kilobit definition for broadband.

Most other nations haven’t even set a universal service speed standard, and almost all who have set targets of 2 megabits or lower.

Some argue that the universal service fund should support more than 4 megabits. We listen to those arguments because we want robust broadband in rural America. Those who support more than 4 megabits must answer some basic questions: how much is it going to cost, and who is going to pay for it?

The Broadband Plan projects that a universal speed funding level of 100 megabits for every U.S. household would require \$320 billion in additional USF support, which could translate into a 7-fold increase in a consumer’s contribution to the universal service fund.

The \$320 billion number comes from a detailed, comprehensive, and independent national cost analysis. Even with different assumptions, there’s no dispute that we’d be looking at massive and unprecedented new funding requirements, and significant increases in the required contributions to the fund.

We can’t do that.

In addition to the fiscal burden it would imply, it would run counter to the very purpose of the USF – it would drive people around the country off the network, including disproportionately the neediest Americans in both rural and urban America.

Are there steps that can be taken to speed USF’s transition to broadband? Yes. The Broadband Plan describes a targeted one-time appropriation – a capital infusion into the universal service fund – to accelerate broadband deployment in rural America.

I look forward to working with Congress and OPASTCO on that possibility to meet our common challenge, and on other ideas to modernize USF consistent with the principles I’ve described.

I can tell you that Commission staff is hard at work reviewing the extensive filings that OPASTCO and many rural telephone companies have made in response to the USF reform proceeding we opened a few months ago.

We look forward to continuing to engage with you on reform of the high-cost fund, as well as on the other initiatives of the Broadband Plan that offer real promise and opportunity for rural consumers and small rural carriers.

The Plan recommends transforming the rural health care pilot program into a permanent program with the goal of connecting all rural health care providers to broadband and delivering increased support for broadband services. Earlier this month, the Commission voted unanimously to move forward on this initiative, which was informed by many suggestions we received by

representatives of small carriers, and which promises to spur investment and bring real benefits to rural America.

The Plan recommends updating the successful E-rate program, which has already opened a world of learning opportunities for children around the country, and the Commission launched a rulemaking in May to move forward on potential reforms.

The Plan recommends that federal and state policies facilitate demand aggregation, generating more revenue to cover fixed costs and helping drive down middle-mile costs.

The Plan includes a number of recommendations aimed at increasing broadband adoption and utilization by individuals – for the same reasons – such as creating a National Digital Literacy Corps.

And the Plan includes recommendations focused on expanding broadband use by small businesses, the job-creation engine of our economy, including enhancing SBA and Economic Development Administration programs that bolster the development and success of entrepreneurs everywhere.

In all of these areas, many of your companies are doing great things, and I encourage you to do as much as you can to drive adoption and usage, telehealth and education, and small businesses.

In closing, there is no shortage of opportunities, as well as challenges; and many hard issues to work through in the weeks ahead.

It won't be easy. Change never is. It requires hard work, an open mind, and a focus on data by the Commission. And it requires hard work, an open mind, and willingness to supply meaningful data by you. But the status quo isn't an option in this rapidly changing world.

I'm committed to working with you to find solutions and common ground. I believe we can, because I believe we want the same thing:

- To bring economic opportunity to every American.
- To bring a world of learning to every American.
- To bring the promise of modern health technology to every American.
- To bring robust broadband to every American.

I appreciate the invitation to be here with you today.

Thank you.