

**REMARKS OF
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RURAL TELECOM INDUSTRY MEETING & EXPO
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Thank you, Shirley Bloomfield, for your kind introduction. Thank you also to the National Telecommunications Cooperative Association and the Organization for the Promotion and Advancement of Small Telecommunications Companies for inviting me to join you today in Orlando.

I am excited to be here at the first Rural Telecom Industry Meeting & EXPO. When you heard the Super Bowl MVP say last night that he would be going to Disneyworld, you may have gotten your hopes up—but, alas, instead you've got me.

As Shirley mentioned, I'm relatively new to this job. But I am not new to the issues facing rural carriers. I saw them when I worked up on Capitol Hill, down in the trenches at the Commission, and in the private sector. In fact, I've been around these issues long enough to know that as the owners, operators, and employees of the nation's rural telecommunications companies, you are not afraid of a challenge.

Rural carriers serve less than five percent of the nation's access lines, but their service areas cover more than 40 percent of the nation's land mass. Many of you operate on tough terrain. You provide service in difficult weather. You work under real financial constraints. Every day you keep people connected despite these challenges. It's no easy feat.

I know. Because in my early days as a Commissioner, I made it a priority to get out of Washington and see communications in far corners of the country. In Alaska, at a school in a village 30 miles north of the Arctic Circle, I saw how Internet connectivity is remaking education, connecting students to learning opportunities world-wide. In a nearby village, I met a college graduate able to return home and start an online business selling local products. In Vermont, I saw how some of our most rural communities have the nation's most advanced systems for 911 calls. And in California I learned how telemedicine can bring improved healthcare to the state's rural communities—if they have the facilities and bandwidth necessary to provide service.

So I know that your efforts have already brought communications to some of America's hardest-to-reach communities. In doing so, you have created new opportunities for jobs, education, healthcare, and social and civic engagement. This is a great achievement—one you can be proud of.

But there is no rest for the weary. Laurels are not, in fact, good resting locales. Because communications markets are changing at a breathtaking pace. Time marches on, technology advances, and there is work to do every day to make sure that our rural communities are not left behind.

It's a good thing that you are not afraid of a challenge—and neither am I. Because the issues before the Commission are challenging and your voice is essential.

So today I want to start with two big things that I expect will occupy the Commission this year—spectrum incentive auctions and the transition to Internet Protocol technology. Then I want to follow up by talking more explicitly about something close to home and your hearts—the nature of universal service.

First up, incentive auctions.

It is no secret that the demands on our airwaves are growing. Look around and the reasons why are obvious. We are now a nation with more wireless phones than people. Add to this that one in five households now has a tablet computer. But this is only the tip of the proverbial iceberg. Because what is emerging is a whole new world of 50 billion wirelessly interconnected devices—the coming Internet of Things.

This means we are facing a seismic shift in the demand for our airwaves. To understand how we will manage this challenge going forward, it is useful to briefly look back.

For nearly two decades, the Commission has led the world with its commercial spectrum auctions. We have held more than 80 auctions, issued more than 36,000 licenses, and raised more than \$50 billion for the United States Treasury. Our efforts are a model for wireless providers and governments around the globe.

Going forward we have a new kind of spectrum auction on the not-too-distant horizon. Courtesy of Congress and the Middle Class Tax Relief and Job Creation Act, the Commission now has the ability to conduct spectrum incentive auctions. This is different. How? We are now permitted to provide incentives to existing spectrum licensees to *voluntarily* return some or all of their airwaves in exchange for a portion of the revenue from the subsequent re-auction of those airwaves for new commercial uses.

This is a smart way to make efficient use of spectrum, which is a limited government resource. And this is instructive. Because across the board in communications we are going to have to look for new and creative ways to make use of scarce government resources.

But make no mistake, these auctions are an epic undertaking. They will require a special brew of economics, law, and engineering. Our rulemaking process is just underway. It will consume a lot of energy to do this well—and do this right.

It also will require a lot of good ideas from anyone and everyone with interest in spectrum. I know many of you provide wireless services to your customers. I know those of you who do not may be considering how to do so. The 600 MHz spectrum that will be available through this auction is well-suited for rural applications. It has great propagation characteristics because it can cover vast distances with limited tower construction. So I encourage you to give us your best ideas and help us develop the best incentive auction policies possible.

Next, I want to talk about what Washington calls the IP transition. Today we have the public switched telephone network and an emerging IP ecosystem. They coexist. They are jointly responsible for carrying our communications.

But the movement from Time Division Multiplexing to IP platforms is no mystery to you. You know that we are in transitional times. You see it at home and across the country. The number of circuit-switched lines is declining, the number of VoIP subscriptions is growing, and one in three households has cut the cord entirely, with their wireless phone their only phone. The ways consumers choose to connect are growing more diverse, and so are the networks over which our conversations and content travel.

So in a transitional time, how do we apply the law? How do we approach regulation so that we inspire investment in the technologies that will carry us to the future? And how do we do it so that consumers everywhere—including in rural America—have access to the full range of opportunity that comes with that investment?

Big questions. They are squarely before the agency right now. We have a Technology Transitions Task Force that will look broadly at these issues. We have a Technological Advisory Committee assessing the state of the public switched telephone network. We have two petitions before us that urge the agency to consider the TDM to IP transition. And we have similar interest from our state counterparts, who through the National Association of Regulatory Utility Commissioners have assembled a group to consider federalism, telecommunications, and the role of the states. We are all wrestling with applying the laws of the present to the networks of the future, and we must make choices that inspire confidence and private investment in our nation's infrastructure.

To this end, it is important that we do not get lost in legal minutia. The evolution of our communications networks is not simply a set of arcane legal issues before the agency. It is what you work with every day. It is about the essential infrastructure of communications in the digital age.

In Washington, we will undermine digital age investment if we are not clear. So as we develop a framework for the IP transition, let me be clear. I believe four fundamental criteria—grounded in the law—should guide us.

First, public safety is paramount. In the very first sentence of the Communications Act, Congress instructed the Commission to make available, “to all the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide radio and communication service” in order to promote the “safety of life and property.” In light of this directive, any technological or network transition must, first and foremost, be judged by its ultimate impact on public safety and network resiliency.

As I mentioned just a minute ago, consumers are migrating to wireless and IP services. That means that they are choosing to go without the independent electrical source that traditionally powered copper plant. Our new wireless and IP technologies are dependent on

commercial power. When that goes out, so do connections. But I think that when consumers switch to new networks, they should not have to sacrifice safety in the process.

So as I have said before, it is time for an honest conversation about network reliability in the wireless and digital age. It is time to ask hard questions about back-up power, and how to make sure our networks are more dependable when we need them most. We also need to make sure that consumers understand the benefits—and limitations—of new technologies when they reach out for emergency assistance.

On the East Coast, Hurricane Sandy demonstrated this need with painful clarity. But it does not matter where you live. Mother Nature's wrath knows no borders. So we must make sure our networks everywhere help keep us strong, connected, and safe.

Second, universal access is essential. No matter who you are or where you live, prosperity in the 21st century will require access to broadband services. The Commission's ongoing efforts to promote broadband deployment and adoption are built on this simple truth.

But as we transition to new technologies, we must ensure that no American is left behind. At least ten states have enacted legislation to relieve carrier of last resort obligations. We must understand what this means. We need to understand how it impacts rural service and rural consumers. Because as a matter of public policy, we must make sure that modern communications are available in urban America, rural America, and everything in between.

Third, competitive markets are fundamental. They inspire private sector investment and innovation. But we cannot forget a key element of the Telecommunications Act that has made our patchwork of competitive telecommunications networks work seamlessly: interconnection. So we must monitor IP interconnection and ensure that network providers negotiate in good faith.

Fourth and finally, consumer protection is always in the public interest. In a transitional world, consumers rely on both old and new technologies. We need to help consumers understand what different technologies offer and help them make good choices.

Over the long haul, as we assess changes in the public switched telephone network, I think these four principles—public safety, universal access, competition, and consumer protection—are good guideposts. I think we can work within this framework and promote confidence in network investment. But the conversation in Washington about IP network transition is only getting started. So I want to issue you an invitation—to get involved.

Finally, I want to talk about universal service.

Universal service is cherished in communications. After all, it was back in 1934 when Congress first directed the Commission to make “communication by wire and radio” available, “so far as possible, to all the people of the United States.” And it was Congress who expanded on this notion by adding new principles to guide universal service policy in 1996. As a result, today, the duty to preserve and advance universal service is the law of the land.

Technology changes, but these basic legal principles have not. So how do we preserve and advance universal service in a transitional time? When the networks of old have multiplied, when the ways of reaching out feel infinite, how do we honor this cherished social contract?

These are also big questions. So let me start with the Commission's effort about a year ago to update its high-cost universal service and intercarrier compensation system. It was historic. Though it predated my arrival at the agency, I commend my colleagues for this effort. They refocused the fund from last century's technology on to the broadband and wireless communications challenges of this century. They put it on a budget. And they increased accountability throughout.

But as I've said before, I worry that our reforms to the high-cost universal service system are extremely complex. I fear that this complexity can deny rural carriers dependent on them the certainty they need to confidently invest in their network infrastructure. So when opportunities arise to simplify our rules in a manner that is fiscally sound, good for rural consumers and bound to inspire investment—we should seize them. Our policies must inspire confidence to invest in broadband and wireless infrastructure, now, and as we develop the next phase of reform in the Connect America Fund and Mobility Fund in the future.

On this front, I have good news to report. Some time back, I recommended adjustments to the universal service reforms for rural carriers the Commission put in place last year. Specifically, I called for combining the two separate capital and operating expense benchmarks into one benchmark to simplify the regression analysis and provide carriers with flexibility to meet our new limits. In addition, I said we should take a hard look at keeping these benchmarks in place for a longer period of time, instead of resetting them annually. I think these kind of adjustments will help ensure a more “predictable” and “sufficient” system—one that provides carriers with more confidence to invest in broadband infrastructure. So I commend the Chairman and my colleagues for approving an order last week that puts these changes in place. It will be released soon and you will get the opportunity to judge for yourself.

Now that I've told you about the upcoming universal service benchmark decision, let me tell you about one more universal service rulemaking we have on deck. It involves rural call completion.

For some time, rural carriers have been complaining about dropped calls, missed calls, and connections that fail. This is a problem. After all, failure to complete calls to your subscribers can cut families of from relatives in rural areas, lead rural businesses to lose customers, and create dangerous delays for public safety communications.

For some time, you have raised your voices to complain. You surveyed your community and found that 80 percent of you have experienced some problem with rural call completion. You suspected something wrong was going on. We have investigated. You are right.

So let me report some more good news. Very shortly the Commission will release a thoughtful rulemaking addressing this problem. It proposes new record-keeping requirements.

This means that when calls fail or quality is degraded in rural areas, the Commission will have the data necessary to go after bad actors, vigorously enforce its rules, and bring an end to this problem. I support it, and encourage you to take a look when it is released very soon.

So there you have it. In a place where the talk is typically about a magical kingdom and a cartoon mouse, I have loaded you down with the real-world challenges of communications policy. Early in the morning, no less. Now these issues may not be easy, but they are important. Because how the Commission proceeds with spectrum policy affects communications in rural America. Because how the Commission grapples with applying its rules to new IP platforms affects communications in rural America. Because how the Commission wrestles with the challenges of universal service in a transitional time affects communications in rural America. Because these issues are too important to leave only to those of us in Washington.

So speak up, get involved, and be a part of making sure that communications opportunities in the digital age are available everywhere. I think together we can do great things. My office is open and I welcome your input.

Thank you.