

**REMARKS OF COMMISSIONER AJIT PAI
BEFORE THE NTCA 2013 LEGISLATIVE AND POLICY CONFERENCE**

April 22, 2013

Good morning, and thank you for giving me this opportunity to address NTCA—The Rural Broadband Association. Shirley, you've been a terrific advocate for rural America, and you've got a great team working with you. Less than two months ago, NTCA and OPASTCO joined forces so that rural telephone companies would have a unified voice in Washington. That voice is being heard, and I'm excited to be at the combined organization's first legislative and policy conference. Of course, I'm even more excited that the FCC didn't have to approve your merger, and I'm sure that you're grateful for that as well.

It's great to look around and see many familiar faces. But for those who don't know me: Hello, my name is Ajit, and I'm a rural American.

And when I say rural, I mean rural. I grew up on the outskirts of Parsons, a town of about 10,000 people in the southeast corner of Kansas. Our address was "Rural Route 4." Period. Now, I must admit that when I was growing up, Parsons didn't feel small. Neighboring towns like Oswego, Altamont, and Cherryvale—*those* were the small towns. But Parsons is no Wichita, Topeka, or Kansas City. And when it comes to communications, my childhood in Parsons taught me that rural America is different.

When I was growing up, for example, my family did not have cable television, and very few broadcast channels reached our house. We eventually got a big satellite dish installed in our back yard. It was 10 feet wide and 10 feet tall. With the dish, we could watch non-broadcast programming if we typed the channel coordinates into a set-top box and waited a minute or two for the satellite to reposition itself. It wasn't until years later that I learned that my friends who grew up in the big cities had, let's say, a very different experience.

So when I confront a rural issue, whether it is about call completion or universal service or outdated regulations, it isn't just an abstraction to me. I know that the decisions that we make in Washington, DC have a real impact—on my parents, on my friends, and on my one-time neighbors. I know how difficult it is to deploy communications infrastructure to rural America, and yet I also know how important it is.

The Communications Act of 1934 is not perfect, but it does make a promise in its very first sentence: Congress created the Federal Communications Commission to "make available, so far as possible, to *all* the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."

We at the FCC need to take this promise seriously. And I've done my best over the last eleven months to do just that. In my first week on the job, for example, I met with Shirley and Mike Romano, and they shared with me their concerns about the Commission's quantile regression analysis or QRA. Now, I'll confess that I didn't know as much about the QRA back then as I do now. But my staff and I carefully studied the issue early last summer and concluded that major changes needed to be made.

After sharing my own concerns publicly and working with my colleagues at the FCC, I'm pleased that we were able to implement some reforms to the QRA earlier this year in a decision with the punchy nickname of the "*Sixth Recon Order*." In particular, we addressed one of the biggest problems with the QRA by combining the capital expenditure and operating expenditure benchmarks into a single benchmark. But if you've read my statement on the *Sixth Recon Order*—an exciting read if ever there was one, let me tell you—you know that I think we still have much more to do.

That's because the QRA benchmarks as implemented today still "have issues," as the kids might say. For one thing, the 2013 benchmarks penalize rural carriers today for decisions made back in 2011,

before the FCC even adopted the benchmarks. For another, the benchmarks aren't linked to the costs of serving an area. Alaskan carriers, for example, have lower benchmarks just because they serve Alaska. For yet another, the benchmarks are based on flawed maps and bad data.

However, the biggest problem to me is the unpredictability of the benchmarks going forward. Next year's model won't be the same as today's. And unless the Wireline Competition Bureau decides otherwise, the QRA benchmarks will change each and every year. So even though these benchmarks are designed to affect only ten percent of rural carriers, no carrier is safe. If you want to serve your customers with new investment, you'd better make sure that it doesn't push you over the line. If you think counting your own pennies will be enough, think again, because your benchmarks are based on what others do. By design, the QRA benchmarks create a race to the bottom.

Perhaps that's why the Rural Utilities Service has told the FCC that carriers aren't taking out loans to deploy more broadband. Perhaps that's why we hear from rural carriers and associations, again and again, that investment is not just chilled, but on ice. So at the end of the day, here is where we find ourselves: We are spending the same amount of money as before on high-cost loop support but seeing less broadband deployment. In other words, we are getting less bang for the buck.

But not all is lost. There will be an entirely new model next year for the QRA benchmarks. This means that rural carriers will have a fresh chance to make their voices heard at the Commission. Come talk to us. Remind us that investing in rural America is not a one- or two-year investment but a ten- or twenty-year commitment. I hope we'll see that it's possible to be fiscally responsible *and* to fulfill the statutory goal of a "predictable" universal service system.

One last thing. Much of the FCC's recent work when it comes to rate-of-return carriers has been focused on reforming the old universal service funds. But those funds still support only telephone service, not the high-speed broadband service that Americans increasingly need and want. It's time for the Commission to start moving forward with a Connect America Fund for rate-of-return carriers. This step would recognize that line loss in rural America is real and that direct support for broadband-capable facilities, within the budget established by the *USF Transformation Order*, is critical.

Now, having the right infrastructure in place to provide universal service is important. But if calls placed to rural America never reach the people who rely on that infrastructure, then service is not truly universal. That, of course, brings us to the issue of rural call completion. Two years ago, rural associations gave us evidence that calls to rural areas were being blocked, lost, and degraded. In June 2011, they shared more than 10,000 complaints from consumers about call completion problems, with a dramatic jump in the number of complaints between 2010 and 2011.

This February, we put out a Notice of Proposed Rulemaking seeking public input on how to address this challenge. I hope that we'll take action to resolve this problem—soon. Our Notice, for example, proposed to finish the data collection pertaining to rural call completion in eight years, but rural call completion shouldn't be a problem eight years from now. Rural Americans shouldn't have to wait that long to talk with their loved ones. Rural businesses can't invest tomorrow if they can't reach their customers today. So I encourage everyone in this room to file comments in that proceeding. Tell us about the problems your customers have faced in receiving calls. And let the FCC know that we need to address this problem sooner, not later.

Needless to say, I don't set the FCC's agenda, being the junior-most Commissioner. So I can't tell you if and when we'll take action on rural call completion. But one promise I can make is that you won't have any problems getting your calls to my office answered. Please keep sharing your perspective on what needs to be done to ensure that universal service is a reality. Whether through NTCA or on your own, make your voices heard. Come to the Commission. And stop by my office. My door has been open since I came to the FCC last May, and it will be open as long as I have the privilege of serving in this position.

