

REMARKS OF FCC CHAIRMAN TOM WHEELER
AS PREPARED FOR DELIVERY

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Boston is the ideal location to host this gathering, because Boston is synonymous with revolution, and thanks to broadband Internet, these are truly revolutionary times.

Since I started this job, I've written and talked about how the Internet era is history's fourth great network revolution, following the printing press, the railroad, and electronic communications led by the telegraph. Each of these revolutions forever changed the world, but with the combination of ubiquitous, high-speed connectivity and ever-increasing computing power, the Internet revolution promises to be the most transformative of all.

Our job at the FCC is to maximize the benefits of this revolution for the American people. To that end, we are focused on facilitating technological innovation, encouraging investment and economic growth, and ensuring that our networks reflect our civic values, most notably the value I want to highlight today: universal access. As Commissioner Rosenworcel has highlighted, "[t]echnology changes, but this basic legal principle does not." I could not agree with her more.

Access means two things. First, it means openness – the ability of consumers to access the content, applications, and services of their choice, and the ability of content, application, and service providers at the edge to reach consumers. The Internet's open design is what allows innovation without permission, and protecting that openness has been a bipartisan policy goal for well over a decade.

On this count, we've had resounding successes this year. In particular, our decision in February to adopt open Internet protections is the right outcome for keeping the Internet fast, fair, and open.

We built that decision on a strong legal foundation – a modernized Title II that protects both Internet openness and incentives for private infrastructure investment.

This last point is critical: while some parties turned into Chicken Little and spoke of the end of investment in broadband if we chose the Title II path, others, including NTCA, described reality – that a modernized Title II made sense, and would not harm broadband investment. NTCA could make this point forcefully because many of you already have the experience of providing broadband service under Title II, and that has not stopped you from investing to deliver the best possible service to your communities. And our experience over the last 7 months is consistent with your experience over the last ten years – the virtuous cycle of innovation and investment is alive and well. Thank you for being leaders to protect the openness that makes the Internet such a powerful tool for your communities.

Our job is now to complete the task of updating the federal programs that support the widespread deployment of robust broadband networks. Which brings me to the second meaning of universal access – the notion that our communications networks should universally be available to every community, every consumer.

Simply put, in the 21st century access to broadband is access to opportunity.

Consider a small business owner in a small town. The minute she connects her business to the Internet, she has access to global audience of potential customers.

If you are a student and your rural high school doesn't offer advanced calculus or physics, the Internet allows you to take a class online at a neighboring school or even MIT.

If you live hours from the nearest hospital, a broadband connection allows you to be treated remotely by a world-class specialist.

On the flip side, if your community isn't connected, you are shut off from these opportunities. This hurts not only people in these communities; it hurts our nation. We are stronger when every American can contribute to our modern economy and the digital community created by the Internet. A network that leaves millions on the sidelines does not meet our joint responsibility of universal access.

The primary means through which we achieve widespread deployment of robust broadband networks, of course, is private sector investment.

We've seen significant private sector investment in broadband networks throughout the nation, and not just in the most densely populated cities in the country. Private industry – including those of you in this room – continues to invest billions of dollars to expand America's broadband.

Both fixed and mobile providers continue to improve broadband speeds, and current and new entrants to the market are investing and expanding broadband availability to many Americans with speeds in some locations exceeding 1 gigabit per second (Gbps).

I'm particularly pleased to see that NTCA has created a program to highlight independent providers delivering gigabit broadband speeds, and is recognizing many of these companies at this week's conference, companies like NineStar Connect in Greenfield, Indiana, Polar Communications in Park River, North Dakota, and Premier Communications in Sioux Center, Iowa to name a few.

We all know, however, that there are plenty of areas where local demand by itself will not support the deployment of robust, modern, world-class communications networks.

The facts are – and you know this full well – that rural America is in many ways falling behind the broadband curve.

In rural areas, more than half – 53 percent – lack access to broadband at speeds of 25 megabits per second down and 3 megabits per second up; in Tribal lands, many of which are

served by rate-of-return carriers, it's almost two thirds – 63 percent – that lack access. The disparity persists at all speeds. For example, even at only 4 megabits per second down and 1 megabit per second up, 20 percent of Americans in rural areas cannot get that level of service. By contrast, only 1 percent of Americans in urban areas lack access to that service.

It is not acceptable for large swaths of our country to be bypassed by the broadband revolution and the opportunities that it enables. This is where the FCC can and should to step in to help you serve your communities.

We stand ready to use all the policy levers at our disposal. For example, we recently created a new rural-provider bidding credit that will make it easier for your companies to compete for spectrum at auction and provide enhanced mobile broadband services in your communities.

Our primary lever in this effort, however, is the Universal Service Fund. This program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the 21st century economy.

In areas where the marketplace will not support the deployment of broadband networks, USF needs to be able to step in to help support the deployment of modern broadband networks. And we need to be smart about where we target this support.

Recently in Congressional testimony, I told Chairman Walden that I supported his description of how USF should work – what I dubbed the “Walden Rule” – that rural USF support should spend money where no one else will spend.

On that note, I want to dive into the things we need to be doing to make our universal service programs smarter and more effective – and by we, I mean both the FCC and the members of NTCA.

Let's start by looking at our Congressional mandates. Congress told us that universal service means access to “reasonably comparable service” at “reasonably comparable rates.” We should unpack these two aspects of our mandate a little bit.

First, the service has to be “reasonably comparable” to service available in urban and suburban America. There is no reason why we should expect anything less for rural Americans than we expect for Americans in urban and suburban communities. We have established a national baseline of 25 megabits per second down for broadband. At the same time, we recognize that in rural areas that are unserved today there will have to be a stepwise progression to that goal, so we established a *minimum* service level of 10 megabits per second down for recipients of USF support. I can't emphasize enough that this is a minimum, the start of a step-by-step process – we want to support networks that are capable of world-class speeds because that's what rural Americans deserve.

The cost of adding incremental throughput to broadband is coming down. While 10 Mbps is today's minimum, we should all be aware that consumer demand, as well as network costs, are rapidly making that minimum obsolete.

Second, the rates in rural America have to be reasonably comparable to the rates in urban and suburban America. This requirement embodies our fiduciary duty to ratepayers to ensure that we are using the money they pay into the universal service fund as efficiently and effectively as possible. I take this fiduciary duty very seriously. This is money that hardworking Americans from Massachusetts to Mississippi to Montana are paying as part of their phone bills – and we owe it to them to be smart about how we use these funds.

With that in mind, today I am circulating to my fellow Commissioners a public notice to remind everybody that this support should only be used for its intended purpose – getting communications networks to rural America. We've seen examples in recent news of bad apples who abuse the fund for their own personal gain, and it is important that we take steps to ensure that those bad apples do not distract from the important work that you are doing to serve your communities.

I know you all are doing everything you can to get comparable broadband service at comparable rates to your constituents. I also know that flaws in our universal programs have made transition to a broadband world challenging.

The manner in which the USF support mechanisms operate were always complicated, and are increasingly outdated. We recognize the problem, and we want to do something about it.

In April 2014, the Commission unanimously adopted a Further Notice to try to fix this problem and reform the USF mechanisms for rate-of-return carriers. I cannot emphasize "unanimously" enough – I know all of my colleagues and I share the goal of deploying more and better broadband to rural America, and I want to continue to work with them – and with you – to make this shared goal a reality.

First things first – in an Order accompanying the Further Notice, we got rid of the dreaded quantile regression analysis, or QRA. But before we erase QRA from our collective memory banks, let's see if we can draw some lessons from that experience:

- (1) Sometimes the perfect can be the enemy of the good;
- (2) Even a very good solution will not work if it's too complicated and does not have sufficient stakeholder support; and
- (3) It makes little sense to just graft a "silver bullet" on to outdated mechanisms.

This experience is top of mind for me as we move forward. Let's be candid: government programs often become convoluted and complex because politics can get injected into the implementation of practical solutions. Our challenge with rate-of-return reform is to address the problem simply and directly, rather than jumping through hoops of special circumstances, which just increases complexity.

This leads to the main conclusion of the Further Notice – we do not see the continued viability of the existing HCLS and ICLS mechanisms in their current forms as we move forward to a broadband world.

It's silly – or as a certain presidential candidate might say, “stupid!” – to tie support for broadband networks to complex mechanisms designed for narrowband.

We need to fix this, and we need to do it in a way that is meaningful, sustainable... and understandable to those on the front lines without having to hire a team of lawyers and consultants.

This last point is critical: reforming these interrelated, complex mechanisms shouldn't be something you have to pay someone to understand.

In the Further Notice, we asked about the pros and cons of a number of different potential approaches, including the establishment of a new “Connect America Fund” for rate-of-return carriers that would be the primary mechanism for supporting investment in broadband networks, and their operation, going forward.

Underlying all our proposals, we set forth some simple principles. We said that any new mechanism needed to be forward looking; ensure equitable distribution of funds; prevent double-recovery; and stay within the established budget.

Commissioners Clyburn, O’Rielly, and I have been working together on ways to achieve these principles for the past five months. FCC staff have been actively working with representatives from various organizations, including NTCA, to try to find a solution. We've come a long way – it hasn't been easy for anybody, I know – but the outlines of a path forward are coming into shape. We see four parts:

First, a voluntary path to using a cost-based model for support. This would be similar to the model approach that was adopted and has proven successful for price cap carriers, taking into account the circumstances of rate-of-return carriers.

Second, for those carriers who choose not to go to the model, a new mechanism that replaces the old HCLS and ICLS mechanisms and ensures that carriers have the incentives and support to continue investing in robust broadband networks.

Third, a transition period to the new mechanism that is timely, but reasonable. We know it represents change, and that a buffer needs to be built in to allow evolution to that new reality.

Fourth, a budget for the program – including specific budgets on capital and operating expenditures that can be recovered through the program – as well as other steps to ensure that we are complying with the “Walden Rule” and using ratepayers’ funds as efficiently and effectively as possible.

As we enter the home stretch of this effort, we need to appreciate this moment for what it is: a once-in-a-generation opportunity to put the rate-of-return carrier program on solid footing. If we fail to make meaningful reforms now, if we settle for half-measures or a seemingly simple silver bullet, we will have lost a prime opportunity to make a real difference for the future of our communities, our neighbors, and our country – and for your businesses.

This is achievable; we already did it with the high-cost program for the price-cap carriers. Just over three weeks ago, we concluded a process that will distribute \$9 billion over the next six years to ten price cap carriers. The Connect America Fund program was a transformational change for the good for all the price-cap carriers, even though for a few of them the cost model actually resulted in a net loss of universal service support. We worked together at every step and in the end that program generated support for the deployment of broadband networks to over 7.3 million rural consumers. That’s a win for everybody.

One key lesson from the successful price cap carrier effort is that we need to all be pulling in the same direction. We can’t let fear of change get in the way of achieving our shared goal of getting more and better broadband to your communities in rural America.

Another lesson of the price cap experience is that we need to be focused on delivery rather than debate. I’ve told Senator Thune that the Commission would move forward with rate-of-return reform by year end. With the help of Commissioners O’Rielly and Clyburn, and the tireless staff of the FCC, I think we are close. Where we will fall apart is if we become bogged down trying to address each and every special circumstance, rather than pursuit of the general public good. I understand that, in an industry that is as diverse as yours, “where you stand depends on where you sit.” But our goal must be broad reform, with a phase in to allow for an evolutionary process.

The CAF experience teaches us that there will be details to work out and questions we did not anticipate. But we can all see the four corners of a plan:

- (1) A voluntary path to a cost-model-based support mechanism.
- (2) A new mechanism for all loop costs to completely replace HCLS and ICLS;
- (3) A transition period to phase in this new plan in a timely but reasonable manner; and
- (4) A program budget and other measures to improve the efficiency and effectiveness of the program.

I know the devil is in the details, but I’m confident we can get this done by working together. Much of what should be included in what I described as improving the efficiency and effectiveness of the program, in fact, has been supported – if not proposed – by NTCA. My colleagues and I are dedicated to bringing this project home, and we solicit your assistance.

Two hundred and forty years ago, a revolution started in this city that changed the course of human history. We are fortunate to be a part of a new revolution – a technological revolution that is expanding the boundaries of human achievement and promises to improve lives across our nation and the globe. Working together, we can help ensure that every American shares in the benefits. Let’s do it.