

**REMARKS OF FCC CHAIRMAN AJIT PAI
AT THE MAINE HERITAGE POLICY CENTER**

PORTLAND, ME

SEPTEMBER 14, 2018

Thank you to the Maine Heritage Policy Center for hosting me today. And thank you for the Center's work championing free markets and government accountability. It's great to be with you as we enter the fall.

Speaking of, they say the best time to visit New England is in September. I would concur . . . with an amendment. The best time to visit New England is in September when the Red Sox are 55 games over .500. Something about a 10.5-game lead over the Yankees makes the air more exhilarating.

Today's visit to Maine caps a week-long swing that started in Rhode Island, followed by stops in Connecticut, Massachusetts, Vermont, and New Hampshire. It's been quite a road trip. I visited a VA hospital in Providence, where I saw how telemedicine is helping veterans with conditions like PTSD. In Hartford, I met first responders at the cutting edge of deploying Next-Generation 911 technologies, which make it easier for those with speech disabilities or domestic violence victims to reach 911 via text message. I met with entrepreneurs and innovators who are transforming Manchester from a fading mill town to a rising tech hub. And, yes, I also popped into ESPN's studios in Bristol. The lengths I'll go to for fantasy football advice.

The takeaways have been unique, but the time away from Washington is not. Since becoming Chairman, I've made it a point to hit the road as much as possible. I want to get a first-hand look at how the Internet can create opportunities and also at how communities are handling challenges as we transition to a digital economy. To date, I've been to more than 40 states, and I stopped counting the miles logged in various rental cars at 5,000.

To be frank, one upside to these trips is getting away from the toxic environment in Washington. It's a useful reminder that we're not as divided as cable news and Twitter suggest. And given that we're in Maine, I can't help but think of one thing that nearly all Americans agree on: the greatness of *The Shawshank Redemption*.

As we gather today, we're only 15 miles from Buxton, the town where Andy Dufresne left the note for Red along the rock wall at the base of a mighty oak. (I know they filmed that scene in Ohio—"fake views," you might say—but stay with me.)

One of the big reasons why the movie has resonated over the years is that many of its themes are timeless. And they're more relevant to the digital age than you might think.

So: with an assist from Andy, Red, and friends, I'd like to talk to you today about the principles that guide my work as FCC Chairman, and the specific actions we're taking to seize the opportunities of the digital age.

Before I continue, a quick disclaimer: my remarks assume that everyone here has seen *Shawshank*. If you haven't seen this movie, especially if you live in Maine, I have one thing to say to you . . . what have you been doing for the past quarter century?

The first line from the movie that comes to mind is not from Andy or Red, but Brooks. If you recall, Brooks is the older gentleman who was released from Shawshank after 42 years and was completely overwhelmed upon his release. As Brooks put it: "The world went and got itself in a big damn hurry." I think that's a pretty good summation of our times. New technologies are changing almost every aspect of our lives: how we work; how we stay in touch with friends and family; how we learn; how

we engage politically; how we entertain ourselves; how we shop; and even the most human interaction of all—how we meet that special someone.

During my travels across the country, I've seen the promise of what I call "digital opportunity"—what's possible with high-speed Internet access. In the past few months alone, I've met an eighth grader at a Tribal school in New Mexico who was as thrilled as she was stunned that the FCC's policies helped deliver high-speed access to her school. I've met a potato farmer in Idaho who's boosted his productivity and saved costs by using wireless apps and automated equipment. I've met the school superintendent in a lower-income Kentucky county whose schoolchildren can now benefit from a telemedicine link with Vanderbilt—a vital connection considering that there's not a single pediatrician in their county. I've met African-American entrepreneurs in North Carolina who are pioneering great ideas and promoting STEM learning. I've met folks in Louisiana who are connecting public housing projects with fiber to give low-income residents a shot at improving their skills, applying for jobs, and escaping poverty. I've met public safety officials in Illinois who are using Internet-based 911 systems to keep people safer than ever.

These are the Americans who inspire me. These are the stories that motivate me. They give their communities, and me, hope for our future. And as Andy Dufresne memorably said in *Shawshank*, "hope is a good thing, maybe the best of things, and no good thing ever dies."

But too many Americans can't tell these stories. There is a real digital divide in this country—a real gap between those who have Internet access and those who don't. I know what that's like—I grew up in Kansas, which has countless towns that are on the wrong side of the divide.

One aspect of the divide in Kansas also applies to Maine, and that's the threat of population loss. Yes, Portland is growing, but Bangor and Augusta have lost population this decade, and the brain drain is even greater in Maine's rural areas. That's unfortunate. Rural Americans shouldn't have to leave their hometowns to have the same opportunities as everyone else, but the fact is that we've been witnessing the steady decline of rural America for many years.

It's no surprise that rural areas lag behind when it comes to Internet access. According to the FCC's most recently available data, only about 2% of urban residents lack access to fixed, terrestrial high-speed Internet of at least 25/3 Mbps, but that increases to around 30% for rural residents.

Now, I'm not saying that broadband will solve all of rural America's problems, but connectivity can help, including slowing or hopefully reversing the trend of population loss. For example, with a fast Internet connection, rural entrepreneurs can compete in a national market while still working in the community where they grew up, with the lifestyle they love.

That's why my mission and the FCC's top priority is closing the digital divide and maximizing the benefits of broadband for the American people.

The FCC is working to achieve that goal with the help of market principles.

We want private companies to have the strongest possible business case for raising the capital and hiring the crews to build next-generation networks. One big obstacle to broadband deployment is unnecessary regulation—a micromanaging approach too often taken by federal, state, and local governments. It reminds me of the scene in *Shawshank* in which Red's working at the grocery store. He asks, "Restroom break, boss?" The boss motions him over and quietly replies, "[y]ou don't need to ask me every time you need to go."

Many broadband providers (and other entrepreneurs writ large) would appreciate that basic flexibility. The FCC has adopted many reforms along those lines in order to help promote network buildout.

For example, we've modernized our regulations to make it easier for carriers to stop spending money to maintain yesterday's copper networks and start building or expanding the fiber networks of tomorrow.

And we're updating our wireless infrastructure rules to promote 5G, the next generation of wireless connectivity. 5G networks will deliver gigabit connections and applications we can't even conceive today. These networks will look very different from today's 4G LTE networks. Providers will rely more on small cells that can be the size of a pizza box instead of 200-foot cell towers. But it doesn't make sense for small cells to be subject to the same regulatory review process as a 200-foot tower. So we exempted small cells from federal historic preservation and environmental reviews designed for tall towers. This reform is already producing results. Indeed, one carrier recently reported that during the first 17 days that these new rules were in effect, it cleared about half as many sites for construction as it had in the prior six months.

To promote better wireless services, we're also pushing a lot more spectrum into the commercial marketplace. For example, in November, we'll begin auctioning the 28 GHz spectrum band, followed immediately by an auction of the 24 GHz band. Then, in the second half of next year, we intend to auction off three more spectrum bands. These auctions will help the U.S. lead the world in 5G and deliver great value for American consumers.

Another pathbreaking reform involves something called "one touch make ready." Here's the background. For a competitive entrant, especially a small company, building a broadband network often requires stringing fiber along utility poles. This can be hard, if not impossible, if you have to rely on other companies to make room for you on those poles. Until recently, an entrant seeking to attach fiber to a pole had to wait for, and pay for, each company to sequentially move existing equipment and wires. This can take months. And the bill for multiple truck rolls added up. For companies of any size, pole attachment problems represent one of the biggest barriers to broadband deployment.

So in early August, we adopted a policy that would allow a single entity to do the requisite work on the utility pole—a policy commonly known as "one-touch make-ready." This policy could substantially lower the cost and shorten the time to deploy broadband on utility poles.

Of course, there are some areas where the business case for broadband deployment just won't exist—no matter how much red tape you cut. These are typically rural areas with sparser populations and lower incomes. Following Congress' command, the FCC manages programs to connect these rural communities, called the Universal Service Fund, or USF. Here too, we're applying market principles and fiscal discipline to maximize the USF's impact. First, we direct funding to broadband providers to leverage—not displace—private capital expenditures. And using a first-of-its-kind reverse auction, we recently awarded about \$1.5 billion to connect over 700,000 homes and businesses nationwide, including \$4.7 million to connect over 4,000 unserved homes in Maine. By using an auction to distribute money instead of writing checks, we distributed funding much more efficiently. Through competitive bidding, we lowered the cost of covering these locations from \$5 billion to \$1.5 billion.

Of course, it's not enough to make sure that all Americans have high-speed Internet access. We also need to preserve the Internet itself as an open platform for innovation and free expression.

The key to the Internet's revolutionary impact is that it enabled permission-less innovation. Anyone with an idea and an Internet connection could share their vision with anyone, anywhere.

As Red once said of Andy, "Some birds aren't meant to be caged." By removing barriers to market access, the Internet freed American inventors to change the course of human history.

This brings me to the much-debated and often-distorted topic of net neutrality. Let me explain what the FCC has done and why.

I'll start with first principles and some key facts. I believe in a free and open Internet. That is what has given the United States an Internet economy that became the envy of the world. That Internet economy grew and thrived under a light-touch regulatory regime that started with a bipartisan decision in

1996 by President Clinton and a Republican Congress to have an Internet that was “unfettered by federal and state regulation.”

But in 2015, a partisan majority at the FCC abandoned this successful approach and chose a different path. The Internet wasn’t broken, but the FCC imposed heavy-handed rules anyway—rules developed in the 1930s—and regulated the Internet like a slow-moving utility. And following this vote, investment in broadband networks predictably fell for two straight years, the only time this has happened outside of a recession during the Internet era. Talk about an unforced error.

Thankfully, in December 2017, the FCC voted to reverse course. We’ve restored light-touch rules that will both protect consumers and promote infrastructure investment.

One part of our approach is to require transparency. Every single Internet service provider, big or small, has to disclose all kinds of business practices to the FCC and the public. If an ISP starts blocking lawful content, everyone will know. If an ISP starts throttling of services based on the nature of the content, everyone will know. This is a powerful disincentive for bad behavior. You might appreciate this point, as the Maine Heritage Policy Center’s research and analysis has shined a light on and helped to root out waste in Maine’s budget.

Another part of our approach is to empower the Federal Trade Commission to take action if broadband providers engage in anti-competitive conduct or unfair and deceptive practices—authority that the FCC stripped from the FTC when it decided to regulate the Internet like the old Ma Bell monopoly. And the Chairman of the FTC has made clear that he will exercise that power.

Our light-touch rules will give us the high-speed networks we need—not heavy-handed rules that freeze us into the networks we already have.

Of course, those who demand greater government control of the Internet haven’t given up. Their latest tactic is pushing state governments to regulate the Internet. The most egregious example of this comes from California. Last month, the California state legislature passed a radical, anti-consumer Internet regulation bill that would impose restrictions even more burdensome than those adopted by the FCC in 2015. In a way, I can understand how they succumbed to the temptation to regulate. After all, I suppose a broadband pipe might look to some like a plastic straw.

If this law is signed by the Governor, what would it do? Among other things, it would prevent Californian consumers from buying many free-data plans. These plans allow consumers to stream video, music, and the like exempt from any data limits. They have proven enormously popular in the marketplace, especially among lower-income Americans. But nanny-state California legislators apparently want to ban their constituents from having this choice. They have met the enemy, and it is free data.

The broader problem is that California’s micromanagement poses a risk to the rest of the country. After all, broadband is an interstate service; Internet traffic doesn’t recognize state lines. It follows that only the federal government can set regulatory policy in this area. For if individual states like California regulate the Internet, this will directly impact citizens in other states.

Among other reasons, this is why efforts like California’s are illegal. In fact, just last week, the U.S. Court of Appeals for the Eighth Circuit reaffirmed the well-established law that state regulation of information services is preempted by federal law. Last December, the FCC made clear that broadband is just such an information service.

So let me be clear: The Internet should be run by engineers, entrepreneurs, and technologists, not lawyers, bureaucrats, and politicians. That’s what we decided in 2017, and we’re going to fight to make sure it stays that way.

Speaking of standing and fighting, let me close with this. Perhaps the most remarkable thing about Andy Dufresne was his unshaking persistence and patience.

Remember when he was running the prison library? He wrote the State Comptroller's Office once a week seeking money for new books. After six years, he got a check for \$200 and a box of donated books and records. Instead of settling for that, he then started writing two letters a week.

Of course, who could forget how Andy also patiently chipped away at his wall with a miniature pickaxe for nearly 20 years to reclaim his own freedom?

Andy was constantly being tested, but he never backed down. He never gave up. He always stayed true to his principles.

My final message to you today is simple: stay engaged, never give up, and stay true to your beliefs. You are champions for free market principles in a politically divided state. You'll win some battles, and you'll lose some. I've been there, and I've done that.

It won't be easy, but the principles of free markets and free minds are worth fighting for. They have made us the most prosperous nation in human history and a beacon of hope to the world. They have always propelled America forward and they'll continue to light the way.

So, when the inevitable setbacks come. Don't give up. Fight even harder.

As Andy Dufresne once said, "Get busy living, or get busy dying."