

**STATEMENT OF
CHAIRMAN AJIT PAI**

Re: *Protecting Against National Security Threats to the Communications Supply Chain Through FCC Programs*, WC Docket No. 18-89.

When I became Chairman in January 2017, the FCC and the Executive Branch had no strategy for countering the threats to the security of our nation's communications networks posed by certain foreign equipment providers, particularly those with close ties to the Chinese Communist Party. Indeed, the prior Administration didn't even seem to believe there was a threat. Its position was that "We welcome China's rise," and "China's rise is potentially good for the world."¹ Consistent with this view, on the previous FCC's watch, Chinese-manufactured equipment was incorporated into our communications networks with nary an eyebrow raised by agency leadership.

Things have changed, and how. Working closely together, this Administration and this FCC have tackled this problem head on and have implemented a comprehensive effort, both at home and abroad, to confront this challenge. And we've been getting results.

On the international front, we've seen a sea change on this issue, following close collaboration with our allies. For example, in 2019, I was a part of the US delegation to the Czech Republic to help form what ultimately became the Prague Proposals—a risk-based framework for understanding supply chain security to which 32 countries ultimately agreed. And I have personally traveled everywhere from Germany to Bahrain to Malaysia, and have held bilateral talks with counterparts in numerous countries, from Brazil to South Korea, on the importance of cooperation on this issue. We're now seeing the fruits of engagements like these. The United Kingdom announced in July that it will remove insecure equipment from its 5G networks. This followed the decisions of countries across Europe, like the Czech Republic, Poland, Romania, Denmark, Estonia, Latvia, Sweden, and Greece. We have also seen telecommunications operators taking actions to make their networks secure. From Reliance Jio in India to Telefonica in Spain, from Orange in France to Telstra in Australia, from SK and KT in South Korea to NTT in Japan, operators increasingly are making the decision to only use trusted vendors in their 5G deployments. This momentum is no accident. It is due in large part to the hard work done over the past four years, including the extensive and often behind-the-scenes efforts by the FCC, to establish a common, risk-based framework for securing the supply chain.

And on the domestic front, we've made real progress in securing our communications networks and supply chains. In 2019, for example, the FCC prohibited money from our Universal Service Fund from being used to purchase equipment and services from companies that are designated as national security threats. We issued initial designations of two companies, Huawei and ZTE, as national security threats. And Commission staff in the Public Safety and Homeland Security Bureau subsequently finalized those designations. We also proposed to require certain carriers, known as eligible telecommunications carriers, or ETCs, to remove covered equipment from their USF-funded networks and replace it with equipment from trusted vendors. We further proposed to establish a reimbursement program to help small, rural carriers shoulder the costs associated with removing and replacing that equipment. And we have also explored the potential of Open Radio Access Networks, or Open RANs, to transform 5G network architecture, costs, and security.

Now, a little more than a year later, having cut off the flow of insecure equipment and services into federally-funded communications networks, we turn our attention to finalizing the process for removing equipment already in place that poses a continued threat to our national security, a process memorably termed "rip and replace." In the time since we first proposed to create a reimbursement

¹ The White House, Press Conference with President Obama and President Hu of the People's Republic of China, <https://obamawhitehouse.archives.gov/the-press-office/2011/01/19/press-conference-president-obama-and-president-hu-peoples-republic-china> (Jan. 19, 2011).

program to help carriers remove covered equipment and services from their networks, Congress passed and the President signed the Secure and Trusted Communications Networks Act of 2019. This law prohibits the use of the Universal Service Fund to purchase covered equipment and services and requires the Commission to create a reimbursement program similar to what we had proposed. The Secure and Trusted Communications Networks Act also expanded our legal authority to reimburse certain other providers of advanced communications services, and not just ETCs, for removing and replacing covered equipment and services in their networks.

So today, we establish “rip and replace” rules and largely adopt our prior proposals for creating a reimbursement program to remove and replace insecure equipment and services in our nation’s networks, with certain modifications as required by the 2019 Act. Specifically, we require all ETCs to remove covered equipment and services from their networks. We create a reimbursement program to subsidize smaller carriers and other providers of advanced communications services to remove and replace those services and equipment. We adopt procedures for publishing a list of covered equipment. And we adopt reporting requirements so that we are informed about the continued presence of covered equipment in the nation’s communications networks.

This is critically important work, but there’s still more to be done. We are taking steps within our power to implement the reimbursement program, such as adopting rules for the program and beginning the work of developing a cost catalog to help streamline the process of determining eligible removal and replacement costs. But we can’t actually implement the reimbursement program unless and until Congress appropriates the necessary funding. Based on information collected by Commission staff from providers of advanced communications services, the reported cost of removing and replacing covered equipment for providers eligible under current law is nearly \$1.6 billion, and it is possible that the actual number will turn out to be greater. As Senator Wicker, Chairman of the Senate Committee on Commerce, Science, and Transportation recently wrote about the reimbursement program: “This is a national security imperative. Fully funding this program is essential to protecting the integrity of communications infrastructure and protecting the future viability of the digital economy at large.” I entirely agree, and have said so for some time. The FCC stands ready to fully implement the reimbursement program once Congress provides this funding.

My gratitude goes out to the many Commission staff on the front lines of the fight to protect the security of our nation’s communications networks, including: Pam Arluk, Rhonda Campbell, Brian Cruikshank, Elizabeth Cuttner, Kate Dumouchel Justin Faulb, Charlene Goldfield, Jesse Goodwin, Janice Gorin, Trent Harkrader, Billy Layton, Alex Minard, Kris Monteith, Ramesh Nagarajan, Rachel Nixon, Ryan Palmer, and Jaina Patel of the Wireline Competition Bureau; Aaron Garza of the Consumer and Governmental Affairs Bureau; Steven Carpenter, Lisa Fowlkes, Jeffery Goldthorp, Jennifer Holtz, Kathleen Hom, Kurian Jacob, Debra Jordan, Nicole McGinnis, Saswat Misra, Austin Randazzo, and Avery Roselle of the Public Safety and Homeland Security Bureau; Octavian Carare, Alex Espinoza, Tanner Hinkel, Kenneth Lynch, Chuck Needy, Eric Ralph, Michelle Schaefer, Emily Talaga, and Geoff Waldau of the Office of Economics and Analytics; Denise Coca, Kathleen Collins, Nese Guendelsberger, Kathryn O’Brien, Thomas Sullivan, Troy Tanner, and Michele Wu-Bailey of the International Bureau; Charles Mathias and Wesley Platt of the Wireless Telecommunications Bureau; Rizwan Chowdhry, Pamela Gallant, Jeff Gee, Kalun Lee, Shannon Lipp, Keith Morgan, Adam Suppes, Raphael Sznajder, and Ashley Tyson of the Enforcement Bureau; Maureen McGowan and Sanford Williams of the Office of Communications Business Opportunities; Regina Brown, Daniel Daly, Mindy Ginsburg, Francisco Salguero, Jae Seong, Deena Shetler, and Mark Stephens of the Office of Managing Director; and Malena Barzilai, Michael Carlson, Matthew Dunne, Thomas Johnson, Douglas Klein, Marcus Maher, Rick Mallen, Linda Oliver, and Bill Richardson of the Office of General Counsel.