

**REMARKS OF FCC CHAIRMAN AJIT PAI
TO THE MULTICULTURAL MEDIA, TELECOM & INTERNET COUNCIL AND
THE NATIONAL GRANGE**

JANUARY 12, 2021

Thank you to MMTC and the National Grange for co-hosting this event! I love it when two great things come together to make something better. This all-star pairing feels like the Reese's Peanut Butter Cup of telecom forums. If you know me or my mug, you know that's the highest praise I can offer.

We are now eight days away from my last as FCC Chairman. But for the purposes of this event, I've been thinking back to the very start of this journey.

On my first full day in this job in January 2017, I convened a meeting of the FCC's staff. I only spoke for about seven minutes, most of which was spent talking about why I loved the Commission. This wasn't the place to talk policy—with one exception.

I told the team that my number one priority as FCC Chairman would be closing the digital divide and bringing the benefits of the Internet age to all Americans. And for good reason. The FCC's founding statute, the Communications Act of 1934, explicitly directs the FCC to make wire and radio communication "available . . . to all the people of the United States."

Think about that for a second. In 1934, the U.S. government thought it was so important that every American have access to the telephone network that it created a new agency dedicated to that purpose. Now think about the countless ways that we rely on high-speed broadband connectivity today. Almost every facet of our lives has been re-shaped by the Internet—how we work, how we learn, how we shop, how stay in touch with loved ones. And that was before the COVID-19 pandemic moved our offices, schools, and so much else online.

Put simply, the Commission's founding mission of connecting all Americans through communications technology has never been more important. The Internet has become an indispensable platform for innovation, job creation, and free expression. If you want to be a full participant in our economy and society, you need to be online.

I'd like to talk to you today about the most significant actions the Commission has taken to close the digital divide over the past four years. And then I'll offer some thoughts on the challenges ahead.

Now, there is no better way to understand the digital divide than to see it for yourself. So just days into my new gig, I decided that I would raise awareness of this issue by hitting the road. Over the next four years, I visited 49 states and two U.S. territories. (It took a global pandemic to keep me from visiting all 50.) I logged about 15,000 miles in what felt like 15,000 different rental cars.

Some of my stops helped to show how high-speed Internet access can open up new possibilities for the American people.

In King Hill, Idaho, I met a farmer using everything from an LTE-based soil analysis app to drones to improve productivity and reduce costs on his potato farm.

In Wardensville, West Virginia, I saw how broadband enabled a transcription-service company that requires massive video downloads to set up shop in this town of about 300 people and hire 28 full-time employees.

In Atlanta, I met with NBA legend Dominique Wilkins who told me about how remote monitoring helped him to manage his diabetes more effectively.

Other visits helped to shine a light on how the lack of connectivity causes problems for the people and places being bypassed by the digital revolution. I'll never forget a story from my visit to the Rosebud

Sioux Reservation in South Dakota. I learned about a woman who was found dead in her home, clutching her cellphone. She had an emergency and dialed 911 a total of 38 times, but the calls never went through. There just wasn't wireless coverage.

If you met the people I met, and heard the stories I heard, you couldn't help but be committed to working relentlessly to connect all Americans. And that's exactly what the FCC has done over the past four years.

Our strategic reforms fall into two categories. The first involves changes to the Universal Service Fund, through which we direct subsidies to private companies to build out broadband. The second involves regulatory reforms to strengthen the business case for deployment in areas where there otherwise might not be one. I'll take each in turn.

First, subsidies. Over the past four years, we've invested billions of dollars to bridge the digital divide. What's notable is that we've been able to maximize the impact of these investments with market-based reforms to our universal service programs.

One big innovation we've introduced on my watch has been the reverse auction. The reasoning is simple. Using competitive bidding to allocate support will help ensure that it is distributed more efficiently. Now, this strategy wasn't free from criticism. Incumbent telephone carriers argued that they were the only ones who wanted to serve these areas, so the smartest thing the FCC could do was to keep cutting them checks. But my view was that the lack of competition in rural areas was less about the lack of interest from other players and more about a lack of opportunity. So we decided to change our rules to encourage more companies to participate in our programs. We opened the door to new competitors like cable companies, electric cooperatives, wireless Internet service providers, satellite providers, and others. What we call technological neutrality gave providers the flexibility to use the broadband technology that best fit their customers' needs, so long as they met the FCC's stringent performance standards for fixed service and buildout timelines.

In the end, we proved the naysayers wrong. The reverse auction approach was a success, promoting competition, connecting consumers, and saving taxpayer funds.

For instance, in 2018, a total of 103 providers submitted winning bids in our Connect America Fund Phase II auction. These providers are expanding broadband to over 700,000 homes and businesses across 45 states in rural areas where, absent this funding, deploying, and maintaining broadband networks would not be economically feasible. And here's a key number. The initial reserve price was \$5 billion, but the final price tag to cover these locations wound up being only \$1.488 billion. That's the power of competition.

But 2018 was just a warmup to our single biggest step yet to close the digital divide. Building on the successful model of this reverse auction, we launched the \$20.4 billion Rural Digital Opportunity Fund—a two-phase reverse auction that will connect millions of Americans living in some of the hardest-to-serve places. To keep pace with the evolution of technology, we put a thumb on the scale in favor of networks with higher speeds and lower latencies. We recently completed bidding in the first phase, awarding \$9.2 billion of the \$16-billion budget to 180 bidders who will deploy high-speed broadband to over 5.2 million unserved homes and businesses. Nearly every location that won in the auction will be receiving broadband with download speeds of at least 100 Mbps, with the vast majority—over 85%—getting gigabit-speed broadband. What's more, thanks to vigorous bidding, the \$6.8 billion that wasn't awarded in the auction will be added to the \$4.4 billion the Commission has already set aside for Phase II, making more than \$11 billion available for the next round of funding.

This auction was an overwhelming success. But as with everything, not everyone is happy. Some claim that too much money was awarded to more recent industry entrants who haven't proven they can be trusted to do a good job. Others argue that too much money is going to incumbents who have left people unserved and underserved in the past. Of course, the truth of the matter is that when you allocate

limited funding, you're never going to satisfy everyone. There will always be those upset that other people are getting money instead of themselves. Indeed, if we're getting incoming from both directions, that tells me we probably struck the right balance. And the critics forget that the Commission has adopted rigorous safeguards, from the long-form application process to letter-of-credit requirements to buildout requirements to performance measures, to ensure that winning bidders follow through on their commitments and ensure that rural Americans get the service they deserve.

Now, all that is on the fixed-broadband side of the ledger. But mobile is important, too. We don't want consumers to be left out from the wireless revolution—especially 5G, the next generation of wireless connectivity. That's why the Commission is going big to promote 5G deployment in unserved areas. We established a 5G Fund for Rural America, which will use a two-phase, multi-round reverse auction to distribute up to \$9 billion to bring 5G-capable networks to parts of our country that would be unlikely to see 5G service without subsidies. This Fund will build upon the groundbreaking conditions we imposed upon the T-Mobile/Sprint merger, which, among other things, require T-Mobile to cover with 5G service 99% of the American people within six years.

On the legacy, high-cost side of our universal service programs, we've implemented long-needed reforms to improve funding for smaller, rural carriers while demanding more for each dollar spent. We've revised the FCC's Alternative Connect America Cost Model, or ACAM, awarding \$657 million in additional support over the next decade to provide broadband service to 106,000 more rural homes and small businesses. We also made a second offer to provide ACAM support to rural carriers on the legacy support mechanism, providing \$491 million per year over the next ten years to 171 carriers that will deploy broadband to 363,000 unserved homes and businesses, including more than 37,000 on Tribal lands. Moreover, those carriers remaining on the legacy program must meet specific buildout obligations for the first time in the program's history.

Now, the programs I have discussed thus far are nationwide broadband programs. But we've also taken targeted action to help those most in need. Notably, we established special universal service programs dedicated to closing the digital divide in Puerto Rico and the U.S. Virgin Islands, in recognition of their unique challenges. Indeed, last year, the Commission awarded more than \$127 million to two carriers in Puerto Rico through the *Uniendo a Puerto Rico* Fund to deploy at least 100 Mbps broadband service to *every* Puerto Rican home and business, with nearly one-third of them receiving gigabit service. And we awarded \$84.5 million to a carrier in the U.S. Virgin Islands through the *Connect USVI* Fund to deploy gigabit broadband service to *every* home and business in the USVI. And we also provided funding to bolster mobile networks in the Territories, including the first federal universal service funding specifically directed to 5G. Indeed, when all is said and done, this Commission has done more to advance connectivity in Puerto Rico and the U.S. Virgin Islands than any other FCC in history. This is especially gratifying given where we stood in 2017 and 2018, when I traveled to each following Hurricanes Irma and Maria.

These important efforts—from competitive auctions to reforming the legacy program to taking aggressive action in Puerto Rico and the U.S. Virgin Islands—have resulted in combined enforceable commitments to deploy broadband to more than 8.2 million unserved homes and businesses across the country. I've met some of those people who've benefited, from Mandan, North Dakota to the Wind River Reservation in Wyoming. These results aren't abstractions to them, I can assure you.

By the way, everything I've described so far comes from one part of the Universal Service Fund. But we've made forward-thinking reforms to the other three USF programs, too. Consider our Rural Health Care Program, which is dedicated to meeting the connectivity needs of rural hospitals and clinics. This program's budget had always been flat—\$400 million for its entire two-decade history. But telehealth demands are growing, and connected care solutions are improving. In recognition of these trends, in 2018 we raised the program's budget, by more than 40%, to \$571 million, and began adjusting the budget annually for inflation. As a result, the budget this year is \$605 million. Moreover, thanks to

new rules that promote transparency and predictability in the program's administration and strengthen safeguards against waste, fraud, and abuse, program funds will be disbursed more efficiently and equitably. The pandemic has underscored the importance of telehealth, and we've gotten ahead of the curve through this and other initiatives.

So that's the first big category of our work to close the digital divide: transforming how we subsidize broadband networks in sparsely populated areas where there's no standalone private business case for network deployment. The second is improving the business case for network investment everywhere.

Our governing philosophy here is that we want to align the incentives of broadband service providers with the public interest. In other words, we want to do everything we can to encourage them to invest, deploy, and compete in delivering better services at lower prices.

A large part of this work is removing regulatory barriers that slow the pace and raise the costs of network investment. For example, to make it quicker and cheaper to enable new attachments to poles, we adopted our "one-touch make-ready" policy. Instead of having multiple parties prepare poles for a new entrant one after the other, as was previously the practice, a single construction crew now can do all the make-ready work at once. This speeds up network buildout. It opens the door to new entrants, which can increase broadband competition. And, by promoting fiber network buildout, it supports the expansion of wireless backhaul, too. Oh, and it was completely affirmed by the Ninth Circuit last fall, helping embed this reform in the books.

Our most high-profile effort on this front was our move to end utility-style broadband regulation inspired by rules from the 1930s. Our *Restoring Internet Freedom Order* has been much discussed, so I won't go into the details today. I would note that some of the biggest advocates for that decision have been up-and-coming Internet service providers, particularly fixed wireless companies, who simply don't have the resources or lawyers to navigate a thicket of complex rules. Of course, at the time, we heard hysterical predictions of doom and gloom from opponents who made Chicken Little look like an optimist. But they have been proven wrong, and the results speak for themselves, as I will get to in a minute.

Another key reform involved modernizing 24-year-old rules requiring that local telephone companies make portions of their networks available to competitors on an unbundled basis at regulated rates. We ended unbundling and resale requirements where they stifle the transition to IP networks and broadband deployment. At the same time, we preserved unbundling requirements where they are still necessary to realize the 1996 Telecom Act's goal of robust competition benefiting all Americans. This both maximizes everyone's incentive to build and promotes competition (and hence protects consumers).

One of my first big actions back in 2017 was to update our rules for business data services, long known as "special access." These services involve network connections used by businesses, non-profits, and government institutions to securely move large amounts of data. They are critical backhaul for 5G networks. The rules I inherited included heavy-handed price regulations written before new entrants like cable companies entered the market. Where competition now exists, we have relaxed unnecessary regulation, thereby incentivizing the private sector to invest in next-generation networks. But where it doesn't, we've preserved safeguards against anti-competitive price increases.

We've also made it much easier to deploy wireless infrastructure through a series of reforms that have streamlined federal, state, and local approval processes and limited the fees that state and local government can charge.

Now, I'm well aware that most of these reforms that I've gone through aren't what you would call kitchen-table issues that are front-of-mind for the American people. But here's something that all Americans will understand and care about. These policies are working. They're helping close the digital divide.

In the past few years, we've seen record-breaking capital investments in broadband infrastructure. In 2018, and then again in 2019, the United States set records for annual fiber deployment. The number of new cell sites in the United States has skyrocketed. We've also seen significant increases in broadband speeds. Since December 2017, the average download speeds for fixed broadband in the United States have more than doubled. Perhaps most important, at the start of last year, the number of Americans living in areas without access to terrestrial fixed broadband with speeds that satisfy the Commission's benchmark for high-speed broadband fell to 14.5 million, a 46% decrease from the end of 2016. Much of that new deployment has taken place in rural America; the gap between the percentage of Americans in urban and rural areas with broadband access has almost been cut in half, from 30 points at the end of 2016 to just 16 points by the end of 2019. And as the programs that I discussed earlier, especially the Rural Digital Opportunity Fund Phase I, continue to be implemented, these policies will lead to more progress in the years to come.

And these aren't just academic figures: Commission data show that more Americans are using broadband than ever before. The percentage of U.S. households with access to 25/3 Mbps or better broadband subscribing to such service grew to more than 69% in 2019, an increase of more than 15 points since 2016. Adoption of higher-speed services has grown even faster, with more than half of American households with access to 100/10 Mbps or faster services subscribing to such service, an increase of more than 30 points since the end of 2016. And in terms of affordability, the results are consumer-friendly indeed: Compared to 2015, today's average U.S. consumer is paying 28% less for broadband in *real* terms while enjoying faster speeds.

As I said in my opening, I've been talking about closing the digital divide since the first day of my Chairmanship, so this issue is nothing new. In fact, it's something people have been talking about since the 1990s. But I think it's safe to say that 2020 will go down as inflection point in how we think about the digital divide. The pandemic has ended any debate about the need to expand Internet access to all Americans. Broadband is not a luxury. It is a necessity for modern American life.

As soon as it became apparent that millions of Americans would need to maintain access to networks for telework, telehealth, distance learning, and the like, the Commission immediately sprang into action.

Among our many efforts back in March, I called on our nation's broadband and telephone service providers to take what we called the Keep Americans Connected Pledge. The first part of the Pledge: For 60 days, no consumer or small business would have service cut off or be charged late fees because of disruptions caused by the pandemic. We also asked for Wi-Fi hotspots to be opened up for anyone who might need them. Within days, over 700 providers, serving the vast majority of broadband and telephone consumers, had taken the Pledge. That number would eventually grow to nearly 800 and this Pledge was extended through June. Many providers went above and beyond what was in the Pledge, from offering discounts to low-income consumers to increasing speeds for free.

Many carriers extended these commitments beyond June, but it was unreasonable to think that they could extend them forever. They and the consumers they serve needed help. So in June, I called on Congress to step up and do its part to keep Americans connected. At long last, Congress answered this call in December. The coronavirus relief and omnibus funding legislation funded a broad array of broadband access initiatives. The most significant was a \$3.2 billion Emergency Broadband Benefit that will provide up to \$50 per month for Internet access to low-income Americans and up to \$75 per month for low-income Americans in Tribal areas. That Program will go a long way to keep low-income American families and veterans connected during the pandemic and ensure that students can engage in remote learning with support from the program's funding for connected devices. Our staff is moving quickly to stand up this program to support consumers who need the help while also guarding against waste, fraud, and abuse.

This legislation also gives the FCC the funding we need to implement our Digital Opportunity Data Collection, an initiative this FCC started to improve the flawed broadband maps we inherited with more granular, accurate information. This is a critical step toward the FCC being able to implement both Phase II of the Rural Digital Opportunity Fund as well as the 5G Fund for Rural America. Rounding out the package was an additional \$250 million for the FCC's telehealth program and \$1.9 billion to help "rip and replace" insecure network equipment that has been deemed a threat to the security of the nation's communications networks. This will be a big deal for broadband in America, and I hope the next FCC will faithfully implement Congress' charge.

Speaking of Congress, I'd like to close my remarks by exploring the future of the Universal Service Fund.

Looking ahead, the biggest challenge facing the long-term health of the FCC's universal service programs is the way they are funded. The money for these programs comes from charges on Americans' monthly phone bills. The amount they are charged is tied to a number called the universal service contribution factor—which you see represented on your phone bill as something like "Universal Service Charge." In January 2011, the contribution factor was 15.5%. Last month, the Commission announced that the rate is increasing to 31.8%. Almost all of this growth in the contribution factor can be attributed to a nearly 40% decline over the last decade in carriers' revenues for the services that are assessed for contributions, such as telephone service and enterprise data services.

This decline is almost certain to continue so our current course is unsustainable. Moreover, the current funding mechanism is regressive, hitting low-income Americans and seniors the hardest. We need to fix this problem soon. And, due to a stroke of good fortune, we are in a unique position to solve this challenge. Here's how.

Back when I was a Commissioner in 2016, I proposed that Congress should authorize a dividend from the sale of wireless spectrum that would go toward closing the digital divide. Whenever the FCC auctioned spectrum for flexible use, we would set aside 10% of the net auction proceeds for the deployment of broadband in unserved communities.

I thought it was a good idea then. I think it's a good idea now. But I believe we can be even bolder.

If there were ever a time to set aside auction funding to close the digital divide, it's right now. First, the pandemic has raised awareness of the digital divide to unprecedented heights. Second, Congress has just demonstrated an unprecedented commitment to close the digital divide in response to a national emergency. And third, and this is the most important, the FCC is about to conclude a spectrum auction that is not only unprecedented, it's almost unthinkable. As of a month ago, \$45 billion was the most bid in a spectrum auction, back in 2015. Any day now, the Commission will close bidding in the C-Band auction. And gross bids in this auction have already topped \$80 billion—and it continues to climb.

By law, we're required to deliver those proceeds to the Treasury. But here's my proposal for how to handle this bespoke and sizeable windfall. Congress should set aside about \$50 billion in revenue from this auction to fund the Commission's Universal Service Programs for the next five years. The law authorizing this spending would call on Congress to come up with a solution to the eroding contribution base within five years. In the near term, this proposal would allow us to eliminate the USF contribution system—a system which is regressive, wasteful, and often arbitrated. In addition, consumers would get a tax cut in the form of lower phone bills.

Five years of breathing room would also give elected officials the time they need to figure out what should come next. Now, I recognize that fixing the dated universal service contributions system the FCC created in 1997 will be politically difficult. If it were easy, it would have been done already. But doing nothing for much longer will cause more political pain in the end.

Congress has several options. You could do a direct appropriation, which I personally think makes a lot of sense for economic, public choice, democratic accountability, and other reasons. You could come up with a funding mechanism like the digital divide dividend that I've proposed. You could come up with a revised contribution system that focuses on connections or that focuses assessments on businesses, not consumers. Or you could come up with something else altogether. We don't know the answer now. But we don't need to know the answer now. That's why Congress and the Commission would have five years. What's indisputable is this: This is perhaps the clearest case of Stein's Law, which holds that if something cannot go on forever, it will stop. We have a unique opportunity to find a solution before it stops. Let's take it.

One last thought, and then I'm done. When I first started taking these road trips, we were calling them part of my "Digital Divide" tour. But the more I traveled the country, the more I realized that didn't quite capture what I was seeing. Yes, I heard many stories of people and places being left behind by the digital revolution, some of which were heartbreaking. But the overwhelming majority of the interactions that I had on the road left me more hopeful than discouraged.

Even in those places I visited that were offline, I was inspired by the determination of the people in those places to aspire to something better and to fight to make it possible. That's why we stopped calling it a "Digital Divide" tour and started calling it "Digital Opportunity" tour. Because for all the challenges we face, the opportunities are so much greater. It's been the greatest honor of my life to help the American people seize those opportunities.

I want to thank all of the people who have been with me on this figurative and literal journey. Thanks to those people around the country whose stories I will always carry with me. Thank you to MMTC and the National Grange, who have both been strong advocates in this effort. Most important, thank you to the FCC staff. Many of the initiatives I've talked about drew on staff from across the agency, but I'd especially like to thank the members of our Wireline Competition Bureau, and in particular, the outstanding Chief of that Bureau, Kris Monteith.

We've come a long way since my first day as Chairman. By working together, we've narrowed the digital divide, and we're closer than ever to closing it altogether and opening new doors of opportunity for every American.