

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

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

Communications networks – whether wired or wireless, fixed or mobile, existing or yet to be deployed – are, and will continue to be, a central component of our daily lives. They no longer are just a means to talk to our friends and family, but facilitate how we conduct business, make financial transactions, engage in commerce, and obtain needed information. This will only expand in the coming years as next-generation networks could bring about such advances as self-driving vehicles, remote surgery and other telehealth applications, and the Internet of Things, with billions upon billions of devices conveying information through the Internet. While we do not fully know all of the innovative applications that are on the horizon, it is possible to conclude that a huge amount of data, including very sensitive information, will be traveling through these networks. Therefore, they must be as secure as possible, knowing that absolute security is unachievable, and we must ensure that those with nefarious intentions cannot get access to these systems – or the information they carry – to do harm to our country.

I have spoken on many occasions about the threats to our networks by those countries and their associated businesses that do not share our market-based system or support our values and freedoms. We see time and time again efforts by these entities to attempt to monopolize and gain unfair advantages in the marketplace. Further, I agree that the hard-earned dollars of the American people should not be used to buy equipment and support entities that may do us harm.

For a multitude of reasons, I support today's item. But, I do have a few reservations. Let me caution the critics: raising concerns on certain portions doesn't make me a sympathizer of those seeking to harm the U.S. I am just trying to enact sound policy and prevent potential abuses down the road. Being skeptical of and trying to protect from an authoritative government is the very nature of being American.

First, I understand the gravity of the decision to exclude certain companies from the U.S. marketplace. These designated companies stand to lose significant business opportunities. Of course, I am not concerned about financial opportunities lost by companies that want to cause us harm, but sometimes innocent companies can be implicated by mistake. We must get these decisions right and have a process to challenge if the Bureau, which I am not all that comfortable delegating to, gets them wrong. I appreciate that the Chairman accommodated my concerns by implementing a 120-day timeline to expedite appeals of Bureau-level decisions to the Commission. This will ensure that affected parties have some timely recourse, if necessary.

Second, I fear that we are underestimating the costs of our action today. I was one of the first to suggest that our actions to ban certain equipment would have costs to be paid by someone, and I was criticized for doing so; now it is universally accepted. On this point, while I appreciate that the Chairman's Office and staff clarified how and when USF funds can be used when a network contains covered equipment, our decision to prohibit the use of USF funds to maintain, modify, or support covered equipment in any way may result in some providers having to replace equipment earlier than scheduled when minor changes or repairs need to be made. Not to mention that our communications providers will have fewer equipment options, which could raise costs and delay new and expanded offerings. Unfortunately, these costs will mostly affect the nation's smaller providers, which are more likely to have covered equipment and may be relying on USF dollars to remain viable.

More generally, I remain disappointed in our cost-benefit analyses. Instead of figuring out what the true benefits are of our decision, the cost-benefit analysis states that the cost of \$960 million, which as I just stated seems low, is justified if our action prevents a minimal – well less than one percent – disruption to the economy and annual growth. There is no data provided to verify these assertions or

support the theory that preventing USF funds from being used to buy and maintain this equipment will be effective in reducing these hypothetical disruptions to our economy.

Third, I am concerned that we are broadly and unnecessarily interpreting some statutory provisions to justify our authority to decide that some companies should not be able to participate in our communications economy. While I am a fervent supporter of protecting our national security, these and similar arguments are likely to be used in the future to justify mandates in the name of national security or others. It is important to note that the Commission doesn't retain significant authority – or much at all – to affirmatively act on network security issues. That means we cannot transcribe requirements, mandates, or other burdens on providers in the name of network security. The “national security” language of the statute is not a catch-all, otherwise it can be abused in many harmful ways. However, we do have and rightfully maintain authorization authority where we take Team Telecom views into account and can condition USF in various ways to meet our policy objectives.

Regardless of these concerns about the item, I remain seriously concerned about the risks that our nation's communications networks face. I appreciate the Chairman's effort and thank him and Commission staff for tackling a very complex and challenging issue. I approve.