

**REMARKS OF FCC COMMISSIONER AJIT PAI
AT NTCA'S TELECOM EXECUTIVE POLICY SUMMIT**

WASHINGTON, DC

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Good morning, and thank you for giving me this opportunity to address NTCA—The Rural Broadband Association. It's been a pleasure working with NTCA for more than three years. From the quantile regression analysis to the rate floor, from rural call completion to stand-alone broadband, policymakers in Washington, DC are paying attention and know that rural America cannot be ignored.

As you know, I'm somewhat biased. I grew up on the outskirts of Parsons, a town of about 10,000 people in the southeast corner of Kansas. When I was growing up, Parsons didn't feel small. Neighboring towns like Oswego, Altamont, and Cherryvale—those were the small towns. But Parsons is no Wichita, Topeka, or Kansas City either. Our backyard was a country pasture with cows and ponds. We lived on an unpaved road, next to an ostrich farmer. Our address was "Rural Route 4."

When it comes to communications, my childhood in Parsons taught me that rural America is different. My family didn't have cable television, and very few broadcast channels reached our house. Watching a football game meant adjusting the rabbit ears every once in a while, and sometimes just holding them in place while my family looked on. We eventually got a big satellite dish installed in our back yard. It was 10 feet wide and 10 feet tall. With the dish, we could watch non-broadcast programming if we typed the channel coordinates into a set-top box and waited a minute or two for the satellite to reposition itself.

So when rural issues cross my desk at the Commission, they aren't just abstractions to me. I know that the decisions that we make at the FCC have a real impact—on my parents, on my friends, and on all Parsonians. And I also know that back in Washington, DC, we often focus too much on the political controversies of the day instead of the longer-term issues that affect the heartland.

One thing that concerns me, for example, is the depopulation of rural America. Take Kansas. In the last decade, my state's population has dropped in 77 of 105 counties. In Labette County, where Parsons is located, our population has declined in every census since 1920—a total of 38% from its peak. A similar story could be repeated in almost every county, every city, and every town in rural America.

Why is this? There seem to be several reasons. Young people leave in search of better economic opportunities. Parents depart in order to provide their children with more educational options. Senior citizens abandon communities where they have lived all of their lives in order to obtain easier access to the medical care they need.

This is a tragedy. We can't ignore the challenges facing rural areas. They are as much a part of the national fabric as our biggest cities. I know how great it is to grow up in rural America, and I want future generations to be able to have that same experience.

That's why one of my top priorities as a Commissioner has been to extend digital opportunities to all Americans, particularly in rural areas. Broadband access to the Internet can address many of the reasons that people leave for the bright lights. It can provide better medical care through telehealth and greater educational opportunities through distance learning.

And ensuring that rural America has broadband access is also good for the entire country. Our nation's biggest cities have no monopoly on innovation or entrepreneurship. Broadband access ensures that anyone with a good idea can bring their vision to market. I consistently hear from entrepreneurs that broadband has leveled the playing field between small towns and more traditional technology hubs like

Silicon Valley. With a strong infrastructure and a fast connection, entrepreneurs in rural America can compete in the national market while working in a community with the lifestyle they love.

I've had the chance to see this for myself. In South Dakota, I met a woman named Chelsea Pickner. She founded Chelsea's Boutique, a brick-and-mortar clothing store in Sioux Falls. Chelsea simply wanted to sell the clothes she designs to women in South Dakota. But thanks to the Internet, she expanded her horizons. She began marketing her products on social media and through a website, and her business took off. Now, Chelsea's Boutique ships to all 50 states and can find suppliers anywhere in the world. And earlier this month, she opened a second store in Sioux Falls—one that features shoes and accessories. That store is selling merchandise online as well. You might still think of Paris or Milan before Sioux Falls when it comes to fashion. But because of broadband, you might actually prefer to buy clothes from Chelsea—a talented entrepreneur who can compete with designers all over the world, and who is creating jobs in South Dakota as she does.

I saw it again in Diller, a town of 287 people in southeastern Nebraska. There, I met Chad and Courtney Lottman, a husband and wife who started C&C Processing. Twenty years ago, C&C was a mom-and-pop slaughtering operation that had a simple website and a local customer base. Today, it's hired dozens of employees, some all the way from Omaha. It sells its retail products nationwide over the Internet. And its wholesale products can be found in grocery stores everywhere. Whether you're cheering on Jordan Spieth at a PGA Tour event or shopping at Whole Foods, you can find C&C's meat marketed under the Blue Valley Brand, Pony Express Ranch, or EPIC Jerky. Broadband is important to the company in other ways, too. Chad showed me the app he uses to monitor his facilities remotely. And he told me how C&C employees can make inspection records immediately available to the U.S. Department of Agriculture through electronic filings instead of having to fill them out by hand.

These aren't isolated tales. In Bozeman, Montana, I met Doug Warner, who's building a company called DropTrip. DropTrip brings the concept of the sharing economy to shipping by matching people who need things delivered with those who can deliver them. In Reno, Nevada, I met Gabe Hopper, who's working to grow a startup called Ustyme. Ustyme enables users to pick an online book, video-call another user, and read the book interactively together (something that appealed to me as a father of two young children who was on the road). I could go on, but you get the picture.

The entrepreneurial spirit has even infected our farms. Precision agriculture is bringing Big Data to the fields. Unmanned aerial vehicles, variable-rate application seeding, and in-cab computing solutions are changing the way farmers do business. I had a chance to see some of these technologies firsthand at Clear Meadow Farm in White Hall, Maryland. They are helping farmers boost their bottom lines by increasing productivity and cutting costs, leading to economic growth in U.S. agriculture.

Just last week, John Deere announced the acquisition of Precision Planting from Climate Corporation, which will allow the two companies to collaborate on new technologies that will provide farmers with “exclusive[,] near real-time data connectivity” between John Deere equipment and Climate's FieldView platform.

With this increase in connected technology comes an increased need for broadband. A high-speed Internet connection is essential for machine-to-machine communications—communications that make it possible to boost productivity and manage costs.

Rural telephone companies have been at the forefront of meeting this need, deploying broadband to the small towns, to the farms, and to the people of rural America. It's rural carriers that are trenching fiber across the Great Plains and up the North Slope. It's rural carriers that are crossing the Rockies and the deserts of the Southwest. It's rural carriers that are breathing life into aging communities and it's rural carriers that are giving the next generation a reason to stay. For all this and all that you do, thank you.

Four years ago, the FCC followed your lead and promised to reform the Universal Service Fund to support broadband throughout rural America—a promise that echoed the call of the Communications Act itself to “make available, so far as possible, to *all* the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges.” It’s a promise that I intend to keep.

Since then, we have taken a few steps in the right direction, such as ending the Commission’s quantile regression benchmarks. Whatever the intended purpose of the QRA benchmarks, in practice they chilled the investment climate and impeded the deployment of broadband to rural Americans. Even the U.S. Department of Agriculture’s Rural Utilities Service told us that carriers had stopped taking out loans to deploy broadband because of them. The QRA benchmarks introduced substantial uncertainty into the marketplace. Carriers had no idea what support they would be receiving from one year to the next. That’s a big problem. Investing in rural America is not a one- or two-year decision but a ten- or twenty-year commitment. Therefore, our policies must reflect the unique challenges that rural carriers face when building their networks. Just as important, the QRA benchmarks were not designed to save the Fund a dollar, so keeping them on our books just meant further hardships for rural America with no federal benefit.

But there remains much to be done. Too many federal policies make it too hard to invest in rural America.

Take the “rate floor,” an unfortunate legacy of the *Universal Service Transformation Order*. Under that policy, the FCC sets a minimum price that telephone companies can charge their customers for local telephone service—and penalizes those companies that do not comply with this government mandate. By design, the rate floor targets our farmers, our ranchers, our small-town entrepreneurs, and other rural Americans for a significant rate hike—46% once fully implemented. As the AARP put it, the rate floor “will impose a disproportionate burden on older Americans, who are much more likely to be living on fixed incomes.”

That’s not all. The rate floor reduces broadband investment by making the business case for selling services even harder in rural America. And even with those consumers paying more, there’s no savings to the Universal Service Fund that could be used to decrease everyone’s rates or deploy more broadband. In other words, the purpose of the rate floor is to increase rural telephone rates for the sake of having higher rural telephone rates.

So what should the FCC do about the rate floor? That’s easy: Scrap it before rural rates goes up again next summer. Congress charged the Commission with making telephone service more affordable for Americans living in high-cost areas, not less, and we shouldn’t perpetuate policies that so clearly contravene congressional intent.

And then there’s the stand-alone broadband problem. Through of a quirk of regulatory history, our rules governing small, rural carriers continue to provide universal service support only to networks that supply telephone service, not stand-alone broadband service. That regulatory system has increasingly come under strain as consumers flee landlines in favor of wireless and Internet-based (or “over-the-top”) alternatives.

Indeed, it has put some carriers to a Hobson’s choice. On one hand, they can offer stand-alone broadband—which urban consumers have and rural consumers want—and lose universal service support. On the other, they can deny consumers the option of an Internet-only service, and risk them dropping service altogether (which they increasingly are). The net result is that rural carriers hold back investment because they are unsure if they can deploy the next-generation services that consumers are demanding.

It’s time we made good on the promise of delivering broadband to rural Americans. That’s why I put forward at the end of June a concrete and specific plan for correcting this historical accident and giving rate-of-return carriers a chance to participate in the Connect America Fund if they want to do so.

My plan is based on the principles set forth in a May letter to the Commission by 115 Members of the House of Representatives, led by Congressman Kevin Cramer. The letter called on the FCC to adopt “an immediate, targeted solution” to the stand-alone broadband problem and to implement “a much simpler and straightforward plan” for rate-of-return carriers than was adopted for price-cap carriers.

That’s exactly what my plan does. First, it implements a single page of changes to existing universal service rules to solve the stand-alone broadband problem. Specifically, my plan would include stand-alone broadband costs when calculating high cost loop support and interstate common line support. It would determine how much of that support should be attributed to stand-alone broadband. And it would direct that support be used to offset the cost of service.

These simple amendments to our existing rules would have a big impact. They would allow rural consumers to choose broadband as a stand-alone service, and they would give carriers more assurance that arbitrary loopholes won’t prevent them from meeting consumer demand. This will increase broadband deployment. They would also meet the FCC’s own goals of distributing support equitably and efficiently and ensuring no double recovery of costs. And they would do all of this within the existing budget.

Second, my plan creates a path so that rate-of-return carriers that want to participate in the Connect America Fund can do so before the end of this year. The FCC’s staff have worked diligently to create an alternative cost model for rate-of-return areas (the A-CAM), refining many aspects of that model in recent months. The model might not be perfect—it wasn’t initially designed for small, rural companies, for example. But that is no reason to prohibit participation on a strictly voluntary basis. And I’m open to using some of the reserves that have built up within the rate-of-return budget over the past few years to fund additional volunteers, but only so long as we remain fiscally responsible and prioritize participation for those areas that have the lowest build-out of high-speed broadband.

Earlier this year, in a hearing before the Senate Committee on Commerce, Science, and Transportation, every Member of the Commission committed to solving the stand-alone broadband problem by the end of this year. I believe that my plan—the only one on the table, and that’s been on the table for months—presents a simple and straightforward path to accomplishing that goal and expanding broadband deployment in rural America. And I have been pleased that every stakeholder I’ve met has voiced support for a simple plan, like mine, that solves the stand-alone problem as quickly as possible.

But it is now November 16, and time is running short if we are to keep that commitment. Unfortunately, I’m starting to hear speculation that it’s just not going to be possible for the Commission to act by our end-of-the-year deadline. I strongly disagree with that view. There is no reason whatsoever why we can’t act by December 31 if our focus is on solving the stand-alone broadband problem. The difficulty only arises if we decide to link solving that problem to a number of other thorny issues. But we didn’t commit to the Senate Commerce Committee that we would resolve those other issues by the end of the year. We said that we would address the stand-alone broadband problem this year. That’s exactly what we should do.

My bottom line is this: Too many people in too many rural towns have waited too long for the broadband revolution to reach them. They don’t need more roundtables and rhetoric from Washington, DC. And they certainly don’t need a sequel to the Commission’s quantile regression analysis debacle. They don’t need another complicated and theoretically elegant reform plan that no one understands and doesn’t reflect how the world actually works. Instead, they need us to act now in a targeted way so that they can have online opportunities comparable to those you can find in the big city.

I wish I could promise you that we’ll take up stand-alone broadband before the year’s end. I wish I could say with confidence that the FCC will stick with something simple, something that will work. And I wish I could tell you that universal service funding will be predictable and sufficient going forward. But as a minority Commissioner, I’m not the one who gets to make those calls.

I wish you the best of luck over the coming days in making your voices heard here in Washington, DC. I can promise you that I will continue the fight for ubiquitous high-speed broadband just as you do. And if I can ever be of aid, come to the Commission. Stop by my office. My door has been open since I came to the FCC more than three years ago, and it will be open as long as I have the privilege of serving.