

# **Principal FCC Achievements During Chairman Kennard's Tenure 1997-2001**

January 12, 2001

**“I have devoted my Chairmanship to meeting the twin challenges of the Digital Age. The first challenge is to fight for a competitive marketplace in which monopoly is ended, innovation and entrepreneurship are cherished and consumers have competitive choice. The second challenge is to make sure that the benefits of the Digital Age reach all Americans -- from the business districts to the barrios; from those with every advantage to those with disabilities; from the young to the old; from suburban enclaves to the rural heartland.”**

**FCC Chairman William E. Kennard**

## **Promoting Competition**

1. **Moving the Market from Monopoly to Competition** Chairman Kennard has fought consistently and forcefully to promote competition in all sectors of the communications marketplace. During his tenure, the Commission won a key U.S. Supreme Court case upholding the FCC's authority to open local telephone markets to competition. Chairman Kennard resisted efforts by the Bell Companies to enter the long distance marketplace before making their networks accessible to competitors, as required by the Telecommunications Act of 1996. Ultimately, the FCC granted long distance authority to Verizon in the state of New York and SBC in the state of Texas, only after ensuring that those markets were open to competition. The Commission successfully defended the legal basis for these breakthroughs in numerous federal court cases. As a percentage of local service revenues, revenues earned by carriers (CLECs) that are in competition with the monopoly incumbents grew 152% from 1997 through 1999. The number of competitive carrier lines grew 53% in the first six months of 2000.
2. **Merger Review** During Chairman Kennard's tenure, the Commission has dealt with an unprecedented wave of consolidation. Chairman Kennard defended the Commission's authority to conduct comprehensive merger reviews to protect the public interest and advance consumer welfare. Thus, in approving some mergers (SBC\Ameritech, Verizon\GTE, AT&T\MediaOne), the Commission imposed unprecedented market-opening conditions to advance the pro-competitive goals of the 1996 Act.
3. **Rate Reductions** Chairman Kennard has strongly advocated policies to reduce telephone rates. During his tenure, the Commission reduced access charges payable by long distance carriers by \$3.2 billion, resulting in overall access charge reductions

of approximately \$6.4 billion since enactment of the 1996 Act. The Commission also created a \$650 million universal support mechanism to ensure that telephone service in rural America remains affordable. By stimulating competition, the Commission has continued to reduce domestic long distance rates (dropped 63% since 1984), wireless rates (dropped 52% between 1993 and 1999), and international rates (dropped 81% since 1980, including 31% from 1996 to 1999).

4. **International Advocacy** Chairman Kennard has aggressively promoted the benefits of competition and deregulation worldwide. He insisted that the FCC forcefully advocate competition in all international forums. He also pioneered an innovative Development Initiative to assist countries in the developing world to establish strong independent regulatory agencies. Through this initiative, Chairman Kennard signed partnership agreements on behalf of the FCC with ten countries on four continents to share US regulatory experience with developing nations, and to help guide them toward independent regulation of competitive markets and full participation in the Global Information Infrastructure.

### **Broadband (High-Speed) Connections to the Internet**

1. **Broadband Deployment** Chairman Kennard has been called “The Broadband Chairman” for creating a regulatory environment to spur broadband deployment. He successfully concluded a number of proceedings to create incentives for broadband deployment. He often speaks about the need to create a “regulatory oasis” for any company seeking to deploy broadband to the American public. Toward this end, the Commission has not imposed “open access” obligations on cable television companies willing to invest in broadband, and it has resisted calls to impose onerous unbundling obligations on much of the equipment deployed by the Bell Companies to deploy high-speed DSL. As a result, competition is emerging between the cable and telephone industries in the deployment of cable modem and DSL technology. At the same time, the Commission created opportunities for data CLECs to compete by mandating line sharing, colocation, local loop unbundling and other pro-competitive measures. In a recent report to Congress, the Commission documented the steady growth in high-speed links to the Internet. In the first six months of 2000, the number of high-speed lines increased 57%. That includes an increase in DSL lines of 157%, and a 59% increase in high-speed cable service. High-speed service providers were reported in all fifty states, the District of Columbia and Puerto Rico, and in about 70% of the nation’s zip codes.

2. **Spectrum Auctions** Chairman Kennard consistently fought to protect the integrity of the Commission's auction process. During his tenure, the FCC reclaimed valuable spectrum from winning bidders that had gone bankrupt, and reauctoned the spectrum for the benefit of American consumers and taxpayers. Bids in the currently on-going auction of spectrum for personal communications services (C Block PCS) have topped \$14.7 billion. Sixty-eight percent of Americans have a choice of five or more mobile telephone carriers, and the number of mobile telephone subscribers has jumped 547% since 1993, to about 36% (97 million) of the nation's population.
3. **Spectrum Management** Building on the success of the FCC's spectrum auctions, Chairman Kennard has sought to import more market-based techniques to the FCC's management of the spectrum. He believes that this is essential to avert a "spectrum drought" that could constrain wireless Internet access. He spearheaded a novel initiative to create a "secondary market" in spectrum, to allow entrepreneurs to deploy spectrum more quickly and fluidly in the marketplace. The Commission also adopted, for the first time, a comprehensive spectrum management policy and laid the foundation for use of advanced technologies, such as ultra-wideband radio, software defined radios and guard-band managers. These achievements promote efficient spectrum use and will facilitate the wireless Internet.
4. **Digital TV** In implementing the guidelines called for by Congress, Chairman Kennard resisted calls for the FCC to micromanage the transition to DTV. At the same time, he has made sure that the Commission takes the essential steps necessary to begin the transition to digital television by establishing compatibility standards and by encouraging the initial roll out of digital television to the current coverage of 64% of the American public.

### **Access for All**

1. **E-Rate** Chairman Kennard has made bridging the digital divide a top FCC priority. During his tenure, the FCC successfully implemented the E-Rate, a program to bring technology to the nation's schools and libraries. The E-Rate program has helped to bring the Internet to 95% of elementary and secondary schools, to over a million classrooms, and to over 58,000 libraries. Chairman Kennard oversaw \$6 billion in E-Rate investments, the nation's largest program to bring technology to education.
2. **Access for Americans with Disabilities** Chairman Kennard fulfilled his commitment that people with disabilities would be assured access in the Digital Age. In a series of groundbreaking policies, the FCC mandated that all telecommunications products and services be accessible to people with disabilities. The Commission adopted new rules to make television more accessible, through video description for the blind and closed captioning for the deaf, and it dramatically improved the telecommunications relay services. Chairman Kennard also created a Disabilities Rights Office to institutionalize the FCC's commitment to people with disabilities.

3. **Low Power FM Radio** Chairman Kennard believes that the airwaves belong to the public and should be used to build stronger communities. During his tenure, the FCC created a new low-power radio service designed to allow schools, churches, and other community-based nonprofit groups to use the airwaves to speak to their communities. Although the service was scaled back by Congress at the urging of incumbent broadcasters, the FCC will still issue hundreds of new licenses for the service.
4. **Tribal Lands Initiatives** Native Americans are most at risk of being left on the wrong side of the digital divide. While, on average, 96% of Americans have access to basic telephone service, less than 50% of Native Americans living on tribal lands have a telephone. Chairman Kennard championed the cause of bringing telephone service to Indian Country. The Commission adopted policies that will extended telephone service to over a million low-income Native Americans on tribal lands, in part by taking steps to augment the existing FCC Link-up and Lifeline programs. The Commission also created new incentives for wireless and wireline companies to serve tribal lands. Chairman Kennard led an aggressive outreach program to tribal leaders and the FCC became one of two independent agencies to formally recognize tribal sovereignty.
5. **Expanding Opportunities** Chairman Kennard has worked tirelessly to create opportunities for employment and ownership in communications for minorities, women and small business entrepreneurs. During his tenure, the Commission significantly revised its equal opportunity rules for broadcasters and cable operators. When broadcast station mergers were proposed, the FCC encouraged new owners to spin-off stations to minority owners. As a result, 43 new minority-owned stations were established in the last four years. The Commission documented the bias of the advertising industry's undervaluing the purchasing power of minority consumers, and adopted principles to correct urban and Spanish-language advertising limitations. It also produced five groundbreaking market-entry-barrier studies on the participation of minorities, women, and small businesses in the broadcasting and wireless telecommunications industries. The Chairman also encouraged the broadcast industry to shatter the glass ceiling over ownership and management opportunities for women and minorities. Taking the challenge, broadcasters created the Quetzal/Chase Communications Partners, LP fund, to help women and minorities acquire media properties by providing them with access to capital. Initially funded with \$175 million, the fund made investments totaling \$42.5 million in its first quarter of operation.

### **Creating A Model Agency for the Digital Age**

1. **Strategic Plan** Chairman Kennard developed a five-year strategic plan to transform the FCC into a more effective organization, one that focuses on consumer protection and enforcement of rules and away from traditional industry-specific "command and control" regulation more appropriate to the monopoly era.

2. **Enforcement and Consumer Bureaus** The Commission launched two new bureaus that consolidated and focused Commission efforts in the critical areas of enforcement and consumer information.
3. **Electronic Filing** The Commission converted much of required filing and licensing to electronic formats for the convenience of service providers and consumers.
4. **Move to the Portals** Over a period of six months, during 1998-1999, the Commission successfully completed the massive undertaking of moving nearly 2000 employees, their files and their equipment to the Commission's new headquarters at the Portals. The move has helped move the Commission toward a state-of-the-art agency for the new millennium.

Objective	1992	1997	2000
K-12 Classrooms on the Net	~0	27%	63% (1999)
Households with Internet Access	N.A.	18.6%	56%
Households with Phone Service	93.8 %	93.8%	94.4%
Wireless Subs	11.0 million	55.3 million	97.0 million
Avg. Mobile Telephone Price	\$0.53/minute	\$0.43/minute	\$0.24/minute
Avg LD Interstate Rate	\$0.15/minute	\$0.11/minute	\$0.11/minute (1999 – Not including \$2.1 billion per min. reduction in access 7/00 or the effect of Bell LD entry)
Avg International LD Rate	\$1.04/minute	\$0.71/minute	\$0.56/minute (1999)
CLEC market share	N.A. 0.3% (1993)	N.A. 2.3%	6.7% (lines) 5.8% (1999 revenues)
Broadband subs	N.A	N.A	4.3 million
Telephone Jobs	887.2 million	993.0 million	1,017.0 million

Sources: Falling Through the Net: Toward Digital Inclusion, A Report on Americans' Access to Technology Tools, NTIA, DOC, October 2000: Survey on Internet Access in US Public Schools, National Center for Education Statistics, DOE, Fall 1999: Trends in Telephone Service, IAD, CCB, FCC, December 2000: CTIA Semi-Annual Wireless Survey, June 2000: "Internet Access Tops 56 Percent in US According to Nielsen/NetRatings, Dec. 18, 2000: Thomas J. Sugrue, Opening Remarks, Presentation on the Adoption of the Fifth Annual Report on State of Wireless Industry Competition, August 3, 2000 <[http://www.fcc.gov/wtb/statements/Sugrue\\_slides3.ppt](http://www.fcc.gov/wtb/statements/Sugrue_slides3.ppt)>