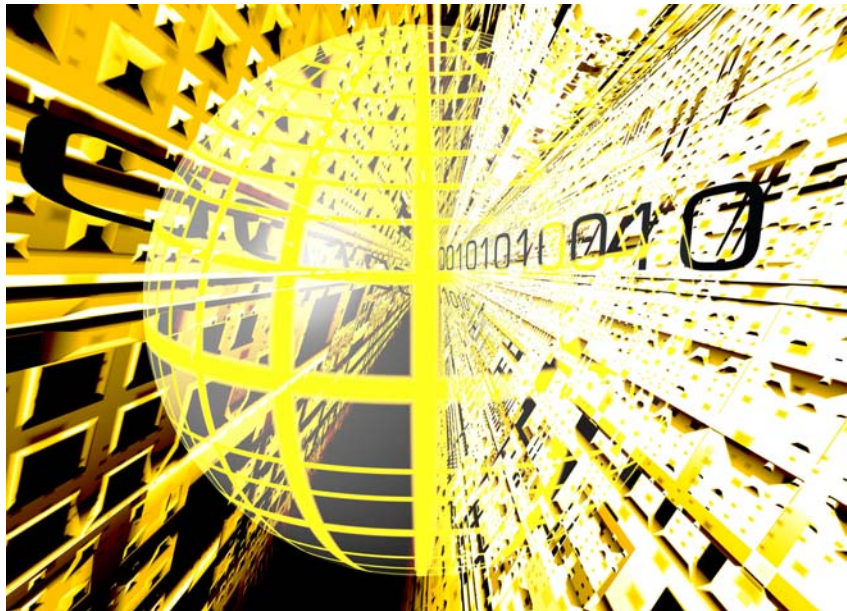




*Federal Communications
Commission*

FY 2004 PERFORMANCE SUMMARY



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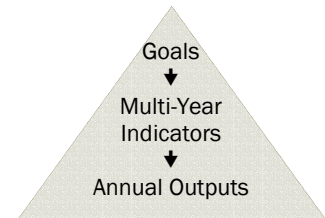
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How the FCC Implements Its Strategic Goals

In FY 2004 the FCC employed the following planning and performance hierarchy:



This hierarchy allowed the Commission to match its past performance and future commitments to both its *FY 2003-FY 2008 Strategic Plan* and the resources necessary in FY 2004 to achieve its mission.

This report highlights some of the FCC's most significant accomplishments during FY 2004 including data found in the *FY 2004 Performance and Accountability Report* (available at: <http://www.fcc.gov/omd/strategicplan/>).

Those interested in the full details of how the FCC performed financially and operationally in FY 2004 are encouraged to visit the Commission's web site where a variety of planning and performance documents are available to view or download.

MESSAGE FROM THE CHAIRMAN



MICHAEL K. POWELL
CHAIRMAN
FEDERAL COMMUNICATIONS COMMISSION

I am glad to have this opportunity to share information with you about the Federal Communications Commission's successful performance during FY 2004. It is my hope that this summary of our FY 2004 accomplishments will provide you a few insights into how the FCC both boosts the U.S. economy and improves our quality of life.



I can easily make these claims because today's telecommunications networks are the conduits through which our Nation's economic, educational, informational, and entertainment resources flow. Additionally, new digital broadband technologies, both wired and wireless, are providing an almost limitless combination of voice, video, and data services that are changing the way Americans of all ages work, learn, live, and earn.

These networks boost our economy by opening new markets and by creating new businesses and new jobs. And they improve our quality of life by making the resources of the world's great universities and hospitals available to any who would use them and by connecting us in real time to events as they unfold locally, nationally, or internationally.

To link our performance to the achievement of the Commission's strategic objectives, we have identified six strategic pillars that underpin all of the FCC's efforts: broadband, competition, spectrum, media, homeland security, and modernizing FCC operations.

Using this strategic framework, this summary will show you how we:

- Promoted economic growth and increased consumer welfare by making high-speed broadband technology accessible and affordable for all.
- Fostered competition by reducing regulatory burdens and allowing market forces to play a greater role in determining how spectrum can best be used.
- Increased the amount of unlicensed spectrum available for new and innovative uses. We also revised our regulations for licensed spectrum to ensure greater efficiency.
- Encouraged the continuing transition to digital television and radio while updating the rules and requirements for media who continue to operate analog stations.
- Helped create communications networks that can provide "on the scene" information to emergency responders during a fire or locate hidden suspects during a police chase. We also continued to work with local public safety authorities to overcome the challenges of E-911 deployment.
- Improved our engineering laboratory so that FCC staff can more quickly and accurately study the impact of emerging technologies on the communication marketplace.

Having just completed my seventh year at the Commission, including almost four years as Chairman, I remain honored to be part of an agency that is playing such an active and successful role in leading our Nation into the digital future.

The FCC advanced deployment of several promising new broadband technologies during FY 2004. These included:

Voice over Internet Protocol (VoIP) — The FCC resolved several petitions, initiated VoIP rulemakings, filed amicus briefs, and hosted VoIP Solution Summits during FY 2004. All these activities were carried out to create a clear and consistent set of rules that encourage the development of this exciting new approach to voice communication.

Advanced Wireless Services (AWS) — The Commission allocated and established licensing rules for spectrum that can be used for AWS. AWS includes “third generation” wireless phones that allow their users to have high-speed, always-on Internet connections — so that sports, music, and news are as close as your cell phone.

Broadband over Power Lines (BPL) — The FCC proposed rules for those Internet providers who give their customers high-speed access over the electric power lines that already go into America’s homes and businesses. BPL gives consumers yet another choice in broadband providers.



Subscribership to advanced services (providing connections to the Internet at speeds exceeding 200 kbps in both directions) more than tripled between June 2001 and December 2003.



ACCELERATING BROADBAND ACCESS

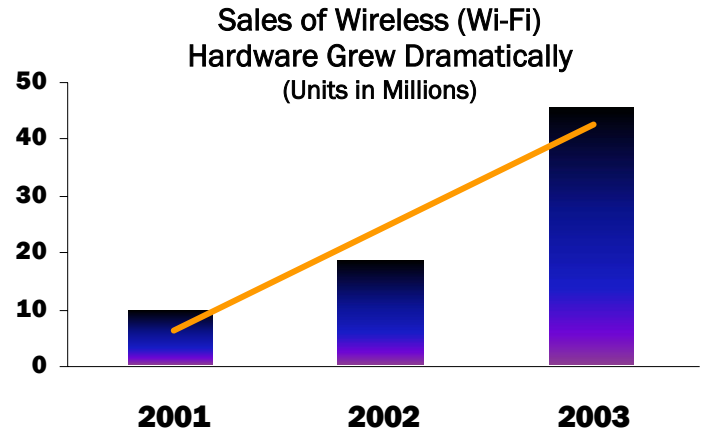
Strategic Goal:

Establish regulatory policies that promote competition, innovation, and investment in broadband services and facilities while monitoring progress toward the deployment of broadband services in the United States and abroad.

Business and technology forecasters say broadband technologies have “transformative potential to nurture innovation” and serve as the “driving force behind the digital revolution.” Because of these effects, the U.S. Chamber of Commerce has called for national leadership on broadband development and deployment since small businesses across the United States have found that investments in high-speed, broadband networks generate high-paying jobs and increase business efficiency and productivity.

But broadband’s high-speed digital technologies are not just for businesses. These services, which provide integrated access to voice, data, video-on-demand, and interactive delivery services, open doors of opportunity for education, transportation, health care, entertainment, family life, and much more – in new ways everyday. Indeed, broadband virtually eliminates geographic distance and time as obstacles to acquiring information.

While adoption of broadband is in its early stages, providers are offering services with increasing speed and functionality, and consumers have more choices available to them than ever before.



Activities carried out by the FCC during FY 2004 have contributed to the steadily increasing subscribership to broadband services. It was particularly encouraging during FY 2004 to find that this growth is also occurring among consumers who are often relatively underserved by new communications technologies, particularly consumers in rural areas.

One of the most successful of the broadband technologies during FY 2004 was the service known as Wi-Fi. The success of Wi-Fi was evidenced by the integration of Wi-Fi capabilities into laptop computers and personal digital assistants as standard features. The number of Wi-Fi access points or “hotspots” grew tremendously, providing Internet access in public places such as airports, hotels, and shopping malls. Similar to hotspots, the number of companies providing wireless Internet access (wireless ISPs or WISPs) grew robustly. One trade magazine identified 2,273 WISPs in the U.S. as of August 2004.

	Dec 2001	Dec 2002	Dec 2003
ADSL	3,948	6,472	9,509
Other Wireline	1,079	1,216	1,305
Coaxial Cable	7,060	11,369	16,446
Fiber	494	548	602
Satellite or Wireless	213	276	367
High Speed Total Lines	12,794	19,881	28,229

The average cost per minute for an international telephone call dropped 16 cents between 2000 and 2002 — down from 43 to only 27 cents per minute.



In June 2003, 66 percent of all television households were cable subscribers; 19 percent were direct broadcast satellite subscribers; 3 percent subscribed to other multi-channel video programming and information services; and 12 percent did not subscribe to any programming service, receiving only television programs available over the public airwaves. While cable remains the most common way for television programming to come into U.S. homes, competitive providers are gaining ground.



PROMOTING COMPETITION

Strategic Goal:

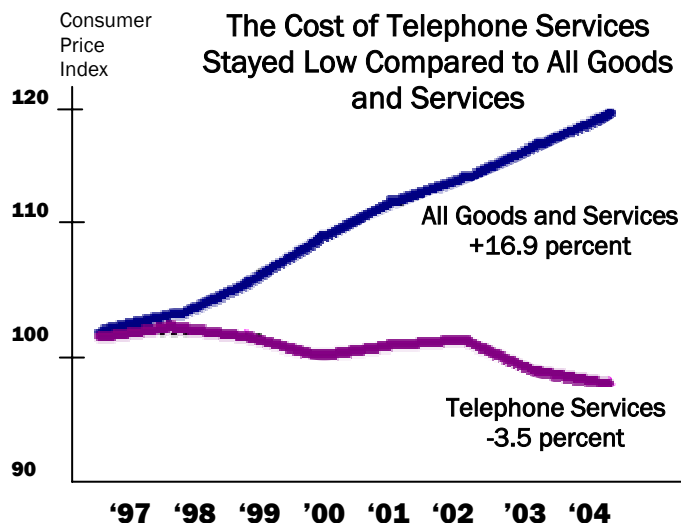
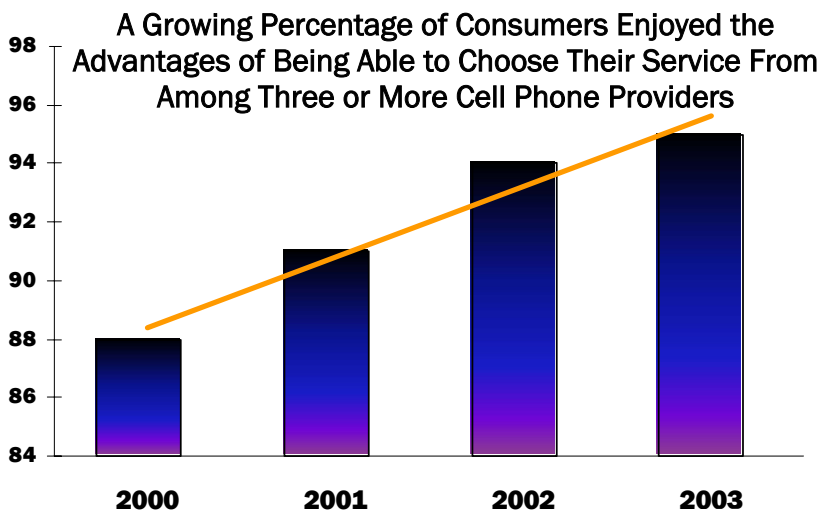
Support the Nation's economy by ensuring that there is a comprehensive and sound competitive framework for communications services and devices. Such a framework should foster innovation and offer businesses and consumers meaningful choices in services and devices. Such a pro-competitive framework should be promoted domestically and overseas.

Competition has such a long history in the United States economy that we often do not think about its many advantages — until it disappears and prices go up and service quality declines.

To promote the American consumers' ability to purchase the highest quality telecommunications services at fair and reasonable rates the FCC moved decisively in FY 2004 to remove barriers to competition so that consumers had meaningful choice in providers and services.

Examples of this included:

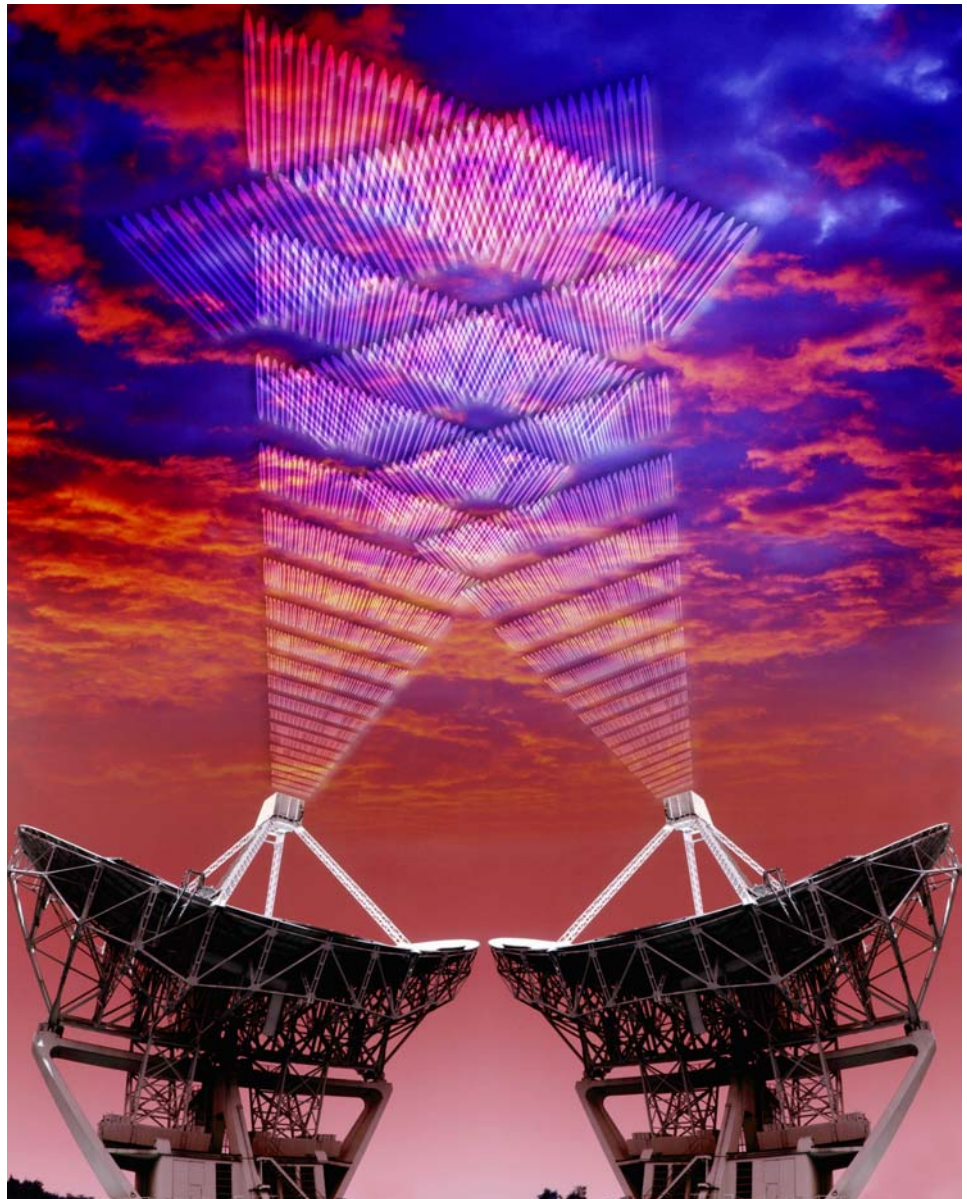
- **Local Number Portability:** By allowing consumers to keep their numbers when switching wireless carriers, or when switching from wireline to wireless carriers, local number portability spurred competition based on price, service quality, and innovative product offerings;



- **Consumer Protection:** The FCC issued rules prohibiting sending unsolicited commercial messages (spam) to wireless devices and strengthened slamming rules that protected consumers against having their telephone service switched to a different carrier without their permission. In addition to approximately \$9 million in fines resulting from formal enforcement of these and other consumer protection rules, such as junk fax and do-not-call restrictions, the FCC also ensured that approximately \$8 million in credits or refunds were sent back to the American people; and
- **Support for New Technologies:** The Commission allocated and established new rules for spectrum that can be used for advanced wireless services. Additionally, it made rulings that encouraged the use of new and emerging services and applications that use Internet Protocol.

In November of 2002, the FCC's Spectrum Policy Task Force (SPTF) released a road map for modernizing spectrum policy to reflect changes in the current technology and markets. Implementing these recommendations is essential to effective allocation of spectrum bands.

FCC staff initiated several proceedings that implemented the recommendations made by the SPTF and reached agreements with other U.S. Government agencies and the International Telecommunications Union for a framework for "Improving the International Spectrum Regulatory Framework."



In FY 2004, the FCC issued a Notice of Proposed Rulemaking on cognitive, or "smart," radio technologies that will allow a radio device to adapt its spectrum use in response to its operating environment.



USING SPECTRUM WISELY

Strategic Goal:

Facilitate the highest and best use of spectrum domestically and internationally to promote the growth and rapid deployment of innovative and efficient communications technologies and services.

Spectrum – the entire range of electromagnetic radio frequencies used to transmit sound, data, and video – is one of the United States’ most important shared public resources. Effective, efficient management of this invaluable, invisible resource is necessary for:

- Easy set up of a wireless network linking your computers, internet modem, color printer, hand-held device, and stereo;
- Ubiquitous, mobile broadband connections via your “third generation” wireless phone, which make it possible for you to participate in a video conference with people around the world, wherever you travel; and
- The emergency dispatcher to know exactly where your teenager is when she calls 911 for help from a wireless phone (Enhanced 911).

These and hundreds of other everyday uses of spectrum are dependent on the proper management and fair sharing of our Nation’s spectrum.

The FCC and the National Telecommunications and Information Administration (NTIA) share responsibility for regulating spectrum uses. The NTIA manages spectrum used by the Federal government (e.g., air traffic control and national defense), while the FCC is responsible for regulating spectrum used by others, including

individuals (e.g., garage door openers and general mobile radio service), private organizations (e.g., radio and television broadcasters, and cellular and PCS operators), and public safety and health officials (e.g., police and emergency medical technicians).

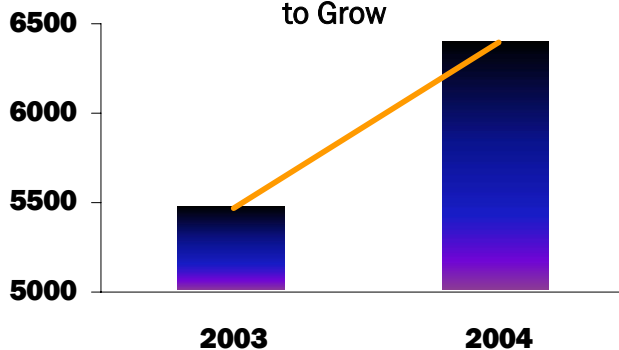
Because there is a growing demand for rival uses of spectrum, creating rules to effectively distribute available spectrum is a critically important strategic objective for the FCC.

In FY 2004, the Commission made significant progress in developing and implementing both domestic and international spectrum initiatives. These included:

- Increasing access to spectrum by making new or more flexible spectrum available (via auction or other means) for public safety, broadband, satellite, and other uses, including unlicensed applications;
- Encouraging innovative and efficient uses of spectrum in the 2 GHz range for instructional television (IFTS) and multipoint distribution services (MMDS and MDS) by issuing a new band plan for these services;
- Promoting spectrum access and furthering development of unlicensed technologies by making additional spectrum in the 5 GHz range available for unlicensed devices such as those typically used in wireless home networks;

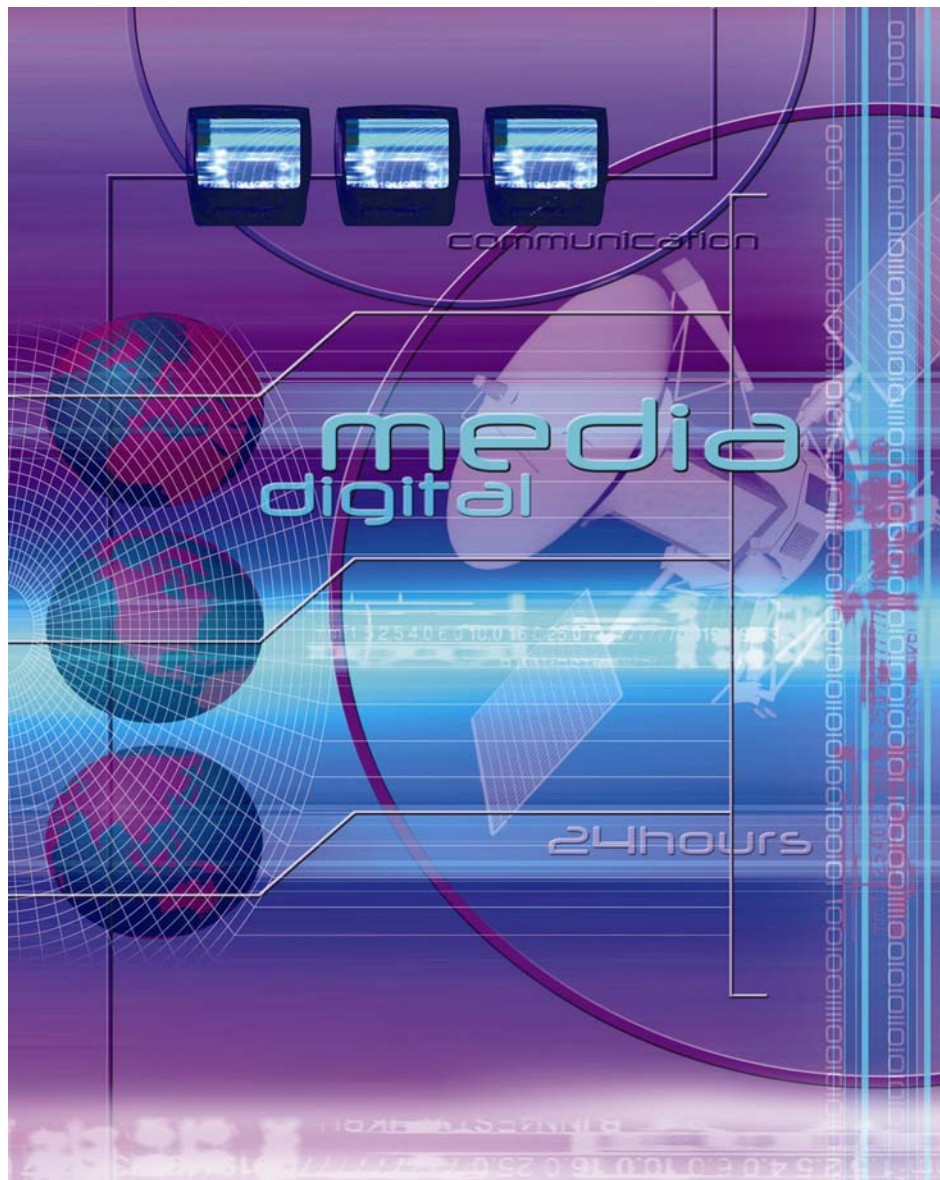
- Implementing automated licensing, such as the Commission’s Schedule S form for satellite licensing; and
- Reforming agency rules that encourage future telecommunications’ investment as well as research and development activities.

Enhanced Telecommunications Equipment Authorizations Continued to Grow



The transition to digital television (DTV) is well under way. At the end of FY 2004, about 86 percent of existing television stations were licensed or operating digitally.

Implementation of AM and FM inband, on-channel (IBOC) hybrid digital radio also continued in FY 2004. By September 30, 2004 there were 135 stations operating with digital radio authorizations.



The Commission is dedicated to making sure that every person living in the United States equally benefits from today's advances in telecommunications. In FY 2004, carrying out this commitment included reminding broadcast, cable, and satellite operators of new closed captioning requirements for both English and Spanish language captioning, and requirements to ensure that emergency information is presented in a manner accessible to persons who are deaf, hard of hearing, blind or visually impaired.



UPGRADING MEDIA FOUNDATIONS

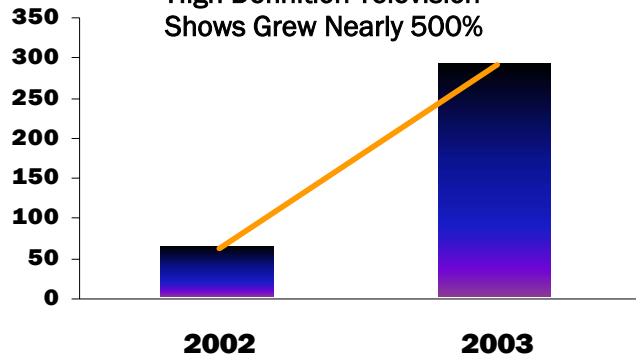
Strategic Goal:

Revise media regulations so that media ownership rules promote competition and diversity in a comprehensive, legally sustainable manner, facilitate the mandated migration to digital modes of delivery, and clarify and ensure compliance with general media obligations.

Television and radio have been among our Nation's strongest cultural and technological forces for the past fifty years. But, due in large part to the growing integration of these traditional media with newer technologies like personal computers and wireless data transmission, the rules that worked well when there were three networks and signals were received through roof-top antennas no longer fit today's realities.

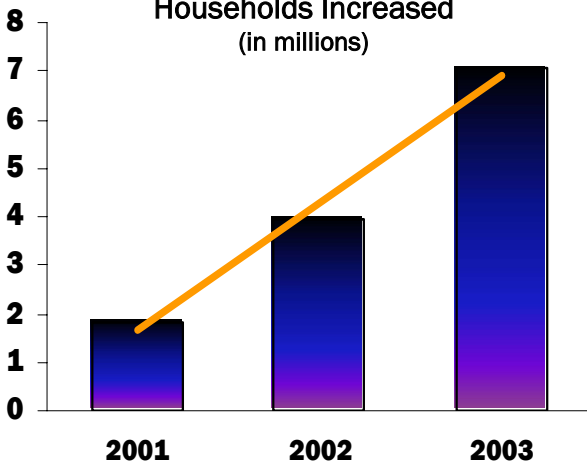
These factors, along with the need to free more spectrum for commercial and homeland security uses, led the FCC to place a high priority on

The Average Number of Daily High Definition Television Shows Grew Nearly 500%



- Approving a content protection system for digital broadcast television that requires television reception equipment to respond to a content protection marker, also known as the "broadcast flag," embedded in digital broadcasts;
- Establishing the timing and procedures for the digital channel election process;
- Setting deadlines for stations to replicate and maximize digital service areas;
- Requiring broadcasters to include Program and System Information Protocol (PSIP) information with their digital broadcast signals;
- Permitting limited use of distributed transmission technology; and
- Clarifying interference protection parameters of broadcast stations operating and/or authorized to operate on channels 51-69.

The Number of Digital Television Households Increased (in millions)



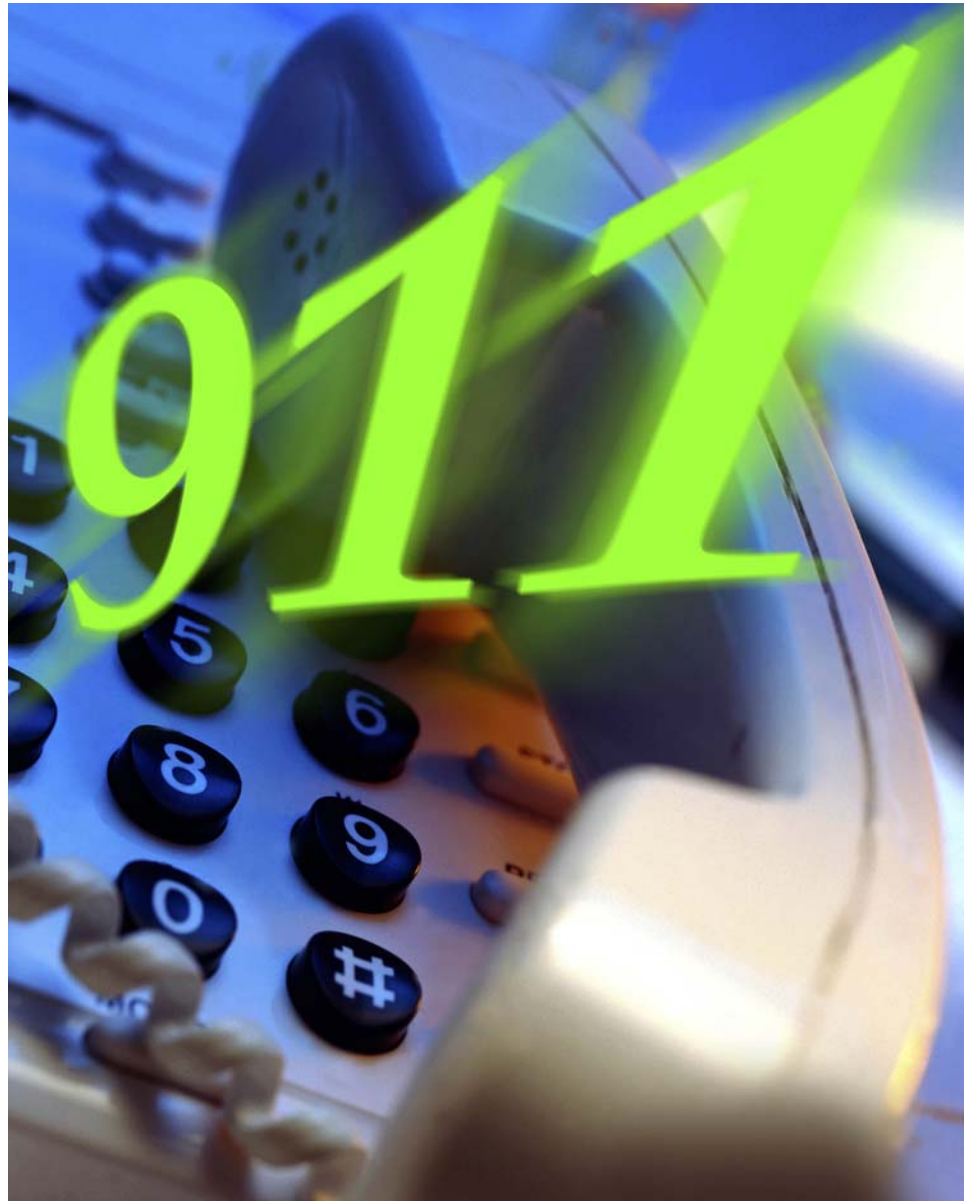
enhancing the migration to digital television. FY 2004 activities included:

- Adopting cable system transmission standards and support requirements, manufacturer labeling and consumer disclosure requirements, and copy protection encoding rules to promote digital "plug and play" cable compatibility;

Reformulating the factual and analytical foundation of media ownership was another area of emphasis for the FCC in FY 2004. In this arena, activities included developing legally-sound, economically-realistic, and socially-responsive answers to Federal court decisions that require the agency to better justify its decisions on how many media outlets a company can own in any one geographic area. Part of preparing responses to these court decisions included seeking additional comment on media ownership topics like the UHF discount and Joint Sales Agreements in local television markets.

E-911 Phase II rules require licensees to transmit 911 caller location information with greater accuracy than Phase I deployment.

From February 2003 to August 2004, Phase II of E-911 Operational Growth increased the number of Public Safety Answering Points (PSAPs) receiving E-911 Phase II location information from at least one mobile service licensee by 444% (from 350 to 1,904).



Since radio waves do not recognize national borders, negotiating clear spectrum and communications policies, procedures, and practices with Canada and Mexico is an essential part of protecting the United States. The FCC, in consultation with the U.S. Department of State, stepped up to this challenge in FY 2004 by initiating the modification of existing cross-border agreements.



STRENGTHENING HOMELAND SECURITY

Strategic Goal:

Provide leadership in evaluating and strengthening the Nation’s communications infrastructure, in ensuring rapid restoration of that infrastructure in the event of disruption, and in ensuring that essential public health and safety personnel have effective communications services available to them in emergency situations.

In the aftermath of the September 11, 2001, terrorist attacks, Americans were reminded of the importance of reliable, readily available communications — for emergency personnel responding to a tragedy, for individuals communicating with family and friends, and for the Nation as a whole, anxious to stay informed of ongoing events on a minute-by-minute basis.

The telecommunications, broadcast, and cable industries that the Commission regulates are critically important to our national well-being in times of crisis. The reliance of numerous other critical industries, including banking, transportation, and energy, on telecommunications further underscores the importance of the FCC’s role in homeland security.

Through its regulatory proceedings, advisory committees, and important partnerships with other government entities and industry, the FCC works to fulfill its responsibilities in promoting homeland security, network protection, interoperability, redundancy, and reliability.

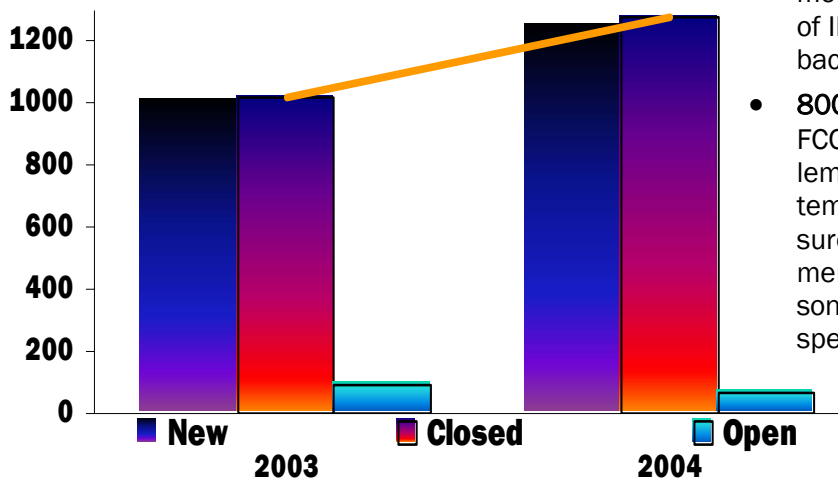
For instance, the Network Reliability and Interoperability Council (NRIC) and the Media Security and Reliability Council (MSRC) worked in FY 2004 to enhance telecommunications and media network reliability. Among the work done by these advisory committees was the adoption or revision of over 900 voluntary industry “Best Practices” focused on cybersecurity, business continuity, public communications and safety, communications infrastructure security, access, and restoration.

Information on these “Best Practices” was disseminated through workshops, panels, international teleconferences, a joint workshop with the U.S. Department of Homeland Security, and the distribution of thousands of DVD’s and brochures at industry conventions and other events.

Among the other activities the FCC carried out in FY 2004 to protect the Nation’s safety and security were:

- **E-911 Solutions Summit and Coordination Initiatives** — By bringing together E-911 stakeholders, the FCC led the development of strategies for expediting E-911 deployment and explored ways to maximize the use of IP-enabled voice services to deliver callback number and location information; and
- **800 MHz Public Safety Proceeding** — The FCC adopted a plan to resolve ongoing problems of interference to public safety systems. The implemented plan will help ensure interference-free operations for policemen, firemen, and other public safety personnel. This plan also grants additional spectrum for public safety purposes.

The FCC Resolved Public Safety Interference Cases Quickly and Effectively



While considered a small Federal agency, the FCC has financial responsibilities far beyond the size of its work force.

While the congressional appropriation for the agency's salaries and expenses in FY 2004 was less than \$300 million, the

Commission had oversight responsibility for the multi-billion dollar Universal Service Funds (USF).

In addition, the Commission carried over adjusted budget authority of \$4.4 million from FY 2003, had credit appropriations and borrowing of \$1 billion, and the agency's Reimbursable Authority accounted for \$90 million.

Yet, the agency received only \$1 million in tax dollars from the U.S. Treasury in

FY 2004 because Congress requires that the Commission collect funds to cover its expenses directly from those it regulates. These regulatory fees are collected and deposited directly into the U.S. Treasury to offset the FCC's appropriations for the current fiscal year. In FY 2004, the FCC collected and returned to the U.S. Treasury over \$285 million to cover its salaries and expenses.



In FY 2004, the FCC was named one of 2004's Best Workplaces for Commuters by the Greater Washington Region's Commuter Coalition because of its support of telecommuting, flexible work schedules that allow employees to balance work and family, transit subsidies for employees using public transportation, and preferred parking spots for carpoolers.



MODERNIZING FCC OPERATIONS

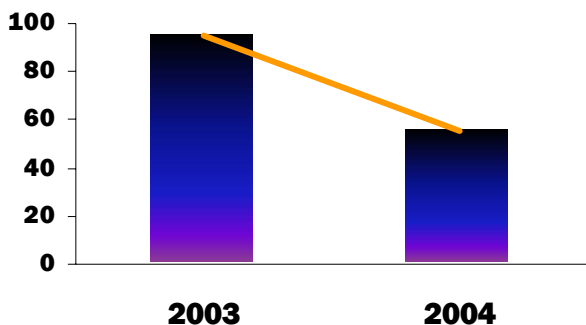
Strategic Goal:

Emphasize performance and results through excellent management. Develop and retain independent mission-critical expertise and align the FCC with the dynamic communications markets.

The wisest spectrum rules, the fairest competition policies, and the strongest interference enforcement cannot have their desired effect if the FCC does not efficiently, effectively, and responsively adopt those rules, publish those policies, and track interference complaints.

Thus, modernizing the FCC’s operational efficiency so that it matches and fully supports its policy effectiveness has been an important commitment for the agency. These modernization efforts began with an agency-wide reorganization in 2001; moved to recruiting, training, and equipping of an expert workforce in 2002 and 2003; and then spread to physical infrastructure investments in FY 2004.

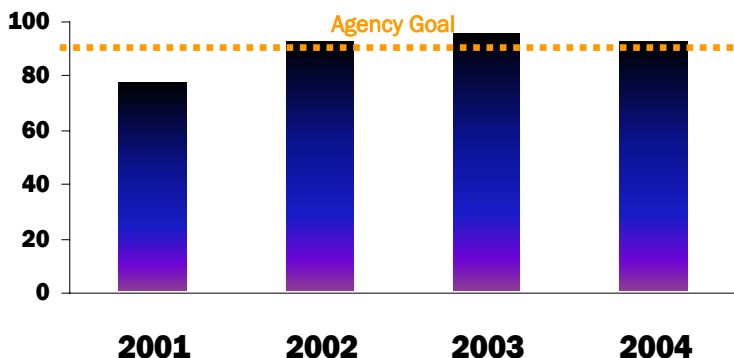
The FCC Reduced the Number of Backlogged Items by 42%



FY 2004 activities that helped the FCC move towards its modernization goal included:

- Simplifying the submission of many types of filings such as renewals, cancellations, and administrative updates through use of the newly deployed ULS License Manager;
- Providing a web-based form on the Equipment Authorization System that accredited testing laboratories used to certify radio frequency devices;

Over 90% of Requested Actions Were Filed Electronically

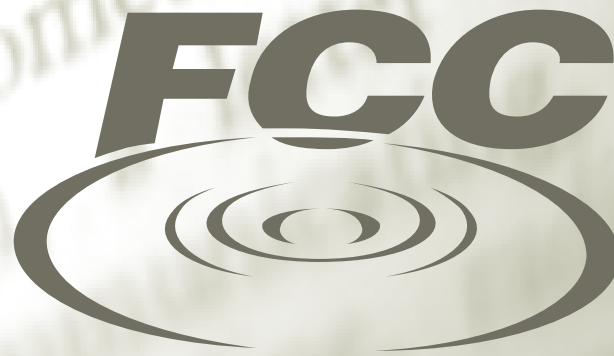


- Opening a specialized testing chamber at the FCC’s engineering laboratory allowed FCC staff to more quickly and accurately study the impact of emerging communications technologies; and
- Replacing several aging components of the Commission’s Internet infrastructure improved system performance, security, and capacity. The FCC is now able to process a much higher volume of incoming email, and public access to FCC systems is more efficient and responsive.

The FCC also surpassed its 95 percent goal for “actions disposed of within processing deadlines” for the third year in a row.

Finally, the FCC continued its emphasis on having expert employees who can responsibly lead the way into the digital future by supporting employee participation in nearly 750 external training courses and providing over 300 in-house developmental opportunities for FCC employees in professional, technical, general, and leadership roles. Additionally, FCC employees completed 287 online training courses.





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