

**Remarks of Michael K. Powell**  
**Chairman, Federal Communications Commission**  
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**“The Perfect Storm”**

There was a time when the FCC in many ways was just a ministerial agency to a great degree. We processed licenses. We got in a fight or two about television content. But suddenly we find ourselves at the fulcrum of something truly revolutionary. At this moment in time, every single area and industry under the portfolio of the Federal Communications Commission is in the midst of its most profound far reaching period of change. Pick any one you want:

- Television and the conversion to digital technologies and digital television with probably the most profound change in the television industry in its history;

- Wireless mobile phone services, and wire services generally, as they move toward broadband third generation technologies, and as Americans begin to see wireless phones as invaluable substitutes to even wireline service;

- Satellites becoming a phenomenally important commercial enterprise, and presenting profound challenges both domestically and internationally;

- And it goes on and on. Cable, broadband, you name it, every portfolio in the Commission has had pieces thrown up into the air.

Part of our challenge and responsibility, in cooperation with Congress and other political leaders and, most important, in cooperation with this very community, is to try to make those pieces fall back down onto the board in a meaningful way that paints a picture that will benefit consumers. I think that's the challenge that faces the Commission. It's really breathtaking. It's a very important period in history.

But let me give you a sense of what I think the Commission will be facing, and what policies we will be facing, at least for the next year, which I think is about the only safe period you can make any realistic predictions about.

There are three things, I'd say, that will drive Commission agenda and policy agenda in the year 2002, all of which are interrelated. I've been in public service basically my entire adult life and I've watched government policy and conditions ebb and flow. In many ways like in Sebastian Junger's book "The Perfect Storm" these three things have come together to create changed climate and conditions that all of you will have to be cognizant of and work within.

The first I think is the economy. We have a substantial number of goals and objectives in communication policy, many stemming from the historic 1996 Act and many stemming from policy judgments that were made in the wake of that Act.

But sometimes government needs to be humble enough to know that it may set goals, policies and the regulatory framework for achieving those things, but it is not the one who's going to pay for them. It is not the one who is going to go out and do that. A lot of these policy goals can amount to unfunded mandates if the economic conditions and the business models that are necessary to thrive in those conditions do not materialize.

I think we look out on the world and have deep concerns about the competitive industry, deep concerns about telecommunication players in general, because this may be a mild recession in macro-economic terms but it's a deep depression in the telecommunications and high tech markets --- severe.

I think one of the things we're going to see in 2002 is not only that it has affected some of the small entrepreneurial businesses, the big ones are catching the cold, too. Very significant companies that rank as the third and fourth and fifth largest major carriers in the country are beginning to be cut quite deeply. This has profound implications for Americans. I think it has profound implications for our policy and what is doable and achievable within realistic timeframes.

I think the government has a duty and obligation to be very cognizant of the reality of the economic situation and try to understand that its expectations and its policies have to, in part, take into account in a serious and humble way what is achievable in the context of the realistic economic situation. We'll get to a few areas in which that's going to be meaningful, but it's important to remember that, I think, in making policy.

All the wish lists in the world are for naught if you can't foster the economic conditions to produce them. So the economy will be a driver this year.

The second event I think is September 11th. I think that the catastrophe of September 11th woke the government up and woke the nation up to a number of vulnerabilities that suddenly have to be brought to the fore that probably should have been long ago in terms of considering government policy and positions. That will have implications for regulation. That will have implications for network security. That will have implications for the priorities in which we assign wireless spectra.

So in many ways you have to be able to digest what the lessons are going to be from September 11th and how they are going to impact policy. As business people I would tell you climates in Washington ebb and flow as well. One of the things September 11th does is help. Just like there are business cycles, I think there are government policy cycles.

In some ways the combination of the economy and September 11th said to many consumers that government does play a role in protecting us from things. I think you'll begin to

see a little bit of a tonal change in government politics and policy as being responsive to consumer demand about government being vigilant.

If that weren't enough, there is a third wheel pulled into the storm in the name of Enron, which will likely paint across all of corporate America. Every would-be Pulitzer Prize reporter is chasing every company in this country right now. No one is immune from the kind of scrutiny that's taking place, both political scrutiny and media scrutiny. I think we will see other examples of things that are brought out.

Most importantly, what worries me most deeply about that is if the climate was not risky enough in the minds of investors who were desperately encouraging people to pour capital back into our sector, this sure didn't help.

You have to remember the things we are trying to do are revolutionary. It's not just capital we need, it's high-risk venture capital we need. So all it takes is a little bit more on the margins to just cool that off completely.

So we see those three things like that "Perfect Storm" coming together to provide a host of concerns. But at least we can clearly divine and focus our energies on what we have to deal with. We're working to do that at the Commission. So I think that will be a big contextual component of policy in the next year or so.

The Commission, like all government agencies, also has to deal with the reactive. You know, I would say that historically, or at least in the last five or six years, 75 percent or more of what the FCC does is unplanned for and unexpected and it's presented to the Commission as opposed to the Commission doing something proactively.

I think we will always have to evaluate the kinds of things that are going to come to us and that we're going to be forced to react to, particularly in a market in which technological revolution could care less about economic conditions. It marches on.

There is no doubt in my mind that this year the microchip will double again in speed. There is no doubt in my mind that digital compression techniques will take another order of magnitude leap. There is no doubt in my mind that some entrepreneur is going to figure out how to harness wireless technology in an even more efficient and cost-effective way.

The beauty of this revolution, and the reason we should be optimistic about it, is it is Darwinistic. It is not necessarily being pushed around by the winds of economic change. Whether somebody profits from it might be a question, but the opportunities continue to bubble and surface. I have no doubt that in the entrepreneurial class of the United States, someone is going to harness it, and someone is going to bring products and services to consumers and find a way to do so profitably that will change the world.

So the technology marches on, and when it does, it means change is constantly producing itself and presenting itself to the government. So I continue to believe that we will

have to build an FCC as an institution that's dynamic, that's nimble, that's less arrogant about its ability to know the future, and that remains fleet-footed enough to react when you bring it unconventional things to grapple with within a law that doesn't move as swiftly. So we're going to have a lot to do in terms of FCC reform, policy management, etcetera.

But what kinds of things do I suspect we will be reacting to? We don't go out and make mergers happen, you do. Those are extracurricular activities at the Federal Communications Commission. Trust me. No matter what the press says I'm not one who sits around going, "Boy! I wish some good mergers would come in here."

It's an enormous drain on the Commission. An enormous amount of energy and resources are required when you have to do Echostar-Direct TV this year or when you have to do AT&T Comcast this year. And that's just what we know about. Somewhere in a boardroom right now someone's flirting with the other one. And, for every one of those ones that make The New York Times, there are hundreds of them below the surface that you don't read about.

Those are things that we have to turn ourselves to and many of them force us to make policy in a rapid adjudicatory sort of way. So we try to anticipate those things the best we can. But they take us off our game, as do new innovations and as do things like the economy and whatever might surface on the homeland security front and whatever else might surface in 2002. So there's this second dimension that is the reactive part of policy.

Third, --- and this is the area that I regret agencies rarely do well --- is the proactive agenda. I am a firm believer that if all the Commission does is sit back and wait to react it will be bounced around and slammed into walls by the storm as much as anyone.

I think one of the greatest threats to the communication marketplace and the emerging internet space is that as the Commission moves into uncharted territory, people need to have clear senses and greater certainty about the regulatory environment so they can make high-risk investment decisions without having concerns that suddenly that environment's going to rapidly change or without having any insight into where they think the government might be going.

I feel a profound responsibility that it is our job in times of innovation and change to stand up and say, "Here's what we believe are the key areas of focus. This is what's going to drive our proactive agenda. It's what we're going to look at. You're on notice what we're going to look at. Come talk to us. Come participate on these dimensions so that we can do it responsibly, but here's where we're going."

We have articulated our agenda. I'll just tick it off quickly.

Broadband. It seems to me that it has emerged, not just in this country but in every country on this earth, that broadband is the central communication policy objective of the day.

There is a belief, and I won't even offer an opinion on whether I think it's warranted or

not, but I think there is a near universal belief that one of the next great inflections in technology is to get to consumers the kinds of tools and infrastructure that will allow another explosion in innovation as to how to address the mass market with more high advanced high technology goods and services.

The Silicon Valley community seems to think so. I think virtually everyone around the world I visit seems to think so. Every government I know of and have an opportunity to meet with is struggling with the same thing: how do we get it there?

Let's be sober about getting it there. We are not talking about software, we're talking about a construction project. We're talking about digging up your neighborhood. We're talking about ripping through your streets. We're talking about laying cable. We're talking about getting all of the permits and local permission to do so. We're talking about wiring up homes, selling and marketing to consumers who have got to be told why they need yet another line on their total family communication budget, which is starting to get pretty heavy by the way.

My father complains to me mightily that he has a \$300 a month communication budget and he doesn't know why. He says, "I don't need 20 ways to talk to your sister."

I agree. Stop buying them. We'll have to think, I cannot have the wireless thing or the instant messaging thing or the telephone or the internet connection. Consumers only have so much disposable income. I don't believe they're going to spend 50 percent of it on talking to people six different ways.

But if this thing is what it is, we have to have a policy focused on getting it built. There are a lot of things to worry about on broadband, and we're worried about them, as well. But I take the position of "get it built first" because we don't really know what we're talking about until it has a chance to flourish.

Competition is our second big agenda item. We continue to be totally dedicated, just as Congress was in 1996 to the principle that all communications services ought to be competitive. We're also humble enough to know that we don't make competition. We don't have a little bowl that we mix the ingredients in and stir them and there they are, all blossoming and flourishing. We do try to commit the conditions to give people a chance.

I always get in trouble when I say this but the government doesn't guarantee success, either. We don't raise the capital. We don't cobble together the business models. We don't make the decisions about growth or how fast to grow or how slow to grow. That's why you all are so critical to the objectives that the country sets out for itself.

But we're doing a number of things to try to improve the competitive environment for competitive local exchange carriers, internet service providers, and other technological entrepreneurs, so that when that kid in the garage does come up with a wonderful thing, he's got somewhere to go with it, and he's got at least a fair shot of bringing it into the marketplace.

Third, spectrum policy is broken. I also get in trouble for saying that. It is broken.

Wireless spectrum, and wireless technology is one of the great innovations and is really coming into its own. Consumers are truly embracing it and there are more uses for it than there have ever been before. Public policy on spectrum was largely built around its history and experience with broadcasting. We allocate these guys and their spectrum, they go off and do television and we know what they are doing. Now we are talking about wireless spectrum that is driving itself into your Rim, into your Palm Pilot, into your cellphone, into your local wireless LAN in your home and into your automobile. This matches America's mobile society.

We have a problem because spectrum allocation policy and management does not move fast enough to let spectrum migrate to its highest and best uses. So when yesterday the highest use of spectrum might have been broadcasting, today it might be some wireless LAN and we can't get the use from this to that very efficiently. I'm convinced we have to start tackling that problem.

Fourth, homeland security, as Congressman Frank Wolf just said, is a new and important area.

And fifth, media ownership is a extremely controversial area, as it should be, because I think it goes to the social values of the country. It goes to the debates about democracy. But it's also broken. The FCC has a number of times promulgated structural ownership rules in the media space. Many of the rules are 30 and 40 years old. Not that that should be disparaging in and of itself, but in the last six years the FCC has not even won a case on defending these rules in Court. At some point you have to be honest with yourselves and say, "This isn't working."

I believe that one of our obligations is that if we care about the values of diversity and if we care about the values of competition, we have to go out and understand this market better in the modern context and create a regulatory environment that both works and is judicially sustainable. Otherwise, the debate is just a fun food fight, kind of a debate among ideologies. I don't think consumers are served by that in and of itself.

All of that will require a lot of guts on the Commission's part, and I think a lot of guts on the part of Congress and it's leaders, to be willing to go where no man has gone before. I think the consumers demand it, the public interest demands it, and the world demands it.

With that, I thank Congressman Wolf for inviting me to be with his constituents.

Thank you.