Remarks of
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Introduction

Good afternoon.

Thank you for the opportunity to participate in this excellent discussion between regulators from around the Pacific and, in particular, for the chance to speak on the topic of next generation networks.

Change is Coming

I would like to talk to you about change.

Change is never comfortable. It makes some people nervous and unsettled. Changing telecommunications technology makes incumbents, regulators, politicians and citizens anxious. But change is coming – faster and faster everyday. And, as leaders in the telecommunications field, I believe we must embrace it because it brings new technology, new applications, new opportunities.

Think of the new opportunities created by the merging of the Internet with wireless technology. This combination allows consumers to access the Internet at their local coffee shop or to send and receive video clips from their cell phones.

The Internet is also changing an American tradition: watching television. Americans with a Wi-Fi network in their home can watch the baseball game on TV while downloading statistics from a sports website like ESPN-Star.com. As next generation networks progress, I expect people to be able to watch the game while downloading statistics right on their digital TVs.

Change is exciting, but it also creates challenges: the definitions of license categories blur, old rules become stale and useless, and consumers have to sort through an array of new services. It is difficult to find a balance that embraces change while maintaining a dependable regulatory framework. The FCC manages this balancing act by being careful not to impair the benefits brought on by change.

Digital Migration

FCC Chairman Michael Powell refers to technological changes, and the challenges they bring as the "Digital Migration." The Chairman sees that the world is migrating from a traditional analog, narrowband infrastructure and an old-fashioned model of monopoly regulation to a new world of digital technologies, broadband infrastructure and a broader view of regulation. He says that we are moving away from the old world that was built with copper

wire and analog signals towards a digital environment, built with fiber, spectrum, satellites and packets. Chairman Powell's vision parallels APEC's discussion of next generation networks.

The FCC strives to bring broadband Internet networks to American homes at affordable prices by creating a competitive marketplace. We are encouraging the deployment of multiple broadband networks in order to overcome the "last mile" hurdle. The bottom line is that the FCC wants to create an environment that encourages construction of multiple routes into the home.

New technologies will create this environment. To encourage new technologies, the FCC recently allocated additional spectrum for unlicensed uses. The hope is that the additional spectrum will promote continued growth in wireless broadband services, including to rural and underserved areas. The FCC also established rules that permit the operation of ultra-wideband – UWB – devices. These devices have the potential to provide significant benefits for public safety, businesses and consumers. Lastly, we also have begun an inquiry on delivering broadband over power lines.

A Light Touch

It is human nature to respond to change by trying to cling to the familiar. For communications regulators, that might lead to an attempt to impose old regulatory structures onto new architectures; that is, forcing an innovative application created in 2004 into a regulatory box from 1934. If we are able to resist the urge to revert to yesterday's regulation to solve tomorrow's problems, we will all benefit. Not just citizens in my country, but also those all over the globe.

It is not only our faith in market forces that influences the FCC to let Internet-based services grow without unnecessary government interference. Nearly a decade ago, the U.S. Congress stipulated that the Internet should remain free from regulation. In the 1996 Telecommunications Act, Congress directed that U.S. national policy should "… preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services unfettered by Federal or State regulation."

FCC Jurisdiction over the Internet

That brings me to the FCC's jurisdiction over the Internet in the United States. The 1934 Communications Act gives the FCC extensive authority over common carriers engaged in interstate or foreign communications service by wire or radio.

As computers emerged in the 1960's, and merged with communications facilities in the 1970's, U.S. policymakers and regulators were faced with new challenges. Thus, about a decade ago — in 1996 — the U.S. Congress approved a new telecommunications law. It defines two kinds of services: telecommunications services and information services. Under the law, traditional telecommunication services are regulated, while information services – which include the Internet – are not.

I have to admit that the challenges we faced in the 1970's are still with us today in 2004, as we try to cope with the astonishingly fast pace of innovation in the computer and communications industries. Change is moving at Internet speed and we are racing to keep up. No where is this more true than with the issue of "voice over the Internet" -- or VoIP.

FCC Proceedings

As many of you know, the FCC recently began a proceeding to examine the issues relating to services that use the Internet Protocol (or "IP"). We refer to these offerings as "IP-enabled services" and we define them to include communications capabilities using the Internet Protocol, as well as software-based applications that facilitate use of those capabilities. VoIP is included in this definition, as is at the center of our examination. I will describe the proceeding further in a few minutes.

In addition, the FCC just issued a final decision regarding a unique type of VoIP, called "Free World Dialup" service offered by the U.S. provider, Pulver.com. The service allows broadband users to make VoIP (or other types of peer-to-peer communications) directly to other Free World Dialup members without charge. Last month, the FCC declared Free World Dialup to be an unregulated information service. As it was neither a "telecommunications service" nor "telecommunications," it is not subject to traditional telephone regulation. The ruling is narrowly tailored, addressing only the peer-to-peer application offered by Pulver.com.

With that decision, the FCC affirmed its commitment to keep the Internet free from unnecessary government regulation. As Chairman Powell said in his written statement on the decision, the ruling formalized the FCC's policy of "non-regulation" of the Internet and, in so doing, preserves the Internet as a free and open platform for innovation. Also, the ruling removes barriers to investment and deployment of services by ensuring that Internet applications remain insulated from unnecessary economic regulation at both the federal and state levels.

Chairman Powell recognizes that IP-enabled services will bring change upon the U.S. telecommunications industry with crushing force. He has urged a fresh look at the issues raised by VoIP and other IP-enabled services to avoid forcing a 21st century application into a 19th century box.

As I mentioned, just last month — at the insistence of Chairman Powell –the FCC initiated an examination of the impact of IP-enabled services on U.S. telecommunication regulation. This proceeding seeks comments from all interested parties, including industry, consumers, unions, financiers and policymakers in the United States and abroad, on how IP applications are changing our communications network and the assumptions on which we base our current regulatory framework.

The FCC is seeking comment on the ways in which we might categorize IP-enabled services to ensure that regulations are applied only where they are most appropriate. For example, IP-enabled services might be differentiated from traditional services if the public does not view them as substitutes for traditional telephony, or if they do not interconnect with the public switched network.

Chairman Powell has suggested that IP-enabled services should remain free from traditional monopoly regulation. In addition, he has stated that rules designed to fulfill important federal policy objectives should be preserved in the new Internet-based world.

Therefore, the examination will look at various social obligations, including the important policy goal of universal service. Another key concern is the

impact of IP enabled services on public safety. The FCC has reaffirmed its commitment to ensuring that communications are available to all Americans and are configured to protect public safety. To that end, the item raises questions about how the FCC might best address the needs of individuals with disabilities, and preserve or expand the emergency call system, in the context of IP-enabled services.

Acknowledging that law enforcement access to IP-enabled communications is essential, Chairman Powell has announced his intention to initiate a separate inquiry into the impact of IP-enabled services on U.S. rules regarding the surveillance capabilities of law enforcement agencies. That inquiry will address the scope of covered services, assign responsibility for compliance, and identify the wiretap capabilities required. It is a premise of the inquiry that providers of IP-enabled services should consider the needs of law enforcement as they continue to develop innovative technologies.

The Future: Fighting for "Internet Freedom"

With IP-enabled services and next generation networks, new applications and unimaginable advances ahead, the FCC is constantly reminded that, as regulators, we are here to protect the public interest. Ultimately, we answer to the U.S. consumer. Thus, we must work to preserve the freedom of consumers to choose increasingly innovative, personalized Internet applications and services.

With this in mind, Chairman Powell recently challenged industry to preserve four basic "Internet Freedoms." I think that policymakers and regulators around the globe will find these principles useful when trying to manage change at Internet speed:

- *ONE: Freedom to Access Content.* Consumers should have access to their choice of legal content. Consumers expect full access on high-speed connections, and they would object to paying a premium for broadband if certain content were blocked. While network operators have a legitimate need to manage their networks, any limits on service should be clearly spelled out and should be as minimal as necessary.

- *TWO: Freedom to Use Applications.* Consumers should be able to run applications of their choice. Consumers expect that they can generally run whatever applications they want. These applications are critical to continuing the digital migration, because they can drive the demand that fuels deployment. Application developers must remain confident that their products will continue to work, without interference from other companies.

- *THREE: Freedom to Attach Personal Devices.* Consumers should be permitted to attach devices of their choice to the connection in their homes. Because devices give consumers more choice, value and flexibility in how they use their high-speed connections, they are critical to the future of broadband.

- *FOUR: Freedom to Obtain Information*. Consumers must have meaningful information regarding their service plans. Such information is necessary to ensure that the market is working. Providers have every right to offer a variety of service tiers with varying bandwidth and feature options, but consumers need to know about these choices as well

as whether and how their service plans protect them against spam, spyware and other potential invasions of privacy.

There are benefits for both consumers and industry in preserving the Four Freedoms.

For consumers, the Four Freedoms will guarantee the freedom to access and use whatever content, applications and devices they choose, based on the service plan they choose. The Four Freedoms will promote comparison shopping among providers, by making it easier for consumers to obtain meaningful information about the services and technical capabilities they rely on to access and use the Internet. The Four Freedoms also will serve as an "insurance policy" against the potential rise of abusive market power by vertically-integrated broadband providers.

The Four Freedoms also promote innovation by giving developers and service providers confidence that they can develop broadband applications that reach consumers and run as designed. Internet voice applications are a notable example. The Four Freedoms will guarantee that consumers can choose any Internet voice service that functions over their high-speed Internet connection.

By reaching a balance between the needs of network providers and consumers, all Internet users will reap the benefits of broadband without intrusive regulation, and industry will gain incentives to deploy more high-speed broadband platforms.

Conclusion

As technological change continues to sweep over us, I believe our collective goal should be to fashion a world in which consumers choose how they communicate, rather than one in which that choice is dictated to them by a monopoly or the government. Thus, I believe we must resist the temptation to fall back on archaic regulations from days gone-by. The key to creating this world is to rely on minimal regulation and to let market incentives work to deliver value to consumers. Where regulation is necessary, it must be moderated. We must reevaluate our traditional regulatory framework as networks are installed based on IP technology; and, we must lessen our regulations as these network evolve.

As daunting as change may be, I am convinced that the change each of our country's telecommunications networks is undergoing will bring tremendous benefits to our industry, our service providers, our economies and, ultimately, our citizens. As we learn how to live with new technologies, the FCC looks forward to working with – and learning from – our colleagues from ministries, regulators and industry around the world.

Change is sweeping us towards the global IP-enabled network, and it is up to us to create the kind of environment where these changes can flourish.

Thank you.