

**REMARKS OF JAY SCHWARZ,  
WIRELINE ADVISOR TO FCC CHAIRMAN AJIT PAI,  
AT THE 2018 UTILITIES BROADBAND WORKSHOP  
OF THE UTILITIES TECHNOLOGY COUNCIL**

**NEW ORLEANS, LA**

**FEBRUARY 20, 2018**

Good morning. It's great to be here with UTC.

This is actually my second time speaking at a meeting of electric utilities in as many months. In January, I was with some of you in Palm Desert, California, for NRECA's CEO event. The fact I've traveled great distances to be with utilities lately isn't a scheduling quirk. It's a reflection that the FCC has entered an era of greater engagement with electric utilities.

The Communications Act of 1934 tells the FCC to aim for making communications "available...to all the people of the United States." In that spirit, Chairman Pai assembled the Commission's staff on his first full day on the job and declared that, as long as he was in charge, the Commission's number one priority would be closing the digital divide so that every American can access the benefits of our digital economy.

Chairman Pai understands that broadband is essential for economic development. With high-speed Internet, businesses can boost productivity and reach new customers no matter where they are located. And broadband opens up new educational, civic, and health care opportunities. We've got to make sure everyone can get access.

Ubiquitous high-speed connectivity also means realizing the promises of 5G wireless technologies. Increasingly our connected future won't just be about visiting websites or using apps. It will be about the Internet of Things, autonomous vehicles, blockchain technologies, virtual and augmented reality, and other things none of us can imagine today.

So closing the digital divide is about giving all Americans a chance to be connected. But it's also about making sure the United States leads on the frontiers of connectivity as well. It's about getting connectivity deep and wide in America. Such ubiquitous connectivity will lay the foundation for productivity gains and improvements in safety and quality of life.

And so utilities—who are already everywhere; who have already connected this nation once with electricity—have an important role to play in the coming connected future.

The Utilities Technology Council's membership is thinking about how it will be part of the broadband future. You're thinking about providing retail services to rural and urban communities. But you're also looking at providing things like wholesale backhaul services. This commitment to helping connect your communities is why Chairman Pai wanted me to be here with you today.

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Just last week, Chairman Pai proposed approving a petition from SpaceX to provide broadband service using new low-Earth-orbit satellite technologies. Now, to me, that seems a lot more exciting than launching a Tesla into space. And we would love to see this SpaceX broadband venture succeed.

But I'm here today because we are every bit as excited about the prospect of utilities building out broadband networks. Utilities are ideally positioned to get more involved in the broadband game. For starters, utilities have something much more powerful than SpaceX's 23-story-tall jumbo rockets. Utilities have poles. I know that's one of the nerdiest jokes you'll ever hear. But the point is dead serious. Utilities already own much of the infrastructure. And they already have access to the rights of

way. In many instances, they already have a fiber plant to help manage their electric grid. This dramatically lowers deployment costs.

At the same time, there's a proven track record of success. We've seen dozens of utilities deploy high-speed broadband. In difficult markets, utilities have been able to offer broadband to every customer in their service area without the aid of government subsidies. They are offering high speeds at competitive prices. And, not surprisingly, their customers love it. It's not unusual to see take rates over 70 percent.

Of course, utilities are critical to broadband buildout even without providing it themselves. Because utilities possess so much of the infrastructure needed to establish broadband connectivity, Chairman Pai hopes to work with utilities toward that goal. We know there are many challenging issues when it comes to figuring out how to safely and expeditiously do things like accommodate new attachments. And so we look forward to ongoing collaboration.

So how might the FCC and utilities partner together? Let me highlight two ways.

First, we have already been collaborating on removing regulatory barriers to network deployment. The Commission formed what we call our Broadband Deployment Advisory Committee. And we were honored to have those representing the utility industry in Jim Matheson of NRECA, Allen Bell of Georgia Power, and Larry Thompson of Vantage Point. Their participation has made the Committee's work smarter. And let me reiterate to you what we have said to them. Our focus is on speeding up processes and cutting red tape that holds back deployment. You can be sure that we respect the property owned by utilities, and we will not forget the safety concerns you have raised. In the end, we expect that this working group will generate reforms that will make it easier for all broadband providers to expand their networks.

Second, the Commission's upcoming Connect America Fund Phase II auction should be an excellent opportunity for rural utilities to help bring broadband to their areas. Chairman Pai is a proud son of the American heartland. He's from Parsons, Kansas, population 10,000 give or take. He understands the fear of many Americans that the best days have passed for their beloved hometowns. He also understands that digital connectivity can reverse this trend—it's our best bet to restore opportunity to rural communities, so younger generations don't see leaving home as their only option to live out their dreams.

Now, the plain truth is we're not yet where we need to be. The Commission just issued a report that assesses the size of the connectivity challenge. The Commission's Broadband Deployment Report found that, according to the latest available numbers, more than 24 million Americans still lack access to terrestrial fixed broadband at 25/3 Mbps. That's 8 percent of the U.S. population. And the data show this is largely a rural problem. Whereas 2 percent of urban households can't get high-speed home broadband, it's 30 percent for rural Americans. That's a problem that needs fixing.

Our Connect America Fund auction aims to help do just that. It will use competitive bidding to efficiently allocate up to \$2 billion over the next ten years to support deployment of networks to areas currently unserved by broadband.

Just last month, the Commission approved the bidding rules and procedures for this CAF 2 auction—the last significant step before we can begin the application process and get this auction underway. We are planning on beginning the CAF 2 auction this July, and applications are due on March 30.

Thanks in part to the advocacy of UTC, utilities will be able to participate in this auction. Last month, Chairman Pai hosted UTC's leadership at the Commission to discuss the upcoming auction. And I'm here today on the Chairman's behalf to say that we want you to participate. The Connect America Fund is designed to support any technology that can meet our requirements for Internet service, whether

that's fiber, a fixed wireless design, or something else. We want to give Internet providers flexibility to offer solutions that work best for their communities. So we strongly encourage you to explore this opportunity and decide if it makes sense for the economic future of your utilities to put in a bid.

So get creative. Talk to leaders in your state about how they can make your bids more competitive. For example, a state could offer matching funds for the auction, which would enable more competitive bids for federal support. Or a state could offer "sweeteners" to auction winners for accelerated buildout schedules or faster than required bandwidth. There is a lot your state can do to make your business case for buildout even stronger.

Or consider collaborating with a local telephone company in making a bid. And please think about edging out—there may be areas near your current service area that need broadband. Our hope is that some enterprising utilities may be able to use CAF 2 as a way to serve those areas too.

I know there's going to be plenty of CAF 2 discussion this week, but if you don't get your fill, the Commission will be hosting a workshop on the application process on March 14. You can watch online, and I would encourage you to check it out.

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Let me close with an insight from a New Orleans writer. The English majors in the room are probably rifling through Tennessee Williams and Truman Capote quotes in their mind right now. I'm an economist . . . so I have *Moneyball* author Michael Lewis in mind.

If you haven't read the book, *Moneyball* is the story of an underused resource. In the 1980s, a boiler-room attendant named Bill James decided to use statistical analysis to test if the conventional wisdom about baseball was correct. James's insights were invaluable to anyone trying to run a baseball team, but they were essentially ignored by the major leagues until Oakland A's General Manager Billy Beane came along and built an elite team on a shoestring budget. Beane's use of analytics was so revolutionary in the 1990s that they made a movie about it. Today, every team in baseball uses analytics, and it's hard to imagine why a team wouldn't.

I feel like electric-utility-offered broadband is at the same place where baseball analytics were when *Moneyball* came out—an obvious winning formula that was just beginning to scratch its potential. I believe that we are at the cusp of a new era for electric utilities and broadband. And the FCC stands ready to help you unlock the possibilities of your broadband future. To use a phrase associated with last week's Mardi Gras celebration, laissez les bon temps rouler.

Thank you.