

## **Transcript: Libraries and Broadband: Closing Remarks**

**April 17, 2014**

DIRECTOR HILDRETH: So now, Reed, if you would join me up here on the podium. So I'm being joined by Reed Hundt who is the former Chairman of the Federal Communications Commission and as we heard today, really the, I won't say grandfather, maybe Godfather of the E-Rate, Reed. He is currently the CEO of the Coalition for Green Capital, a non-profit group that promotes the development of national and state green banks. He was the Chairman of the FCC from 1993 to '97 and he was on President Obama's 2008 Presidential Transition Team. He sits on the Board of Directors of Intel Corporation, ASEA, a communications software firm, SmartSky Networks, a wireless firm and Level Money, a financial services firm. He is a vocal proponent of libraries. It is appropriate that we end with his remarks given a lifelong commitment to improve broadband connectivity as one of the original architects of the E-Rate Program and also, we are just so pleased to open this up with Chairman Wheeler and end this with Chairman Reed Hundt. We're very honored to have those two chairmen acknowledging the importance of libraries. Reed.

CHAIRMAN HUNDT: So thank you very, very much to Susan for hosting, everybody here today and also to Susan Benton who is my friend and client, because I represent her as a pro bono lawyer at the FCC, and you all know that Susan is the CEO of the Urban Libraries Council. First, a personal note. My sister is the head librarian in Rockville, Maryland. My nephew is a librarian. My mother was a public school teacher. My brother is a public school teacher. My sister-in-law is a public school teacher and I once was a public school teacher. In Washington, they would be called "takers" but we regard ourselves as a family that has had a long, long commitment to public service, and I am very proud to, if I could be so bold, say that I'm part of the library community. And now I would like to express some of the realities of the situation and not everything I say is going to be good news. The library community, folks, we need to step up our game. We are in the playoffs. We need to aim higher. We need to pull together. We need to fight more fiercely and we need to understand that this game is definitely worth the candle. And it is critical that everyone understand the political realities that face Chairman Wheeler and that face the FCC. Before I go into any more detail, I want to make sure that you understand that I was not, in fact, the creator of the E-Rate. Leadership is critical in every walk of life but particularly in politics, and I want to acknowledge the two principal people who were the leaders that created the E-Rate. First, Al Gore. It was in the winter of 1992-1993. Al called me into his office. He was a senator who had just been elected Vice President of the United States so the office was right over there, and he said, "If I can persuade President Elect Bill Clinton to make you the Chairman of the FCC, I'll do it if you promise to find a way to have the following occur: I want every schoolgirl in Carthage, Tennessee to be able to go to the Library of Congress without buying a bus ticket. I want all that information digital and I want the most remote school child in the poorest community in the United States to have access to it." From the beginning, the vision was schools and libraries, all information, we're all in it together. And then he said, "My father was the principal author of the Interstate Highway Act and this is going to be the digital equivalent." A lot of that has happened but that wouldn't have happened but for the fact that about three years later, Senator Olympia Snowe, I note a Republican, said to me, "You're the FCC Chairman. How'd you like to pay a visit to Bangor, Maine?" I can't pronounce Bangor correctly. Close enough? Somehow it doesn't

sound the same when Linda says it, does it. So I flew up there with Senator Snowe and we went to a school and she gave a wonderful talk to the students and then she took me to the library in the school. Then she said, "Look, there are hardly any books." She said, In the future -- this is almost 20 years ago -- she said, "In the future, there won't be that many more books here. It'll all be digital and I want to make sure that all the digital information in the world is available to every single child that goes to this school or any other school in the country." So it came down to a critical vote in a divided Congress and all the Democrats wanted Al Gore's vision to come true. And for a whole bunch of reasons that are characteristic of partisanship and not bipartisanship, the Republican party didn't want anything Al Gore advocated to come true. And Olympia Snowe stood up in front of everybody else in the Senate Congress Committee and she said, "I'm voting with the Democrats." Ten to eight, that's how it passed into law. When it got to the FCC, there were two Republicans and one Independent who wanted to vote against so that we would have lost at the FCC and not been able to pass the rule. I told Linda this story the other day. Olympia Snowe stayed up to 3 in the morning working the phones, calling the Republicans and getting them to vote yes. And then at 7:30 in the morning, she called me and she said, "I got you your votes." She said, "I really don't understand why a mere commissioner at the FCC should not just say yes when a senator asks."

(Laughter)

CHAIRMAN HUNDT: Now those are stories about leadership. They're not meant to be stories about partisanship. They are meant to be stories about leadership but it is critical that we all understand that this is a country of private wealth and public poverty. This is a country where to stand for the proposition that there should be public access to anything is to take a stand in a long-running battle of ideas. You can take your stand on either side. There are a lot of things to be said about a private life and the values of private investment and the values of capitalism. And there are a lot of things to be said about a limited government and small government and government waste. There are a lot of things to be said on that side. But if you're talking about wanting libraries to be the number one free public internet access point in the community, then what you're saying is "On this topic, I'm taking another stand. I'm saying that we need communities to have free public access and that that free public access should not be inferior to the broadband available in suburbs in the United States today." So thanks to Susan Benton, in the last two weeks, the Urban Libraries Council did a survey of 33 major libraries in the United States, more than 100 different buildings, and that survey demonstrated in these libraries that not one single one has one gigabyte a second connectivity to the buildings, and when you pull out a handheld device and you measure the wifi at 4 p.m., in every single one of the major libraries -- these are the major -- the biggest libraries in the United States -- in every single one, the wifi connectivity is inferior to what it is in the suburbs of the United States, in homes. So how can anyone think that the hundreds of people in this building now are getting anything like, anything like adequate access to the internet? What is the meaning of adequate access? It's the things you all heard over the last several hours, being able to download a job application and fill it out, being able to go online and take a course, being able to enroll at code.org and spend one hour learning to code. And these are not the things that Al Gore and Olympia Snowe knew would be the demand case years later, but they knew that something like them would be the demand case. Thirty million Americans every single year go to a public library for

free access in order to improve their careers. That's one-tenth of the population and it's not the same people every year. Over the course of just three or four years, the majority of adult Americans go to a library to try to get a job or to improve the job they have. This is the importance of public access. You all have studied. You all have showed that there is popular opinion behind this vision. Now let's talk about some of the statistics and I want to go right to the core of an issue that has plagued this debate since it started two years ago. First, schools or libraries, which is more important? Schools or libraries, which is more important? I think it's a false choice. We should talk about an L-Rate and the L-Rate should be our vision of what libraries need and that should be some amount of money and schools need some amount of money and when you add the two together, you know the total need. It doesn't mean a different tax base. It doesn't mean that you need to think about them differently because they serve overlapping populations but it's a way to figure out what you really need. Nevertheless, I do want to compare the two because we need to talk about needs in statistically useful terms. Libraries constitute about 20 percent of the number of buildings of schools. Libraries, on a visits per year basis, are about 20 percent of the visits to schools every single year. If we talk about potential users, there are four times as many potential users of libraries as there are of schools. If we talk about the number of registered users in libraries, there are more than two times as many registered users of libraries as there are children and teachers in schools. If we talk about the actual internet access, which John was just talking about, more than two times the number of internet access users in public libraries as in schools. So whichever way you want to measure, you actually have metrics. So whether you look it as buildings, 20 percent; or whether you look at it as users in terms of two times and four times, then you have to compare against the following: E-Rate money, how much is going to schools. Well, Larra Clark was talking to us earlier about the shortfalls in data gathering. But as best as anyone has been able to guess -- and it is not to the credit of the FCC that they have not made the data transparent, but they are making it transparent because Larra and Susan have been pushing them on this and they're willing to be pushed, they're willing to be pushed, this FCC is willing to be pushed. But we still don't even know how much money the E-Rate has paid out to schools. Best guess, it's about three percent. Three percent isn't that 20 percent proportioned to buildings and it isn't anything like a relative proportion to the number of users in libraries. All we can say about three percent is it hasn't produced the desired result because when Susan's group did the measurement in these libraries in less than 10 days because modern measurement tools work just like that, when we did this measurement, what did we discover? What I've already told you, woeful state of connectivity, woeful. And if we had a statistically valid survey -- I think it was you, Chris, who told me you're guessing that it's about 400 libraries you would need -- I think I'm remembering right -- out of the 17,000 buildings, we need to survey about 400 in order to have a statistically valid survey -- it's going to prove that the status quo is really, really deficient. Let's now talk about the size of the E-Rate. It's roughly \$2.4 billion dollars. It was set at \$2.25 billion dollars in 1997. One of the things that I regret is that we did not put in a CPI inflator at the time that we set the number. I have some excuses. They don't stand up to scrutiny. It was a mistake. Let's adjust for inflation. If we adjusted for inflation, the E-Rate would now be about \$3.5 billion dollars. If we adjusted for the relative size of the economy now as opposed to what was then, the E-Rate should be about \$3.75 billion dollars. If we look back over the last 10 years and do those adjustments and say what should have been the E-Rate spending over the last 10 years, we come up with the following conclusion. We have a shortfall of about \$10 billion dollars. That's how much the country owed to itself and didn't pay. This is exactly the

same infrastructure story that you see with respect to roads or dams or any other feature in the public landscape, and that's the reason why the connectivity is so woeful in the library buildings and in the classrooms today, because we weren't spending that money for the last 10 years. And if you say, "Oh, we just forgot." That's not the reality of the story. The reality of the story is that libraries and schools, as always, are right in the middle of culture wars in our country. That's the reality of the story. It is all well and good for me to tell you that we somehow managed to pull off the E- Rate. From the minute E-Rate was passed, there has been political opposition to the E-Rate here in Washington, DC, from that very minute. It was called the Gore tax. There were ads that were run against it. There were attacks on the people who ran the original administrative structure. The person I originally appointed to run that program was personally attacked and vilified and accused of waste fraud and abuse which he didn't commit and finally, they drove him from office. That's why it ended up at USAC. There were challenges to the constitutionality of the spending. I could go on and on and on but I'm saying to you all there is not a broad-based consensus in Washington, DC about what to do. In this room there might be but when I say we need to step up our game, it's because it is not fair to take the greatest visionary and leader at the FCC in the century, Tom Wheeler, and say "Thanks a lot. Here's what we need. You're on your own." We need to be behind him. We need to be supporting him and our time is show. What you've heard today -- I'm going to translate what Tom said because it's really, really important -- first of all, the model is the marginal wifi user at peak hours. It is not just broadband to the building but broadband to the building plus high- speed wifi in the building. That's what we have to talk to him about in everyone of our buildings. If somebody is going to write the checks, you don't go in and say, "Yeah, I don't really like what you want to buy." Besides, he's not even wrong. You all know that this is the use case you want to build for, so that's the data that we have to give him. Second, he told you that he's not going to be funding POTS as you were saying. We have to have a transition plan, either fast or just a little bit less fast but it has to happen because that's what he told you. Next, it's not just more money. By not later than June, the FCC intends to insist that libraries figure out how to have consortium bidding. I'm just quoting here. We have to have longer time periods for these contracts. We have to have reference pricing so that nobody pays too much and everybody pays the lowest reasonable price. We have to figure out how to provide IT experts for libraries that don't have IT experts. We can't have it be that they non-experts are either left out or told to fend for themselves or they pay too much. And we have to have limited pilot projects that run right away starting with the June Order at the FCC and that actually generate data so that by not later than the end of the year, a more permanent program can be put in place. The reply comments on this topic are due on Monday and we all should remember that if we don't hang together, we're going to hang separately. So we need to do a better job, starting with me, meeting and talking and figuring out what to say together and then when you all go to the Hill in May and talk to all the members, this has to be at the top of the list. Of all the institutions in the civic landscape, libraries get the smallest amount of money from the federal government, of all of them, smaller than schools, smaller than healthcare, smaller than any other institution that you can think of in the social landscape. Total amount of money that I saw in your budget that you are empowered to transfer to state libraries –

DIRECTOR HILDRETH: One hundred and fifty million

CHAIRMAN HUNDT: \$155 million.

DIRECTOR HILDRETH: Yeah.

CHAIRMAN HUNDT: That isn't even noticeable in the Department of Education budget. And your agency didn't exist until 1997?

DIRECTOR HILDRETH: '96. Well, it was buried in the Department of Education. We wanted out.

CHAIRMAN HUNDT: Exactly. This doesn't mean -- I have all these teachers in my family. I am not saying anything against schools. Those needs have to be met, too, but this group needs to say what are our needs and we have to stand up and we have to do the math. We've got the reply briefs due next Monday. The first week in May, under the leadership of John Chambers over here at the FCC who knows more about libraries than anyone who ever was employed at the FCC, we have a working group where we have to actually get to conclusions about the administrative process reforms. We've got to do that so that he can start writing his order in May so that the order can come out in June that establishes the new administrative processes and that also talks about how the FCC is going to be spending its money in the next cycle. In terms of general big picture, for many, many years, the entire community that's benefitted from the E-Rate has, understandably, because of the constant culture wars, said year after year, "Let's just hold on to what we've got." That's what we've had to do just because of the constant pressure. But that's not what this FCC is telling us. This FCC is saying instead of looking at it as x dollars every single year, why don't you come in and tell us, we'll bunch a whole bunch of money right up front. It'll be a capital expenditure the way John Windhausen and the SHLB group have been talking about it, more money up front. We'll for once and for all put fiber to all these buildings. We'll provide caching technology. We'll have one single model for every single building and then your maintenance costs in the years later will be less than the upfront costs. This, by the way, is the way every single network in the United States is built. It's only in this sector that we haven't yet embraced that model and we're being told by the FCC, "Bring us the plan and we'll pay for it." We have to get the plan out and it has to be technical. Now Susan demonstrated to me that there is plenty of competence, not in every library, but in a bunch of libraries to deliver the IT planning. Susan Hildreth could do it. You can talk about POTS. This can all be done. This can all be done. There are a lot of libraries where the IT competence doesn't exist, isn't funded by the local and municipal governments and doesn't need to be funded. It doesn't have to be that you have a Cisco-trained IT professional in every one of 9,000 systems. It ought to be that 50 or 100 could serve the entire country meaning everything needs to be transparent. That's why we want to be online. All library deals ought to be public for all other library deals. All library usage measurements ought to be public. In fact, every library ought to be goading themselves and others on every quarter by reporting to the FCC every single quarter now, forever, how it's going which is so incredibly easy. It wasn't easy back in the old days. Those old days don't exist now. It's really easy to do these measurements. We just have to say, "You know, the data's going to make us free." Now, to what level are we going to upgrade? When we're talking about this surge spending, if you'd forgive the phrase, what level are we going to upgrade to? There's no doubt whatsoever, because all the comments that were written on April 7th all support this, the fundamental idea has to be fiber to the building that is capable with today's electronics of delivering one gigabyte a second. But that is not the future. The future is the 1 gigabyte will become 10 and will become 100. But the way fiber works, and this is a lawyer explaining it, once you get the glass in the ground, adding the electronics later to upgrade the

bytes per wavelength, that is a comparatively lower expenditure. So we have to be focusing on first getting what John Windhausen and his group called "the capital expenditure" in place. Second, as to the wireless local area networks, the comments -- you know, and I was up late last night reading an awful lot of them -- I haven't quite finished yet, but they make it really, really clear. There are several basic categories that are necessary: the maintenance, the caching, the routers, the internal networks which in some cases have to have wire components. It's not that complicated. We should be presenting to the FCC one or two basic models and saying these are the models, with variations, that all libraries should be utilizing. There are some comments that say, you know, libraries really shouldn't do consortium bidding. All those comments were from the people currently supplying the libraries. God bless them. They've actually done a wonderful job but they're not looking out for the biggest bang for the buck. This is a buy-sell transaction. You were talking about haggling. We have to be doing some haggling. Now why should libraries be able to opt out of consortiums? Only if they can get a better deal by opting out. Nobody should be saying "I want the federal government to give me money so that I can opt out so that I can pay for a worse deal." And we ought to be willing to agree to that and we ought to be willing to say to the FCC that we will hang together because we don't want to get bad deals separately. We need to allocate by priority. All the comments make it clear that there has to be some sense of equity in the prioritization that the FCC does. There are variations on what equity consists but for sure, it is an adjustment by income. It is an adjustment by the number of users, for sure. And so the ULC presented a formula. There could be other formulas. But we all have to agree on a sensible allocation formula. If we were on the Titanic, it would be women and children first. This is a post gender discrimination era that we're in. We need to have a formula that reflects some sense of needs because the FCC isn't going to fund 100 percent on day one. Number two -- oh, it is absolutely going to be necessary that we understand the FCC needs to come out with an order in June and that will not be the final order because it is also going to be the case that these pilot projects have to be done and data has come back and then we need to revise and change our thinking. But, by the end of the year, we should have fulfilled Tom Wheeler's dream. He wants to re-imagine the E-Rate. He told us that he wants us to be collectively the Andrew Carnegies of this century, maybe with a little help from Bill Gates, maybe with a lot of help from Bill Gates. But this is an incredible opportunity. We have to take it. Actually, I know that we can take it because when I look back at that conversation with Olympia Snowe and I look at the results, the reality of internet access in the United States from the year that Olympia took me to that school in Maine, the reality is this: Internet access in the United States was led, was led by access to schools and libraries. In its first 10 years, it was led by access to schools and libraries. The United States led the world in having a generation come onto the internet. We have, in fact, in that generation the highest percentage of internet-savvy people of any country in the world. And we did it on a narrow band, not on a broadband platform. And what Tom Wheeler came and told you today is now you're going to re-imagine the whole thing on a broadband platform and your vision is going to be realized. Lift up your head. Look a long way out. Thank you.

(Applause)

DIRECTOR HILDRETH: Well, I knew he would be a great closer. He's always got the good vision and we're very lucky to have someone with Reed's knowledge and Reed's passion talking about these issues here

in the circles in DC at a very, very important time for all these issues. So we're just about to close. We want to thank all the panel members -- they were terrific -- and our Board for sharing their time and their expertise and their aspirations with us today. We had thoughtful analysis and dialogue. We really hope that we've provided a forum that's highlighted many of the activities, many of the opinions and the proposals that are going forward. And we think there's a wide spectrum of challenges and possible solutions that we've already heard discussed today and we will be continuing to discuss over the summer. We know we're at a historic crossroads for libraries and access and next generation broadband. We expect many of the issues discussed here will become even more developed in the public sphere as the FCC continues to modernization of the E-Rate program and eventually asks Congress to weigh in with their thoughts very soon. I've no doubt that the public record established today will help inform those conversations and we could not have done it without all of our participants and all of you in the audience. So I also want to thank our virtual audience out there who have been joining us through YouTube and Google. These platforms demonstrate as right here in this library the possibilities that improved broadband in our Nation can foster. Now I want to make sure that everybody's aware that written comments will be accepted and must be received before April 24th -- that's next Thursday -- in order to be included in the hearing record. So if you're compelled to submit some comments or if those of you out there virtually joining us, please feel free to share those comments with us by April 24th. Each comment must include the author's name and organizational affiliation, if any, and please send them to [comments@imls.gov](mailto:comments@imls.gov). So finally, thank you to the Martin Luther King staff and the library for -- Rich is still here. He's made it through the whole morning. Thank you, Rich and our other DCPL staff. It's fabulous to be here. And I just keep looking out there. It looks like their connectivity is pretty good out there so we'll have to do some speed testing in DC. But his is why we're here folks, this is why we're here. We're making a difference in the Nation's Capital. If we can do that, we can do it everywhere. Thank you very much.

(Applause)