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### **VoIP: Why is it not your parents' Plain Old Telephone Service (POTS)?**

Voice over Internet protocol ("VoIP") services create benefits unimaginable on the POTS telephone network. Through innovative software and hardware, Vonage provides its customers with increased functionality and significant cost savings. For example, the Vonage service package includes voicemail, caller ID, call waiting, call forwarding, call transfer, 3-way calling, repeat dialing, call return, caller ID block, and call hunt at no extra charge. Vonage customers experience such enhanced functionality as local number portability, area code selection, the ability to use multiple phone numbers, web based voicemail retrieval, national number mobility, and online features management. Vonage customers can also listen to voicemails as an attachment to an email forwarded to a computer or personal digital assistant ("PDA"). Vonage offers customers flat rate billing options that range from \$14.99 per month for 500 minutes anywhere in the United States and Canada to \$34.99 for unlimited local and long distance calling in those areas.

Vonage's service is also much more flexible than telephony service provided over POTS. Vonage customers can utilize software loaded onto their computers to make a call or use a special computer adapter. When using the special adapter, the broadband Internet connection is bridged to an ordinary phone essentially serving the same function as a microphone and headset when attached to a computer. Because Vonage provides a software application similar to instant messaging or e-mail, Vonage customers can use the service anywhere they can get broadband and from any computing device. This means they can use a Wi-Fi cordless handset or personal PDAs or other Internet-enabled devices loaded with specialized software for voice communications.

VoIP services further a number of national policy goals including: increasing broadband adoption, spurring investment in the telecommunications sector, and bolstering American competitiveness. VoIP services drive broadband adoption since high speed Internet access is a prerequisite for using the service. While an estimated 85 percent of U.S. homes currently are capable of receiving broadband Internet access, only about 20 percent of all U.S. homes (23 million total subscribers) have adopted the technology. These numbers pale in comparison to countries like Korea and Canada. Korea has broadband penetration levels that are triple that of the U.S., while Canada's rate is close to double. VoIP provides customers with the incentive to upgrade from dial-up to broadband. Often customers find that they can receive the substantial benefits of Vonage's service *and* high speed broadband for less money than it typically costs to purchase POTS and narrowband Internet access. VoIP penetration drives broadband adoption, which in turn promotes deployment and pricing competition.

VoIP services engender economic investment. The proliferation of VoIP services are spurring a telecommunications industry rebound and the nascent industry is contributing to the national economic recovery. The excitement surrounding VoIP services has already increased investment in equipment and network upgrades. Some of the largest U.S. equipment manufacturers have posted large stock price gains for 2003 due to increasing interest in VoIP.

Investment in the technology sector will drive innovation and help America reinforce its role as the world technology leader. This role is at stake given that broadband deployment has lagged in this country, and VoIP adoption in other countries has already surpassed the U.S. That growth has been attributed, in no small part, to the Internet telephony services that some Japanese broadband providers offer, like Yahoo! BB, which already has 3 million VoIP users. The only way America can regain lost ground as the world's technology leader is to foster the growth of new technologies like VoIP.

Congress should make clear that VoIP is an interstate service like the Internet itself. Doing so will bring regulatory certainty and shield the industry from ill-fitted federal and state regulation designed for legacy systems. Congress should reaffirm that VoIP services such as Vonage's are "information services" under the Act and therefore VoIP providers, like Vonage, are information service providers. Public policy objectives (e.g., E911, Universal Service, disability access and law enforcement needs) can be met without regulating communications over the Internet as if they were being provided by a telecommunications carrier. Failure to shield VoIP services from inappropriate, burdensome and inconsistent regulation would imperil VoIP providers like Vonage.