

**STATEMENT OF
CHAIRMAN MICHAEL K. POWELL**

Re: Vonage Holdings Corporation Petition for Declaratory Ruling Concerning an Order of the Minnesota Public Utilities Commission, Memorandum Opinion and Order in WC Docket No. 03-211.

Since 1870 home telephone service has been essentially the same—two phones connected by a wire. This landmark order recognizes that a revolution has occurred. Internet voice services have cracked the 19th Century mold, to the great benefit of consumers. VoIP services certainly enable voice communications between two or more people, just as the traditional telephone network does, but that is where the similarity ends. Internet voice is an internet application that takes its place alongside email and instant messaging as an incredibly versatile tool for communicating with people all over the world. As such it has truly unique characteristics.

Internet Voice is More Personal: VOIP services allow people to dynamically structure the way they communicate and to customize and personalize messages in a way that is impossible with traditional telephones. Just as consumers personalize their cell phones with ring tones, pictures and applications, the same is possible with internet voice. Consumers have come to expect technology to be tailored to their preferences—“My Amazon,” “My Tivo,” “My Ipod.” Internet voice, ushers in the era of “My Telephone.” Adding enhancements to voice is no longer a highly complex and expensive modification to the network – now it is just a matter of adding to the next software release.

Internet Voice is Cheaper: Consumers always want to pay less and VOIP promises enormous value. Because of the efficient technology and underlying economics of the service, Consumers can expect flat rate prices, for unlimited services and features. Just as consumers have responded strongly to buckets of minutes at low fixed prices in mobile phone service, the same characteristics will bring these innovative pricing models to the wired phone world. The proof is in the pudding, VOIP is barely a few years old as a retail offering and providers have already cut prices several times to compete for consumers. VoIP providers have begun offering local and long-distance calling plans for as low as \$14.99 and \$19.99 per month. Most recently, Vonage and AT&T slashed the monthly prices of their unlimited local and long-distance calling plans by \$5 per month. If we let competition and innovation rage, unencumbered by the high cost of regulation, Consumers can expect more of the same—lower prices, more choice, and more innovative offerings.

Internet Voice is Global: Today’s decision lays a jurisdictional foundation for what consumers already know – that the Internet is global in scope. The genius of the Internet is that it knows no boundaries. In cyberspace, distance is dead. Communication and information can race around the planet and back with ease. The Order recognizes that several technical factors demonstrate that VoIP services are unquestionably interstate in nature. VoIP services are nomadic and presence-oriented, making identification of the end points of any given communications session completely impractical and, frankly, unwise. In this sense, Internet applications such as VoIP are more border busting than either long distance or mobile telephony— each inherently, and properly classified, interstate services.

To subject a global network to disparate local regulatory treatment by 51 different jurisdictions would be to destroy the very qualities that embody the technological marvel that is the Internet. The founding fathers understood the danger of crushing interstate commerce and enshrined the principle of federal jurisdiction over interstate services in the commerce clause of the U.S. Constitution. In the same vein, Congress rightly recognized the borderless nature of mobile telephone service and classified it an interstate communication. VOIP properly stands in this category and the Commission is merely affirming the obvious in reaching today’s jurisdictional decision.

This is not to say that there is no governmental interest in VOIP. There will remain very important questions about emergency services, consumer protections from waste, fraud and abuse and recovering the fair costs of the network. It is not true that states are or should be complete bystanders with regard to these issues. Indeed, there is a long tradition of federal/state partnership in addressing such issues, even with regard to interstate services. For example, in long distance services, the FCC and state commissions have structured a true partnership to combat slamming and cramming. We have also worked closely with the states to strike a balance in the area of do-not-call enforcement. In the mobile services area, the FCC has worked closely with states on E911 implementation. With regard to critical 911 capability for VOIP, I note already that several Internet voice providers have entered into an agreement with the National Emergency Number Association to extend 911 capabilities to Internet voice services to “promote a fully functional 9-1-1 system that responds any time, anywhere from every device.” Efforts such as these are essential to educating policy makers and providing a basis for solutions to complex technical problems. These can and will serve as models for VOIP.

While today’s item preempts an order of the Minnesota Commission applying its traditional “telephone company” regulations to Vonage’s DigitalVoice service, it is important that I emphasize that the Commission expresses no opinion here on the applicability to Vonage of state’s general laws governing entities conducting business within the state, such as laws concerning taxation; fraud; general commercial dealings; marketing and advertising. Just as this ruling does not alter traditional state powers, we do not alter facilities-based competitor rights, or state authority pursuant to section 252 of the Act. It is my hope that the Commission’s decision today will focus the debate and permit our colleagues in the industry and at the state commissions to direct their resources toward helping the Commission answer the important questions that remain after today’s Order.