

ITXC Statement:

Although ITXC as a predominantly international wholesale carrier is not significantly affected by regulation of retail domestic Voice over IP (VoIP) traffic in the United States, we have chosen to work actively with the VON coalition and to take a leadership role in opposing the imposition of outdated regulations on VoIP.

The FCC's policy to date has been a huge success worldwide. By declining to regulate VoIP and other Internet services here, the FCC has set an example that has been followed around the world. This policy has not only helped American companies establish themselves as the leading VoIP providers worldwide; it has also aided the American balance of payments by deflating monopolistic settlement rate schemes and has achieved the important social goals of making calling more accessible and more affordable to American immigrants calling relatives abroad, to businesses worldwide, and to people in third world countries who need to be connected to the world economy.

We have seen firsthand how lower prices for calling make the essential difference between whether a family in Africa or India or Bolivia can afford a phone and can afford to use it. We have seen economic development in the poorest nations in the world accelerated by available communication services. And we have seen that the deregulation of IP services championed by the US FCC had a key role in that progress.

Now we are seeing VoIP extend to consumer premises with IP phones and to corporate premises with IP PBXes. More than 10% of the world's international traffic is now VoIP. Major carriers are converting their networks from TDM to VoIP. It is clear that it is only a matter of time before all voice is carried as IP traffic just as virtually all other data is today.

Because VoIP providers don't need to own the networks their traffic is carried on, VoIP has given new entrants worldwide the ability to challenge former monopolies. *De Jure* deregulation is not sufficient when incumbents have a stranglehold on infrastructure; competition requires that challengers be able to establish service without being dependent on the infrastructure owned by those who have the most to lose from their success. In the voice world, VoIP has been the technology which has allowed challengers to compete to the benefit of almost everyone.

But there are losers as well as winners. Those who still have a near-monopoly grip on infrastructure don't want to see that grip loosened by technology which makes it possible to avoid using their infrastructure and paying their tolls. Opposition from those who are threatened by VoIP is leading to increased calls for regulation as a tactic for slowing the now rapid and visible growth of VoIP. The result is calls at every level for extending obsolete regulation to VoIP.

There is no public benefit to extending regulation meant to control the behavior of monopolies to the intensely competitive world of VoIP, where the successful companies are agents of demonopolization and where no new monopolies have risen. VoIP, because it does not require infrastructure ownership, does not lend itself to monopoly. It would be ironic, almost Orwellian, to slow the growth of competition fueled by VoIP by the blind extension of obsolete anti-monopoly regulation to VoIP.

There is a cost, however, to extending obsolete regulation to VoIP. The price in the United States will be higher costs for businesses and consumers and slower growth of new services at a time when we need to make our economy as competitive as it possibly can be. Worldwide, the cost of reversing the trend to demonopolization and deregulation is to sentence literally billions of people to a longer term of poverty cut off from world markets. These are serious consequences and these are why ITXC is active in the VON coalition.