



January 21, 2005

President George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

We, the representatives of hundreds of small and mid-sized telephone companies serving much of rural America, wish to respond to the open letter from the VON Coalition to you dated January 10, 2005, regarding regulation of Voice over Internet Protocol (VoIP).

Let us begin by stating clearly that small and mid-sized incumbent local exchange carriers (ILECs) support the deployment of Internet applications, such as VoIP, that will bring consumers new services and lower prices. In fact, many small and mid-sized carriers offer, or are actively exploring offering, VoIP services to their customers.

VoIP is an Internet application that is helping to drive the migration of telecommunications from the legacy circuit switched network to a broadband packet switched world but it is not a "new frontier in communications" as claimed by the VON Coalition. The facts support VoIP's evolutionary nature. Currently, and for the foreseeable future, the vast majority of Americans will continue to rely upon the traditional wireline and wireless public switched telephone network (PSTN) to place and receive voice calls.

Additionally, ILEC digital subscriber line (DSL) service, which runs over upgraded legacy copper lines, is one of the predominant technologies through which consumers obtain broadband Internet access. Therefore, VoIP carriers are, and will continue to be, heavily reliant on ILEC's wireline network to reach their end user customers.

As with any evolution, there will be a long transitional period during which the migration to the new service will take place. This transition is no different than the leap from party line to private line service or the benefits that came about with the switch from analog to digital networks in the 1970s and 1980s.

The VON Coalition also claims that existing regulatory regimes, such as intercarrier compensation and universal service, are inhibiting their ability to operate and therefore must be reformed. How can regulations they do not adhere to inhibit their operation? Despite VoIP's enormous reliance on the PSTN, VoIP providers do not compensate ILECs for the use of their network through access charges, reciprocal compensation or contributions to the universal service fund. This is wrong and runs completely contrary to the statutory goal of universal service and your explicitly stated goal of making affordable broadband access available to all Americans by 2007.

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Small and mid-sized local phone companies invested billions to build telecommunications networks to serve rural, high-cost communities when no one else would. Allowing VoIP providers to use these underlying broadband networks without paying just and adequate compensation discourages network reinvestment and, if allowed to continue, will lead to degradation of the network infrastructure upon which all communications, including VoIP, rely to reach end users. It will also delay and inhibit your goal of making universal broadband access available to all Americans by 2007. A light regulatory touch should not be confused with giving away for free the use of networks that cost billions to build out and maintain.

The Level 3 petition currently pending at the FCC is a specific example of this confusion between a light regulatory touch and simply requiring payment for the use of networks. Granting the Level 3 petition would undermine the very network investment necessary to achieve your Administration's goal of ubiquitous broadband deployment.

In its letter, the VON Coalition states that consumers must be allowed certain basic Internet freedoms to use any device, application, or service over the Internet. We could not agree more. Our member companies have built the network to give consumers this freedom. In return we only ask for the right to receive adequate compensation from the many carriers that will benefit from our network investment.

The only way to truly ensure that all Americans will have the freedom to use any device, application or service over the Internet is to require all users of the infrastructure, including VoIP providers, to pay their fair share of that use. Only through meeting their responsibility of fair and equitable compensation will the necessary critical network infrastructure be available for consumers to receive the benefits of today and tomorrow's advanced telecommunications services.

The telecommunications industry is now at a crossroads. A wrong decision could severely set back the many gains in access to communications that our nation has experienced to date and damage our ability to compete globally in the future.

We stand ready to work with your administration to ensure all Americans have access to affordable, high quality, leading telecommunications services so our nation may compete in the emerging global marketplace.

Sincerely,

David Zesiger, Executive Director – ITTA
Michael E. Brunner, Chief Executive Officer – NTCA
John N. Rose, President – OPASTCO
Kelly Worthington, Executive Vice President – WTA

Cc: Senator Ted Stevens, Chairman Senate Commerce Committee
Congressman Joe Barton, Chairman House Commerce Committee
Chairman Michael Powell, Federal Communications Commission