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## **VoIP: Calls for new national public policy framework**

The increasing popularity of "voice over Internet Protocol" services has accelerated the need for policymakers to adopt a new legal and regulatory structure. The current framework was formed following divestiture of the Bell System, where a segregated set of interexchange carriers support "universal service" in part by paying above-cost access charges to local monopolies. This dual system of intercarrier compensation and universal service was already under considerable pressure before VoIP became a valid consumer option, as lines between local and long distance blurred and consumers began moving traffic to wireless, email, IM, and other communications options. The challenge now is for regulators to stave off collapse of the current system, while transitioning to a legal structure more appropriate for the competitive and innovative nature of an IP-driven world.

The reality today is that VoIP does not fit into legacy regulatory and business models and social policies developed over the past century. With interexchange and local exchange carriers now having moved decisively into each others' markets, and both new and traditional providers racing to embrace VoIP as a means of providing innovative new capabilities to end users, regulators are at a crossroads.

MCI encourages policymakers to consider an entirely new framework in which regulations are applied to the horizontal "layers" in which the network operates. Today regulations are sorted into vertical "silos," based on outmoded industry labels such as "wireless company" and "cable company" and "telephone company." With technology rapidly evolving, and services increasingly moving to common IP-based platforms, regulators should cease thinking in terms of the vertical "silos" that artificially separate networks and providers from each other. The nation's laws and regulations should be built around the Internet, rather than the other way around.

With regard to VoIP in particular, it is imperative that regulators establish a national public policy framework based on "unregulation." MCI strongly opposes the application of outdated common carrier rules to emerging services such as VoIP. Such rules would only stifle innovation and growth, and inhibit competition. Part of a national policy would include foreclosing the state commissions from mistakenly regulating VoIP as a telecommunications service. Simply put, the Internet knows no geographic boundaries, so there is no feasible way to regulate VoIP from state to state. A patchwork of disparate carrier rules also would hamper needlessly the growth of this new application.

Under a layers-based framework, carrier-type regulation would only be necessary where any particular provider can exercise market power. For example, access to "last mile" broadband facilities such as DSL must continue to be available to ISPs and other end users on a nondiscriminatory basis, to ensure that consumers can gain the numerous benefits of the Internet.

Access charge regulations also must be reformed to meet the shift to VoIP. The current intercarrier compensation system, with its many different rates for the same functionality of terminating bits of traffic, already had become unsustainable given the growing popularity of wireless/Internet services and bundled packages of local and long distance services. Adoption of a "bill and keep" arrangement -- where all networks benefit from traffic exchange -- is more appropriate for a world where the distinction between "local" and "long distance" is increasingly meaningless. In the meantime, current ILEC access charges should not apply to VoIP and other IP-based applications and services.

Finally, the universal service regime must be reformed to account for market and technological changes. The connections-based contribution mechanism advocated by MCI would address the increasingly convoluted problem of trying to classify the jurisdictional nature of any particular IP packet, while expanding the funding base and making USF sustainable during the transition to VoIP.

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