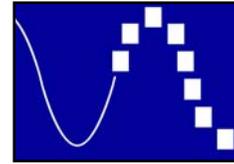


February 18, 2005



The Honorable Michael K. Powell, Chairman  
The Honorable Kathleen Q. Abernathy, Commissioner  
The Honorable Jonathan S. Adelstein, Commissioner  
The Honorable Michael J. Copps, Commissioner  
The Honorable Kevin J. Martin, Commissioner  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

Re: Docket Nos. 04-36 and 03-266

Dear Chairman Powell and Commissioners:

The Commission has taken a first important step in enabling VoIP-driven broadband investment by clarifying the federal jurisdictional role for VoIP and now the Commission has an opportunity to help realize the president's economic policy goals by granting the Level 3 petition.

In the "Economic Report of the President" released February 17, the President's economic advisors for the first time outlined the role of innovation and VoIP in fostering the nation's economic growth. But the White House economic advisors warned that the engine of economic growth that is fueled by new technologies will falter "if government policies distort the market signals that guide innovative activity."

By following this wise advice, the Commission should grant the Level 3 petition and avoid applying inflated, legacy access charges to VoIP services. By granting the petition, consumers will benefit from the tremendous cost savings and innovative features that IP-enabled services are now providing.

At the heart of the Level 3 petition is the simple economic question of whether VoIP providers should continue to pay the cost based rates that have enabled the growth of Internet communications, or whether the broken access charge subsidy regime should apply. The Level 3 petition asks for clarification from the FCC that current cost-based reciprocal compensation regime applies, rather than the above-cost access charge subsidy regime used to support outdated technology at the expense of innovation.

In talking about telephone network charges, the President's team notes that "goods tend to be supplied efficiently when prices reflect costs." The President's advisors also note that "a policy to subsidize an existing service so that more people will consume it can deter development of innovative new services that people might otherwise prefer."

As competition emerges in the telecom marketplace, there is no need to impose the regulation born of a monopoly era onto new services. The personalized, flexible services made possible by VoIP offer an alternative for business and residential consumers, infusing the industry with a new competitive alternative.

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As the nation's leading economic advisors say, "The prospect of growing VoIP traffic has raised concerns in some quarters that this emerging competition may undermine the current structure of regulating telephone services. ... Squelching competition as a threat to the existing regulatory framework would turn matters on their head. Regulation should adapt to changing market realities in ways that allow innovation to flourish and consumers to choose among alternatives, while ensuring national security, homeland security, law enforcement and public safety."

We believe VoIP is the long awaited killer application for mass market broadband. Encouraging its vibrancy will help realize the Administration's goals of universal, affordable broadband by 2007.

The VON Coalition appreciates the leadership of the Commission as it sets policies that will encourage innovation, deployment of new technologies and economic growth. Given the synergies between the economic goals of the President, the Commission and the promise of VoIP, granting the Level 3 petition is an obvious choice for the agency and for the America people.

Sincerely,

**The VON Coalition**

cc: Christopher Libertelli  
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