



May 13, 2016

The Honorable Richard Cohen
Chair, Finance Committee
Minnesota Senate Building, Room 3235
95 University Avenue W.
St. Paul, MN 55155

The Honorable Jim Knoblach
Chair, Ways and Means Committee
Minnesota House of Representatives
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd
St. Paul, MN 55155

RE: House File 3931 – Article 14 (VoIP Telephone Regulation)

Dear Chairs Cohen and Knoblach and Conferees:

The Voice on the Net (VON) Coalition¹, which represents the nation's leading technology companies, including Google, Microsoft, Skype and Vonage, writes to express its strong support for the VoIP provisions in HF 2749, which would prohibit regulation of Voice over Internet Protocol (VoIP) and other Internet-based communications services by the Minnesota Public Utilities Commission (MPUC).

Internet communications, including VoIP, have dramatically transformed the way we communicate – allowing for the seamless convergence of voice, video and text. For more than 18 years, VON has worked with federal and state policymakers to advance regulatory policies that will encourage the development and adoption of these cutting edge services – including, most importantly, not applying traditional telephone regulations developed in an earlier century. Today, this light regulatory touch – with the Federal Communications Commission (FCC) providing the necessary oversight -- has led to more than 50 million VoIP lines now in service throughout the United States, served by hundreds of VoIP providers.²

Minnesota can join a growing list of now 36 states that restrict regulation of VoIP. Specifically, Article 14 of HF 3931 would prohibit the MPUC and the Department of Commerce from directly or indirectly regulating the entry, rates, terms or any other

¹ Since its inception, the VON Coalition has promoted pragmatic policy choices for unleashing VoIP's potential. For more information see: <http://www.von.org>

² According to the most recent FCC report, as of December 31, 2014, there were 137 VoIP providers in Minnesota, serving 858,000 lines. See, <https://www.fcc.gov/voice-telephone-services-report>.



aspect of VoIP or IP-enabled service. The legislation requires VoIP providers to pay certain surcharges related to universal service and to comply with state and federal laws regarding 911 services, thereby providing important protections to Minnesota consumers.

Opponents of the legislation argue that it will harm state policies ensuring universal service and undermine consumer protection; inappropriately overturn the 2015 MPUC decision to regulate VoIP and interfere with the federal district court case filed to undermine the PUC decision; and place CenturyLink and other phone companies at an unfair competitive disadvantage. None of these concerns is valid.

This legislation is necessary because the MPUC last year issued a controversial decision that it can (and will) regulate VoIP, which is one of the many IP-enabled services that help drive broadband deployment and investment. That decision, which may or may not apply only to VoIP services offered by Charter, is now under review in a Minnesota federal court. The regulatory uncertainty caused by the MPUC decision will disrupt the vibrant marketplace for IP communications and cause confusion for consumers unsure of which services are regulated. This legislature, not a court, is in the best position to make this important policy decision.

First, consumers are protected because VoIP providers are subject to regulation by the FCC. These regulations include protection of consumer information; required provision of 911; providing notice before discontinuing service; and porting phone numbers if the customer chooses to move to another service provider. Most VoIP providers don't require long-term contracts and unhappy customers can easily transfer service to the dozens of other VoIP providers. Or they can file complaints with the FCC.

Second, the FCC in 2004 preempted state regulation of VoIP and the 2015 MPUC decision is simply wrong (and the federal court case simply unnecessary). The MPUC attempts to distinguish between what it calls "fixed" and "nomadic" VoIP (whether the service can be used from a single location v. a service that can be used from any broadband connection). The FCC did not make that distinction, but found that VoIP is practically inseverable for jurisdictional purposes because of the inherent capability to enable subscribers to utilize multiple features that perform and manage different types of communications and can access different websites or IP addresses. The FCC noted that these functionalities were designed to overcome geography, not track it.

All VoIP services – whether "nomadic" or "fixed" offered in the marketplace today include the three basic features the FCC identified. They require the use of a broadband connection. They require the use of IP-compatible equipment. And they offer consumers a suite of integrated capabilities and features.



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State regulation of VoIP is impractical. VoIP providers offer a single, integrated service that includes both local and long distance calling and a host of other features that can be supported from national or regional data centers and accessed by users across state lines. Tailoring the service to meet the regulatory requirements of 50 state regulation commissions creates unreasonable inefficiencies and will prompt service providers to cease offering services in those states.

State regulation is unnecessary. There is no evidence that state laws prohibiting regulation of VoIP has led to increased complaints or consumer dissatisfaction with the service -- the highly competitive marketplace chooses winners and losers (not regulators). To the contrary, VoIP subscriptions continue to grow and not a single state has found it necessary to undo those laws, some of which have been in place for more than 10 years. Moreover, VoIP providers are subject to state consumer protection laws that are enforced by the state attorney general, providing a second level of industry oversight.

Finally, CenturyLink and other phone companies (including CLECs) providing VoIP and other IP-enabled services will benefit equally from passage of the legislation. It is expected that most of residents and businesses in the United States will be using VoIP or other IP-enabled services by 2020 as broadband networks become ubiquitous. The legislation will encourage CenturyLink, other ILECs and CLECs to speed the deployment of broadband – a win-win for consumers and those providers.

Please do not hesitate to contact me if you have any questions. We appreciate your support.

Sincerely,

The VON Coalition

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