



April 20, 2017

Jobs/Energy Conference Committee Members

Minnesota Senate Building, Room 3235  
95 University Avenue W.  
St. Paul, MN 55155

Minnesota House of Representatives  
453 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155

RE: SF 1937 – Section 19 (VoIP and IP-Enabled Service Regulation)

Dear Conferees:

The Voice on the Net (VON) Coalition<sup>1</sup>, which represents the nation's leading technology companies, including Google, Microsoft, Vonage, RingCentral, Nextiva and Dialpad, writes to express its strong support for the VoIP provisions in SF 1937, which would prohibit regulation of Voice over Internet Protocol (VoIP) and other Internet-based communications services.

Internet communications, including VoIP, have dramatically transformed the way we communicate – allowing for the seamless convergence of voice, video and text. For more than 20 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 nearly 60 million VoIP lines now in service throughout the United States, served by hundreds of VoIP providers.<sup>2</sup>

In Minnesota there are more than 900,000 VoIP lines served by 147 providers (none of whom today is subject to the jurisdiction of the Minnesota Public Utilities Commission (MPUC)). The market is fiercely competitive, allowing customer to move freely between service providers while keeping prices low and requiring VoIP providers to continually offer innovative and cutting-edge products, services and applications. These services can be offered anywhere in the state where broadband is available, untethered to legacy restrictions on franchises or artificial boundaries or service territories.

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

<sup>2</sup> See, <https://www.fcc.gov/voice-telephone-services-report>.

Minnesota can join a growing list of now 36 states that restrict regulation of VoIP. Specifically, Section 19 of SF 1937 would prohibit state agencies, including the MPUC and the Department of Commerce from directly or indirectly regulating the entry, rates, terms or any other 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 access to 911, universal service and undermine consumer protection; deregulate all local phone services, inappropriately overturn the 2015 MPUC decision to regulate VoIP and interfere with the federal district court case filed to undermine the PUC decision. None of these concerns is valid.

This legislation is necessary because the MPUC in 2015 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, should 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 (also part of this legislation); 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 inseparable 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. This legislation would benefit those providers; not providers that only use Internet Protocol as a transport technology within their networks (so-called "IP in the middle").

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 12 years.

Finally, CenturyLink and other phone companies 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 Minnesota will be using VoIP or other IP-enabled services by 2020 as broadband networks become ubiquitous. The legislation will encourage CenturyLink and other ILECs 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,

Glenn S. Richards  
Executive Director

By email to the following Senate members:

Paul T. Anderson, Bobby Joe Champion, Gary H. Dahms, Jeremy R. Miller, David. J. Osmek

By email to the following House members:

Pat Garofalo, Joe Hoppe, Tim Mahoney, Jim Newberger, Marion O’Neill

Cc: Governor Mark Dayton