



SENATE COMMITTEE ON COMMERCE

TESTIMONY OF VERIZON ON HB 2326

MARCH 6, 2013

Good Morning, Madam Chair and Committee members. My name is Lyle Williamson and I am Verizon's Central Region Director of State Government Relations with responsibility for Kansas. Thank you for the opportunity to appear before you today.

Verizon supports HB 2326 which, upon enactment, will provide certainty for investors and stimulation for innovators in the broadband and Internet "app" economy. HB 2326 will make clear that Voice over Internet Protocol (VoIP) and other IP-enabled services will not be subject to legacy telephone regulations in Kansas.

I would like to briefly describe VoIP and IP-enabled services, explain the role these services play in what is called the "broadband ecosystem" and illustrate why states across the country are embracing this legislation and why Kansas should, as well.

IP-enabled services are the next generation of communications and are rapidly being deployed as a response to consumer demand. These are broadband services and **by definition require a broadband connection** at the end user's location. They utilize Internet Protocol (IP) technology — which changes the

contents of the communication into digital packets and sends them over the fastest available route over the Internet.

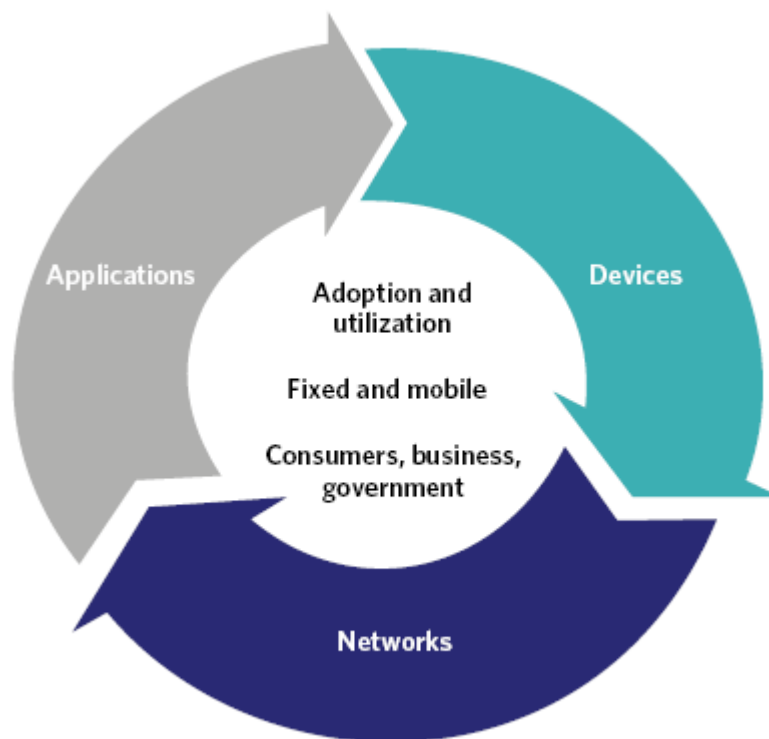
By utilizing IP technology, these services can provide an integrated suite of capabilities and features for consumers to communicate by voice, data and/or video, and to manage their communications dynamically. VoIP — or Voice over Internet Protocol — is one type of IP-enabled service that provides voice communication. Examples of VoIP and other IP-enabled services include Skype, Vonage, Magic Jack, as well as a host of “digital voice” services provided by cable and telecommunications providers, wireless and wireline.

A good way to describe the broadband ecosystem and its critical role in our economy is to envision a circle that has three segments to it: one segment is the *broadband networks*, which could be wireline, cable, wireless or satellite. To exemplify Verizon’s investment in Kansas, our wireless investment has averaged about \$38 million per year since 2000 (well over \$400 million); our wireline Enterprise/Internet backbone investment has also been steady, averaging over \$4 million per year over the past 4 years. This adds up to Verizon’s broadband network in Kansas.

The second segment is the *devices* that use the broadband networks, such as smart phones, laptops, iPads and other tablets. Our customers are eagerly buying these devices as we deploy equipment and electronics producing faster speeds.

The third segment of the broadband ecosystem is the *applications* that you access from your device, such as a Facebook, Skype and other VoIP services, music apps, YouTube, on-line banking, remote health monitoring, gaming. One of these apps may be developing in the garage of a Kansas teenager right now.

These three segments of the broadband ecosystem drive each other. For example, increased broadband deployment drives the growth of devices that use the broadband network and the growth of devices drives the growth of apps. Likewise, the popularity of devices drives the growth of apps, which in turn drives the growth of broadband networks, including of course, the Internet. This is what the FCC calls the “virtuous cycle” of the broadband ecosystem.



The National Broadband Plan, Ch. 3 at 15-16, www.fcc.gov

This illustrates how each segment of the broadband infrastructure influences the others. For example, if there were no broadband networks, or if the development of these networks were impaired by regulation, then there would be no (or fewer) devices and apps. And if the development of devices and apps were impaired, then the deployment of broadband networks would likewise be impaired.

This point also underscores the importance of VoIP and other IP-enabled services, which play a significant role in the growth of the broadband ecosystem and, like other services and apps, help drive and expand the “virtuous cycle” of economic growth.

Hopefully, you can better appreciate that VoIP is *not* the same as traditional telephone service. As a threshold matter, **VoIP, by definition, requires a broadband connection — it is a *broadband* service.** This is what makes VoIP an essential part of the broadband ecosystem I described earlier, and it is more properly viewed as an *application* that rides over broadband networks.

VoIP does much more than plain old telephone service — it is the IP-based nature of the service that allows VoIP to offer this suite of integrated capabilities and features. Users can send and receive information and access their calls and information in a variety of ways from multiple devices. Users can retrieve voicemail messages through a computer or receive them in an email, with the actual message attached as a sound file, have caller identification information

appear on a television screen, cause incoming calls to ring at multiple locations simultaneously, or combine voice calling with a live video connection.

Simply because you can use VoIP to make a “regular” call just like you can make a call using traditional telephone service does not mean that VoIP is the same thing (or should be treated the same way) as plain old telephone service.

Now is the time for this Legislature to determine the proper *Kansas policy*, to make clear for Kansas that these exciting new services will be free to develop without being subject to legacy telephone-company regulations designed for the monopoly era of the past, to provide certainty to investors and innovators that Kansas is open for business and to promote economic growth particularly in the high-tech, broadband sector of the economy. That’s what this legislation will do, and we ask for your support of HB 2326.

Thank you!