Testimony of Karen Puckett
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Before the House Energy and Commerce
Subcommittee on Telecommunications and the Internet
"How Internet Protocol-Enabled Services Are Changing the Face of Communications: A Look at the Voice Marketplace"
Wednesday, March 16, 2005

Mr. Chairman, members of the subcommittee, my name is Karen Puckett, and I am President Chief Operating Officer for CenturyTel. I appreciate the opportunity to appear before you today thank you for this opportunity to appear before you to address the critical subject of updating the nation's telecom laws and regulations to keep pace with the dramatic changes we see all around us today in the new communications marketplace. I will briefly highlight these technology advances; describe CenturyTel's aggressive approach to technology deployment and key role in making new service available; describe the challenge technology also presents to public policy; and suggest specific areas where national action is important and where your leadership is critical.

I. VOIP IS AN APPLICATION THAT DEPENDS ON A BROADBAND CONNECTION ENABLED BY AN UNDERLYING NETWORK

Action must be based on solid understanding of the technology and the market. The level of misunderstanding related to IP technology is a concern to those of us who work with cutting edge technology every day, and even more so to those who invest billions in our networks. In particular, there is confusion between new application technology such as VoIP that is deployed on top of networks, and *the network technology* that enables these applications, such as high capacity transport, fiber loops, DSL, or sophisticated switches and network management systems.

VoIP is an example of even better things to come, as our industry increasingly integrates with the computer hardware, software, and entertainment sectors. Internet Protocol is blowing the voice market wide open, allowing everyone from major cable companies to Internet upstarts like Pulver and Vonage to serve a business or residential customer. Assuming, that is, that a provider such as CenturyTel or the local cable company has made the network investment required to enable a broadband connection.

II. CENTURYTEL AND COMPANIES LIKE IT ARE BUILDING RURAL AMERICA'S BROADBAND NETWORK

I am especially proud of Century Tel's leadership in bringing technology and economic development to rural America. We serve 2.3 million customers in 22 states. We are the eighth largest local phone company in the United States. Seventy-five percent of our customers are residential. We only average 14 access lines per square mile. Nonetheless, over seventy percent of our customers have access to CenturyTel DSL.

CenturyTel is adapting and evolving our business model to meet the evolving needs of our customers. Our 7,000 employees are very focused on further expanding our broadband capability as well as delivering the video and data applications of the future.

This leads me to our key point: Advanced communications networks like ours are the foundation for realizing the promise of IP-enabled services. Without investments by companies like CenturyTel, Citizens, Consolidated, FairPoint, Iowa Tel, Valor, and many others, there would be no VoIP. There would be no broadband connection. There would be no switched digital video. There would be no platform over which to deliver the new services that have yet to emerge.

III. IP TECHNOLOGY IS ONE OF THE CATALYSTS OF THE CHANGING MARKETPLACE. POLICY MUST RACE TO KEEP UP.

Without question, the further integration of IP-enabled services as a telecommunications alternative offers both challenges and opportunities for local telecommunications companies to adapt to a new world of rapid-paced innovation and intense competition from a wide variety of players. Equally true, this new reality is forcing fundamental shifts in our industry—from proposed mergers to the new services and choices our companies are rolling out. We recognize this at CenturyTel. For example, we are now leveraging our broadband network to trial and aggressively pursue an IPTV product offering. Finally, nine years after the Telecommunications Act's passage, we are seeing the real competition - facilities-based competition - that will be positive for consumers and for the U.S. economy. We are adapting with the marketplace, with technology, and with evolving consumer demands. Now, the nation's communications policy must adapt as well.

Consumers and our economy urgently need a modern telecom policy that reflects today's realities and charts a constructive role for U.S. policy: safeguarding ongoing priorities such as universal service and law enforcement needs; and, encouraging all companies in today's marketplace to continue making the investment necessary to develop and deploy innovative new choices, beyond just VoIP.

Since we have barely scratched the surface of broadband's potential to produce a whole new generation of innovative applications, I appreciate knowing that this Committee has proposed to write policies that broadly encourage network investment and product innovation far beyond first-generation VOIP.

IV. KEY POLICY DECISIONS FACE CONGRESS AND REGULATORS

A. Affirm that those using the network must pay for their use.

There is no free lunch, and there is no free network.

Payment avoidance is a growing problem. If you walk out of the grocery store without paying, it's theft. If too many people walk out without paying, the grocery store will shut down,

and the community will wither. The same is true of rural telecommunications. "Phantom traffic" and other payment avoidance schemes are the same thing.

What can Congress do?

- *Use its oversight authority to make clear that services used, including the network, must be paid for, and that theft of telecommunications services is theft plain and simple.*

Intercarrier compensation refers to the system of payments that support the network all carriers - ILECs, IXCs, IP carriers - use to originate and/or terminate their traffic. Without that network, no one would be in business. By far the most dangerous change proposed is "bill and keep," in which no payments are actually made. This would not be a constructive change. It would end, not mend the system, give a free ride to some companies, and ignore basic laws of economics.

What can Congress do?

- *Clarify that companies should pay the cost of using one another's networks, and direct the FCC to render a decision consistent with this principle, and do so within six months.*

We currently are awaiting the FCC's decision concerning Level 3's petition to be exempted from certain intercarrier payments. This will determine if VoIP providers whose calls depend on local communications networks must pay for their use of these networks—as their competitors are required to do.

That is a question with far-reaching implications. I thank the members of this Committee who have spoken out on this important proceeding and made clear the importance of maintaining strong, viable networks across the nation—and requiring all who use these networks to help pay for their upkeep and continued evolution.

B. Address social and public safety concerns.

Members of Congress have made it crystal clear that ubiquitous 911 and E911 is a critical national priority. Recent news articles demonstrate that customers either take it for granted that they have E911, or assume that they'll never need it. When they discover it's not available, or find out they really do need it, it's too late. The results have been tragic. Finger pointing does not solve the problem. Congress can simply make clear that public safety responsibilities apply to all, and must be fulfilled.

C. Support the 21st century network through maintaining the Nation's commitment to Universal Service.

Some will tell you, "Now that we have things like Internet phone service we can forget about universal service." They either ignore or don't understand that IP services still run on *networks*, networks that reach into every community. Without these networks, there is no Internet, no email, no dial tone, and no real-time, two-way connection to the broader world. Fortunately for America, you "get it."

Universal service helps make sure these networks are viable in rural areas, and are continuously upgraded. It does so by helping ensure affordable access to a dial tone, and Internet access in our schools, libraries and rural health-care facilities. These remain important public policy goals. If anything, universal service is more important today than at any point in our nation's history, as we transition from an industrial to an information economy. Technology-neutral universal service would require every competitor to contribute their fair share to support this promise to rural America.

I firmly believe that universal service remains a critical priority for the nation, especially for the people served by companies like CenturyTel that are committed to rural America. We can all be excited about advances such as IP, but we as a nation must not forget those people who need help just to have basic access to the security of a dial tone.

What can Congress do?

- *Support stability in universal service by broadening the base of support and setting high standards in order to receive universal service.*
- *Consider explicitly supporting broadband deployment.*

D. Reform retail Regulation

Silo-driven policy making clouds the view of what is best for the customer. While much retail regulation occurs at the state level, Congress is responsible for the framework in which both FCC and state regulation occurs. For example, Congress preempted state regulation of wireless rates, and in 1997 preempted state and local barriers to entry.

The walls have come down between cable, landline, wireless, satellite and Internet-based companies. Yet these companies are treated in distinctly different ways based not on the services they provide, but the technology they use. This is not a recipe for renewing America's information leadership, nor is it a recipe for speeding advanced services into our communities.

How can my rates be regulated when someone else can use my network to provide an inferior product unregulated? Similar services should be regulated similarly, and all should be held to a similar standard.

The solution, of course, is not to impose today's regulatory regime onto innovations. The thoughtful approach is to take up the bigger challenge which this Committee is undertaking: to explore the choices available in today's marketplace, to understand just how fundamentally the world of communications has changed, and to update our nation's telecom laws to keep pace with these changes. We must get government out of the business of determining which technologies and services are best, and hand that power and that choice to consumers. This is the united vision of the U.S. Telecom Association. Our trade association represents everyone from small, rural co-ops, to mid-size companies like CenturyTel, to some of the largest

communications providers in the world. To continue growing, competing and investing, our company must be at parity with our competitors.

What can Congress do?

- *Move away from silo-based regulation where the treatment depends on how a company is categorized rather than the service it provides.*
- *Support greater regulatory flexibility at both the federal and state levels to create and promptly offer products and services that respond to customer demands.*

E. Ensure Regulators Make Internet-time Decisions.

I've described several key areas where decisions have simply taken too long: Clarifying universal service policy, reforming intercarrier compensation, ensuring that companies don't evade their responsibility to pay for the networks they use. How VoIP traffic is classified is another area where delay has created uncertainty, as we saw in the FCC's recent Madison River consent decree, where the parties did not know what their duties would be because the FCC had not clarified them. These and other important decisions in some cases have been pending for years. As you reform the substance of telecom law, I hope you will also address the process through which decisions are made.

What can Congress do?

- *Consider deadlines for agency decisions.*
- *Require the agency to hear from witnesses, or to deliberate face-to-face in important proceedings.*

V. CONCLUSION – THIS COMMITTEE'S ACTIONS WILL HELP BUILD THE FRAMEWORK FOR TOMORROW'S TELECOMMUNICATIONS NETWORKS AND SERVICES

Mr. Chairman, I thank you for holding this hearing. Without question, VoIP is worthy of our attention and enthusiasm. However, it also is important to bear in mind that VoIP is but one compelling example of what IP can contribute to the nation's economy and consumers. I understand that this Subcommittee also soon will explore IPTV. Just as the voice marketplace is being transformed by VoIP, local phone companies are eager to enter the competitive fray in digital television, offering consumers an additional choice beyond cable and satellite—and a true market alternative to cable's bundle of voice, video and data all on one bill.

We too are excited about the future. We are excited about deploying new technologies and creating new services for our customers and communities. Because we work with them every day, we believe in the potential of IP and other communications innovations to advance our economy and our quality of life. We appreciate your hard work as you craft telecommunications law for a new century. Your decisions will shape the financial community's views of what investments to support. We are eager to work with you! I thank you for the opportunity to join you today. I look forward to your questions.