

The Metaphysics of VoIP

by

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VoIP talk is the all the rage in the telecommunications world.

Even though most of us may not yet be using VoIP--shorthand for voice over Internet Protocol--to talk with one another, this new form of packet-switched digitized voice communications delivered over the Internet is coming on fast.

There are almost daily articles examining whether VoIP will destroy the incumbent telephone company business model. But the still unanswered question is whether policymakers will be able to adapt the existing regulatory regime quickly enough so that it is the incumbent telephone companies' existing business model--and not the companies themselves--that get done in by VoIP.

This is an important public-policy question, with ramifications for the telecom industry's future as well as for our nation's economy. However, mark my words: Much of the upcoming debate before federal and state regulatory authorities on whether and how VoIP should be regulated is going to be downright metaphysical.

My Webster's Collegiate Dictionary defines "metaphysical" as: (1) "of or relating to the transcendent or to the reality beyond what is perceptible to the senses"; (2) "supernatural"; or (3) "highly abstract or abstruse." I don't mean to imply that VoIP service itself is not perceptible to the senses or that it is supernatural or abstruse. To the contrary. In many ways that are important in thinking about whether VoIP ought to be regulated and, if so, how, VoIP is so unsupernatural that it is viewed by more and more people as a substitute for what we used to call POTS, or plain old telephone service.

What I mean to say about the metaphysics of VoIP is this: The debate will focus on whether VoIP service, or various manifestations of VoIP service, should be classified as an "information service" or a "telecommunications service" under existing federal or state regulatory policies. If VoIP falls under telecommunications, then it is subject to public-utility economic regulation. If it is an information service, then it is not.

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In urging that VoIP be pigeon-holed into one or the other of these classifications, the contending sides will argue about many things other than the marketplace realities. About the significance of the shape of the terminal equipment used at one or both ends of the lines over which VoIP is delivered. Whether it looks more like a "telephone" (ergo, regulation) or a "computer" (ergo, no regulation)? And about the name that's used to market the service or the name subscribers use in response to consumer surveys--telephone service (ergo, regulation), voice over Internet Protocol (ergo, no regulation) or Internet telephony (ergo, who the heck knows!).

And they'll even bicker about the significance of the names VoIP providers bestow upon themselves for marketing purposes. Doesn't Vonage, one of the leading unregulated VoIP providers, advertise itself as "the broadband telephone company"? Oops. There's that telephone word. Ergo, regulation.

There will also be much back-and-forth about the import of the genetic heritage of the various VoIP providers. Is AT&T still the phone company (ergo, regulation) because many grandmas and grandpas still call it the phone company, even though it is a shadow of its former phone company self? Must a Baby Bell with a direct line to Alexander Bell, raised by Ma Bell and divested by AT&T, forever remain a Baby Bell (ergo, regulated) for all purposes? What about the regulatory implications of a potential VoIP offering by the joint SBC Yahoo broadband collaboration?

What's a regulator to do? I say: Just focus on the observable fact that to the VoIP customer, the service not only seems substitutable for POTS, but is, in fact, essentially substitutable in terms of the trade-offs involving price and service quality. And given the rapidly growing competitiveness of the telecom marketplace, there is no sound rationale for traditional economic regulation of VoIP.

What's more, there is no longer a sound rationale for economic regulation of the incumbent telecom companies' services. As digital broadband increasingly displaces analog narrowband service--and as unregulated wireline, cable, wireless and Internet service providers compete for the consumer's communications dollar, often with bundled service packages--the policymakers should use VoIP to seize the opportunity to move quickly to create a uniform deregulatory environment for all the players.

Regardless of what the metaphysicians say.

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