

## Thought Leaders: Qwest recently announced plans to offer VoIP in Minnesota. Will other RBOCs pursue a similar strategy?

December 1, 2003  
America's Network



**LAWRENCE J. SPIWAK**  
**PRESIDENT AND CHAIRMAN OF THE BOARD OF EDITORIAL ADVISORS**  
**PHOENIX CENTER FOR ADVANCED LEGAL AND ECONOMIC PUBLIC POLICY STUDIES**

Whether the RBOCs will actually provide so-called VoIP on a mass market basis remains to be seen, and even if they did there would be little benefit to consumers.

On one hand, it strains credulity to think that the RBOCs would offer a Vonage-type service over the rival cable broadband plant, as this would effectively strand their existing revenue generating PSTN plant.

On the other hand, assuming an RBOC wants to offer a Vonage-type service (\$35/month) over its own plant, then before consumers can receive great savings for long distance calls using VoIP, consumers must still pay the incumbent for its local POTS line (assume \$35/month) and pay the incumbent (assume another \$40/month) for DSL broadband service. Hardly a savings when consumers can get an "all you can eat" local and long-distance package from a UNE-P competitor for around \$49/month.

So what is this really all about? By selling basic telephony as an "information service" rather than a telecommunications service, the RBOCs have found a convenient loophole to get out of their obligation to pay into the Universal Service Fund. The current fund already acts as a major barrier to entry as CLECs have to pay up to 10% of their gross revenues into the fund, but the RBOCs are essentially spared from harm because they are the ones that generally receive the funds to provide the USF. If the RBOCs stop contributing, therefore, then politicians might be compelled to double competitors' current contributions and to force Internet service providers (ISPs) to make up the shortfall, further stagnating new investment and entry.



Lawrence J. Spiwak  
President and chairman of the board of editorial advisors  
Phoenix Center for Advanced Legal and Economic Public Policy Studies