

Statement of Thomas Rutledge, Chief Operating Officer,
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Before the United States Senate Committee on Commerce, Science and Transportation
On
Voice-over-Internet-Protocol
Washington DC, June 16, 2004

Mr. Chairman, Senator Hollings, members of the Committee, my name is Tom Rutledge; I am the Chief Operating Officer of Cablevision Systems Corporation in New York. Thank you for the opportunity to appear before the Committee.

Introduction

Eight years after the Telecommunications Act of 1996, advances in technology are giving consumers unprecedented ability to choose and create communications packages that meet their individual needs. Consumers can choose among wired and wireless platforms for a combination of voice, data, and text services, regularly substituting different, newer products for old ways of communicating. Voice over IP service is an example of this competition, a true facilities-based service offering consumers greater choice and more value, enabled by broadband networks and improved voice technologies over IP.

Background

Since 1998, Cablevision has invested \$5 billion in an advanced two-way broadband network that reaches 4.4 million homes in the New York metro area. That investment enables us to offer consumers a range of more robust and valuable services, including our high speed broadband service, digital video, video on demand, 15 High-Definition television

services, interactive services, and voice service.

Offered on our high-speed broadband platform, "Optimum Voice" – our QoS (Quality of Service) voice over IP service – is among the most successful products we have ever offered. Launched late last year, "Optimum Voice" today has more than 100,000 customers and is winning new customers at a rate of *more than 3,000 per week*.

"Voice over IP" is poised to evolve, in conjunction with enhanced data and mobile services, such that the concept of "voice service" will mean something far different to users in the coming years from what it does today. Prior technological innovations did not change the fundamental character of plain old telephone service (POTS). VoIP, by contrast, will usher in a whole new kind of communications market.

Our service, Optimum Voice, is already much more than traditional phone service, and this is just the beginning. In addition to offering our customers limitless local, regional and long distance calling and all the advanced features available from a traditional phone service, Optimum Voice is a suite of IP applications that includes functionality never offered before. Advanced call forwarding options let customers route calls to up to three different locations simultaneously. The data platform allows them to send and review voice messages on e-mail. An Interactive Web portal lets subscribers customize the way they want to receive communications day-by-day, hour by-hour, with total control from any location. And it includes E911 and is capable of meeting all law enforcement access and surveillance requests.

Policy

Technological advances in VoIP and related services are quickly overtaking specific regulations based on the legacy network. The pace of these changes will quickly render inapplicable any very specific rules or classifications based on what is even *current*

technology. Even what appears to fit today will no longer fit tomorrow.

In this new world, I encourage policymakers to embrace the potential for consumer choice by establishing a broad, deregulatory, national framework that *encourages* new services and technological advancement. It is important that a new framework be developed that allows consistent state rules that foster growth of IP-based voice applications and permit the discipline of choice to ensure protection and value to consumers.

I commend Senator Sununu for advancing a forward-looking legislative approach to VoIP. It is the beginning of fruitful discussion of a new framework that balances between allowing companies to innovate and compete freely while ensuring the fulfillment of important policy objectives. Of special importance, the legislation establishes the principle that there must be a predictable, *national* framework for the development of these inherently mobile and borderless services. While some states understandably have an interest in this new service, there must be recognition that clear rules of the road that operate on a national basis are essential for the service to expand and to offer the kind of choice and value envisioned by the 1996 Telecommunications Act.

In the transition from legacy telephone regulation toward a modern, deregulatory framework appropriate for the new marketplace, we recognize that a number of existing policies must be rationalized, and this is a challenging undertaking. I commend Chairman Powell and his colleagues on the Federal Communications Commission for initiating proceedings to address each of these transitional issues. These include the legacy of access charges and inter-carrier compensation, and creating new mechanisms for supporting universal service.

We also recognize there will *continue* to be a need to address significant public

safety and security issues. VoIP customers must have ready access to E911 and emergency services. Law enforcement must have access to Voice over IP applications to support the nation's security interests. These targeted policy goals can be achieved by focused regulation or industry commitments without carrying forward the costly and dated regime of local retail phone regulation from a monopoly era.

Conclusion

Mr. Chairman, members of the Committee, we are at the beginning of a realignment of mass-market communications. Internet-based voice applications promise to give consumers *real* communications choices. These choices will not be limited to less expensive versions of POTS – although that, too, is possible -- but will include access to totally new products and services that will remake the entire concept of voice service. This is an exciting new market for Cablevision and for our customers. We are excited to be a leader in offering Voice over IP services at the forefront of this transition and look forward to working with this committee to establish policies that maximize its potential.

Thank you again for this opportunity and I welcome questions from the panel.