

Statement of Jeffrey A Citron, Chairman & CEO of Vonage Holdings Corp.

Before the

U.S. Senate Committee on Commerce, Science & Transportation

February 7, 2006

Good morning Chairman Stevens, Co-Chairman Inouye and members of the Committee. My name is Jeffrey Citron, I'm the Chairman and CEO of Vonage Holdings Corporation, the largest Internet phone provider in the U.S. I am grateful for your invitation to address what I believe is one of the most important technology policy questions this Committee will face.

At root, the network neutrality debate is about who will control innovation and competition on the Internet. Will innovation be controlled by a few network operators, or will the Internet remain open with minimal barriers to entry for entrepreneurs and garage inventors alike?

Imagine if the electric company could dictate which toaster or television you plugged into the wall. Imagine if Pepco said "plug in our pre-approved, affiliated toaster and your power will work great, but if you don't, we can't promise the same level of service." Of course this sounds ridiculous. Power companies don't care who makes our toasters or televisions. We plug them in and they work. The power grid delivers the same level of service to every appliance, and as a result the market for appliances and consumer electronics is vibrantly competitive. The same should be true for the Internet.

Innovations enhance the value of networks. People buy broadband because applications like Vonage cut their phone bills in half, and applications like Google improve their ability to find information. Plain and simple, it's the applications that give the network its value. And it's the applications driving demand for broadband.

As the nation's leading Internet voice provider with 1.3 million customers, Vonage offers subscribers voice over Internet protocol (VoIP) phone service. Vonage and the VoIP industry are providing consumers with new choices for telephone service that the 1996 Telecommunications Act never contemplated. It is innovation, not legislation, that created our service and brought this competition to consumers.

For Vonage, this discussion about net neutrality is not theoretical, but practical. The very existence of the Internet phone industry disciplines the prices traditional phone companies can charge. Because Vonage competes directly with the telephone service of the network operators that also provide high-speed Internet access, the incentives to discriminate against us are clear.

In fact, Vonage has already seen several smaller network operators block our service. Most recently, major phone company executives seem to suggest that our service isn't going to work as well if we don't pay them additional fees.

As a businessman, I don't get—nor do I expect—a “free ride” on anyone's network. But the truth is these network operators are already getting paid twice. Vonage pays network operators millions of dollars a year for Internet access to deliver our service to subscribers. On top of that, consumers pay billions of dollars every year to these companies for high-speed Internet access. No one gets a free ride.

I'm also not suggesting that companies shouldn't be able to offer a tiered service to subscribers. The power company charges more or less depending on how much power is used, but once we have paid for it, the power company doesn't pick winners and losers. In the same regard, network operators should be able to charge varying amounts for bandwidth, as they already do. However, it would be a disaster for future innovation to hand them the power to pick technology winners and losers.

What would happen if tomorrow one of these network operators decided to block Google, Vonage, Yahoo, or Amazon? What would be the legal recourse of applications that are being blocked or degraded by a network provider?

The regulatory landscape has changed. If network operators chose to block these Internet applications, there does not appear to be any legal recourse. Innovation and competition would be left behind with no possibility of due process.

Let me underscore this point, there is nothing in statute or regulation today to protect consumers or Internet application providers from potential network discrimination. I believe providing marketplace certainty to prevent network discrimination is as important as taking action once a problem occurs.

Network operators maintain they will never engage in this behavior. If indeed that is the case, why can't we work towards a solution that ensures flexibility for network operators while preserving openness for applications providers?

The Internet gives tremendous freedom to individual users and innovators. It has given consumers access to an unprecedented variety of content, services, applications, and devices. As an entrepreneur that has used the Internet to change the way people communicate and conduct business, I am increasingly concerned that the inherent economic incentives of network operators will put the creativity from the Internet in serious jeopardy.

I look forward to working with this Committee to ensure that the Internet remains an open and competitive foundation for innovation.

Thank you Mr. Chairman.