

Statement of

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Good afternoon, Representatives Gutknecht and Stupak. My name is Jeffrey Young. I am the Chief Technology Officer, IP Division, for Alcatel North America, responsible for the future direction and strategies of Internet Protocol equipment and services. I also serve as a lead network architect on SBC's Project Lightspeed for Alcatel.

Thank you for this opportunity to speak before you today about the availability of IP-enabled services to consumers and Alcatel's view toward the proper regulatory treatment of these fascinating technologies and services. Alcatel is a proud provider of next generation network equipment and services to a broad range of telecommunications carriers who serve communities throughout rural America. These providers include Regional Bell Operating Companies, long-distance carriers, wireless carriers, municipalities, rural telephone cooperatives and satellite operators. Alcatel commends the Congressional Rural Caucus for its commitment toward ensuring that all Americans have access to advanced, "user-centric" communications services.

Mr. Chairman, Alcatel views IP technologies as the driver for a new generation of communications services that will be enjoyed by millions of Americans nationwide. IP enables service providers and enterprises to offer a wide array of applications, including voice, video, and data, over a unified network that does not discriminate based on any particular application. This drives both increased productivity for businesses and enhanced consumer choice and experience. IP enables us to provide all of these integrated services over a unified network with high levels of interactivity, security, and quality of service. Service providers gain the efficiency of a unified network that offers voice, data, and video to the customer, while satisfying the customer's demand to be at the center of their communications universe.

Ongoing investment in IP technologies is driven by both demand and supply. First is the demand for what we call “user centric services.” We’ve conducted primary research, as have others, which indicate that end users prefer to have their communications services available to them ubiquitously, regardless of what device they are using, or what network they are accessing. For example, I prefer to have my same email available to me on my PC at home, my PC at work, and my cell phone. If I have to forward it between those three, I lose precious time. By the same token, a doctor who can log into any phone or PC at his local hospital, and have that network automatically recognize him, and provide his email, voicemail, and secure access to his patient’s records is going to have more time for patients. Moreover, he can be sure he is not missing vital information that he might otherwise have had to check multiple devices or networks to get. Today, we each have services that are only available on a particular device or network. Tomorrow, we can securely move information more effectively, and attach it to a user’s profile across multiple devices and networks. IP is the technology that makes these user-centric services possible.

The second key enabler of this user-centric world is the growing ubiquity of broadband. It was not long ago that residential broadband was nonexistent. Traditionally, the local access networks – that is the “last mile” to the customer – were a bottleneck of slow, dial-up speeds. An offering of integrated voice, data, and video to a customer would not have much appeal if the user had to turn off his computer to use the voice services or watch video that took hours to download. Today, there are approximately 150 million broadband customers throughout the world, including 32 million here in the U.S. Alcatel is the worldwide and North American leader in broadband access technologies, with over 50 million digital subscriber lines shipped to service providers. This combination of widespread broadband supply and user-centric demand creates a tall order for service providers and enterprises alike, and they turn to technology leaders like Alcatel to help. This is where IP-based technologies come into play.

Mr. Chairman, as the Rural Caucus begins its review of public policy proposals related to IP-enabled services, it may be useful for me to illustrate the importance of IP-based technologies to consumers through the following examples. For instance, IP-based services can fundamentally change the way our teachers teach and how our children learn. Alcatel is working with Verizon to complete a deployment of 27,000 IP phones in the Clark County, Nevada, School District. Like many other school districts, Clark County adopted VoIP because it reduces telecom costs by combining voice and data networks. The reduced network management overhead means a school can spend more of its resources on teaching, and less on IT management. Further, the IP Telephony system provides more features for the teachers and administrators, such as call blocking during school hours, and increased reliability so there is no single point of failure in the network. Indeed, one application we recently developed would allow a teacher in a classroom that has an emergency to immediately notify the rest of the school by simply pressing a few buttons.

In October, Alcatel was selected by SBC as its primary network infrastructure and services supplier for Project Lightspeed, which will deliver integrated IP Television and

other ultra-high-speed broadband services to 18 million households by year-end 2007. Alcatel will enable SBC to provide this suite of services by building fiber deeper into the SBC network - using shorter copper subloops in existing neighborhoods and building fiber all the way to customers' premises in new housing developments. Equally as important, Alcatel will enable SBC to deliver multiple services with high quality over a single pipe to each home by leveraging the IP technologies it has developed.

This new network will enable SBC to provide broadband Internet access that offers downstream and upstream speeds measured in megabits instead of kilobits. We are all aware of the widespread benefits offered by high-speed Internet access in rural America – distance learning, telecommuting, telemedicine, and others. Project Lightspeed's benefits will be further enhanced through the collaborative work of Alcatel and Microsoft, who have partnered to develop product solutions that will help accelerate the deployment of IP television.

Additionally, Alcatel is also a leading provider of IP network equipment to BellSouth, which will upgrade Bellsouth's existing infrastructure to handle the demands of next generation broadband services. This important project enabling the delivery of next generation IP services such as voice and video will allow Alcatel to help BellSouth enable the delivery of triple play services to consumers in its coverage area and thereby continue to revolutionize the consumer communications experience.

IPTV will offer consumers an additional choice to the video services currently available from cable or satellite providers. For example, IPTV customers may select varying camera angles while watching sports programming – focusing on any one angle or splitting the screen to watch several sporting events at once. Additionally, because this service will be switched video rather than broadcast video, the bandwidth demands on the local access network are no greater than the program the user is currently viewing. This will be a great benefit to organizations wanting to offer niche or unique offerings, such as foreign or educational programming.

Mr. Chairman, Alcatel is pleased to work with you to increase awareness of the IP-enabled services by your colleagues in the Rural Caucus and your constituents so that all consumers enjoy the benefits of such services including VoIP and IPTV. However, further investment in IP-enabled services will be impacted by regulatory treatment of these technologies and services. Alcatel urges the Rural Caucus to work with your colleagues on the House Energy and Commerce Committee to actively support the adoption of federal policies that encourage investment in IP-based networks and spur innovation. Your support for this approach will certainly further technological opportunity in rural America.

Last year, Alcatel was pleased to actively support Congressman Pickering's letter to FCC Chairman Powell urging that the Commission declare Vonage's VoIP service to be an interstate service. As you know, with its November 2004 *Vonage* Order, the FCC correctly preempted a Minnesota Public Utility Commission ruling, and declared Vonage VoIP service to be interstate in nature and therefore subject to regulation solely at the

federal level. Alcatel urges you and your colleagues in the Rural Caucus to support legislation that will codify this FCC decision within the context of the upcoming rewrite of the Telecommunications Act of 1996. The enactment of such legislation will encourage massive investment in network infrastructure necessary to deploy services like video over the Internet and VoIP.

Mr. Chairman, Alcatel strongly encourages you to take a forward-looking legislative approach to these new and promising technologies. Your actions will ensure that rural America is a full participant in this global technological revolution. I appreciate the opportunity for Alcatel to testify before the Caucus this afternoon, and I would be happy to answer any questions you may have. Thank you.