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VoIP





BY JOEL REISH

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If you have not yet heard about VoIP, you will soon. Already VoIP (voice over internet protocol), a way of making telephone calls over the internet, has made some big inroads at the corporate level. Many companies have set up their own in-house VoIP systems so various offices can talk to each other. But VoIP really is just now penetrating the consumer market and is poised for explosive growth in the next few years.

What Is VoIP?

To understand VoIP, we first have to understand that the internet is, fundamentally, just a means of sending large amounts of data back and forth very quickly. Think of email. Think of loading web pages. Think of downloading software or pictures of your Aunt Edna visiting the world's largest ball of string. The internet doesn't care what kind of data it is; all the internet needs is a request to get something, an address to go get it from, and an address to deliver it to.

Quick Read: VoIP

What is VoIP?

- A protocol for making telephone calls over the internet instead of over regular telephone lines.
- With a simple adapter, works on a regular telephone just like a regular phone call.
- Requires a broadband internet connection.
- As many as 1 million residential VoIP phone lines in use in the U.S. now, with as many as 20 million in the next few years.
- Initially offered by start-up firms, look for major entry by big telco and cable companies this year.

VoIP Advantages

- Much cheaper than regular phone service.
- Loaded with extra features and services for no or low extra cost (voicemail, caller ID, etc.).
- Take your phone number anywhere.
- Option for multiple phone numbers from multiple area codes that all work on your phone.

Disadvantages

- Vulnerable to power outages.
- Only as reliable as your internet service provider.
- Not part of the 911 emergency system, although some providers offer a reasonable workaround.
- Not advised for burglar-alarm monitoring service.
- May not be able to be listed in the white pages.
- Potential faxing problems.
- Might need some simple wiring work.

VoIP is a protocol for converting a telephone conversation into packets of data so that it too can be sent over the internet. With VoIP, think of your telephone number as an email address: It is simply the designation of a connected user on the internet of where to retrieve and deliver data.

It takes a good amount of bandwidth to instantaneously send the data required for a phone call back and forth, so a broadband (or faster) connection is required, which means that, until recently, VoIP hasn't been very feasible. But with the recent penetration of

broadband—more than 40 percent of internet-connected U.S. households now use it—VoIP is set to explode at the consumer level. The main draw for consumers is the tremendous cost savings VoIP can offer, cutting the typical phone bill by half or more.

When VoIP first came out, you could use it only to talk to other VoIP customers, kind of a private telephone network. But now you can call anyone, including the vast majority of people who still have regular telephone landlines.

Do I Have to Use My Computer to Make a Phone Call?

No, you won't have to talk into your computer monitor or wear a headset hooked up to your computer. When VoIP first rolled out, you did need a special telephone that was designed to hook up to an internet-based network, but now VoIP providers give you a gateway interface—a simple adapter much like a modem that you plug into your broadband connection and your regular telephone.

Once your phone is hooked up to VoIP, it works just like it always does: You pick up the handset, hear a dial tone, dial the number, and the other end starts ringing. If the person you are calling has a regular phone line, then your call goes to their local telephone company to complete the connection. With some VoIP providers, you have to dial a 1 before every phone number, which is not a bad trade-off for such significant cost savings.

Current Situation and Future Outlook for VoIP

Until recently, VoIP service was provided by a group of nimble start-up companies. The biggest of these is Vonage, which ended 2004 with nearly 400,000 phone lines. Other players include Skype, Lingo, BroadVoice, Packet8, SpeakEasy, VoicePulse, and more than 400 other providers in the U.S. market.

In countries where broadband is more widespread, VoIP has grown rapidly. In Japan, for example, there are nearly 4.5 million VoIP lines provided by Japan's Yahoo! Broadband, that country's largest broadband provider.

In the U.S., VoIP really got on the map, so to speak, in 2004. At the end of last year, there were between 500,000 and one million residential VoIP lines (estimates vary). That's a drop in the bucket compared to the 160 million or so regular telephone landlines in the U.S., but it's enough to attract the attention of the big boys, who are moving in with a vengeance. AT&T, Verizon, Qwest, and many

other traditional telephone companies are entering the VoIP waters. Cablevision has been offering VoIP for a couple of years. Comcast, the nation's largest cable provider (and thus the largest broadband provider for consumers), began its VoIP rollout in three initial markets at the end of 2004.

If 2004 is the year VoIP learned to walk, then 2005 is the year it is poised to run. AT&T and Comcast are expected to make heavy marketing pushes this year. Vonage has already launched a preemptive strike with a national advertising campaign. Recent alliances have been announced between VoIP providers with major equipment manufacturers like Motorola and Linksys. Major retailers like Best Buy and Office Depot now sell VoIP services in their stores. Projections for VoIP's future are rosy, with estimates of twelve to twenty million residential customers or more by 2008.

Benefits of VoIP

The main benefit of VoIP is that it is cheaper than regular copper-wire telephone service, with rate plans that include unlimited free long distance plus every phone feature you've ever heard of included, all for less than most phone companies charge for a regular local line. How much cheaper? My rate plan is \$24.99 for the phone line with unlimited free local and long distance calling.

There are two reasons VoIP is cheaper. First, since VoIP is an internet service, there isn't the same kind of per-minute cost structure that regular telephone service has. Regular telephone service requires a specific point-to-point circuit to be open for each individual phone call anywhere across the network, whereas VoIP sends a phone call as separate data packets that join the multitudinous flow of other data packets already on the always-open internet pipeline. Just as you



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don't pay any more for sending more email or for visiting more web pages, VoIP has the same basic cost advantage.

The second reason that VoIP is cheaper is that regular telephone providers are considered common carriers and as such are

More than 40 percent of internet-connected U.S. households now use VoIP.

regulated by the Federal Communications Commission (FCC). Regardless of how you feel about the good or the bad of government regulation, one fact is clear: Your phone bill is laced with all kinds of additional fees, subsidies, taxes, and surcharges. In my area, a basic telephone line can cost as low as about \$15, but without adding any other services or features, the monthly bill will actually total

around \$33—that's right, the regulatory costs can be more than the phone line.


VoIP, on the other hand, is not regulated by the FCC—at least not yet. So, all you pay is the fee for the service plus sales tax, nothing more. In February 2004, the FCC specifically determined that VoIP is not subject to the regulations of telephone companies. The FCC has, however, set a task force to continue looking at policy on internet services.

Another major advantage of VoIP is that you can keep your phone number—*anywhere*. You can port your current phone number from your present phone company to your new VoIP service. But it's better than that. With VoIP you can keep your phone number no matter where you move. Within the regular telephone system, any given telephone number can only work inside of a designated switching area. So, let's say you move to a new house or move your office; unless you move within the immediate neighborhood, chances are good that your phone number can't come with you

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because you have moved across an invisible line and into a new switching area.

But VoIP doesn't care where you are. Your phone number on VoIP isn't tied down to any specific physical location. It's more like an account username and password. If you travel with your notebook computer, you can still receive your email anywhere you go because your email address is an internet protocol designation, not a physical place—same idea with VoIP.

So, you could have the same phone number for the rest of your life, no matter where or how many times you move. You can take your adapter box with you on business trips or on vacation and have your phone number work wherever you are, as long as you can hook up to a broadband connection. You could hook up to a hotel-room broadband connection in Tokyo, and when someone calls your regular phone number, it rings right there in your hotel room—for free. If your neighbors are calling from across the street from your house, it's a local call for them.

You can also get multiple phone numbers in different area codes that all ring on the same phone. For example, you could have a New York number, a San Francisco number, and an Atlanta number, and they would all ring on your desk, with such virtual numbers costing only a few dollars more a month. That can be great for business and also great for people with a lot of family in another city; just get a virtual phone number in their local area code, and then they can call you as a free local call even if you are on the other side of the country.

Optional Services

Another cost and service advantage of VoIP is that many service providers are offering basically every possible service you've ever heard of that could be on your phone service—voicemail, caller ID, call waiting, three-way, call



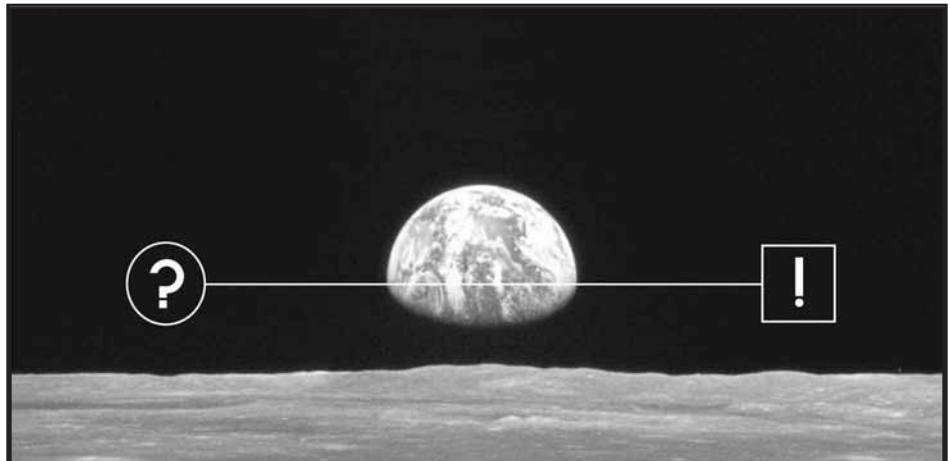
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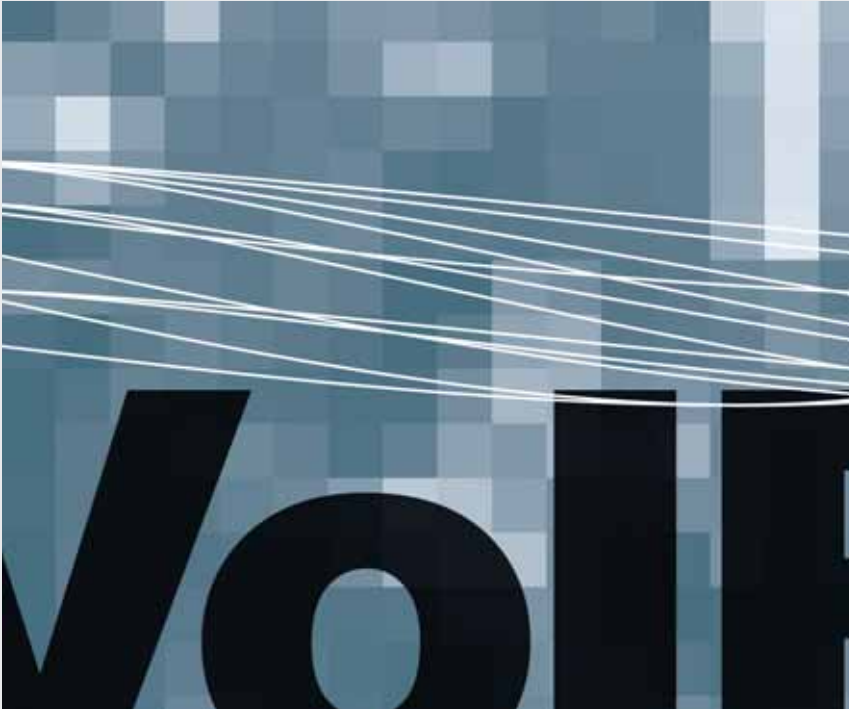
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forwarding, etc.—all included for free in the monthly service fee.

Some of the features are pretty nifty and are not available with regular telephone service. For example, you can elect to receive an email informing you when you get a voicemail message. My provider even offers to send an audio file of my voicemail messages as email attachments. You can turn your computer into a telephone by plugging in a headset—great for traveling with a laptop and taking your phone calls with you. And you can easily control these optional features, turning them on and off through a straightforward online control panel. That online interface also can provide an easily accessible log of all calls you make and receive.

How Is the Sound Quality?

Sound quality with VoIP can vary, depending on your provider and your internet connection. Generally, though, VoIP delivers sound quality very close to



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analog, sometimes even better. Occasionally a call will sputter because the signals (data packets) are getting delayed or are coming in too fast, but my experience with this has been extremely rare.

What Impact Does VoIP Have on My Internet Connection Speed?

VoIP can impact your internet connection speed because it is taking up some of your available bandwidth. Some providers allow you to go to your account online and adjust how much bandwidth the calls take up vs. call quality. The good news is that broadband service in many cases offers more than enough bandwidth. I have mine set to a fairly high-quality sound for the phone calls (more bandwidth) and have not noticed any appreciable difference with internet performance on my computer.

How Many Lines Can I Have?

Providers offer all kinds of residential and business packages that include multi-line service, and some even offer lines that are specifically intended to be used as a fax line, with limited free usage (since fax lines typically don't get that much usage anyway) for a lower cost.

You can do anything with VoIP calls that you do now with your regular phone service. For example, you can tape telephone interviews if you do that now. Once your phone is hooked to the VoIP adapter, it doesn't know the difference.

Does VoIP Work with DSL?

Technically, VoIP can work over any broadband connection, but it might seem a bit counterintuitive to get VoIP if your broadband is DSL because you have to maintain a copper-wire phone line to have DSL, and of course the main reason for getting VoIP is to dump the cost of a copper line in the first place. There could be good reasons, however, to maintain one old-fashioned copper telephone line, stripped down with no services (see the following pages for more).

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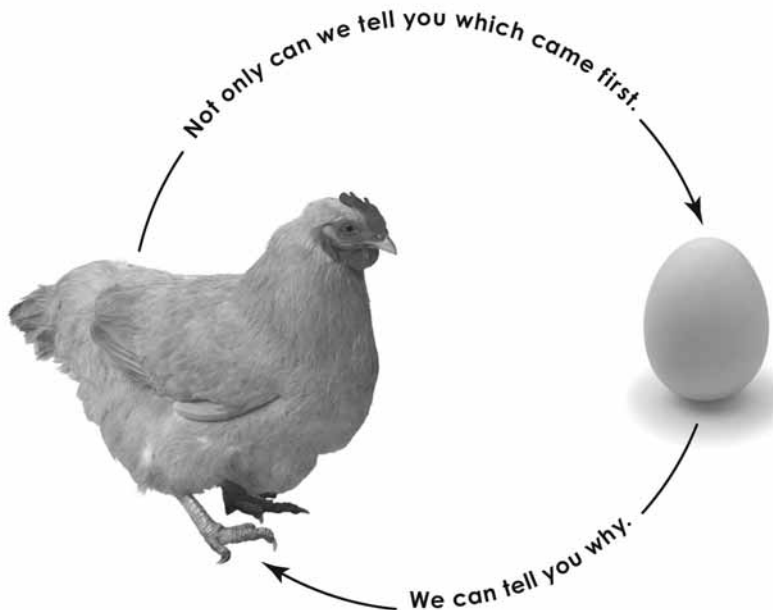
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Backup Strategies in Case of Power Outages

VoIP is more vulnerable to power outages than regular phone service. The VoIP adapter, your router, and your broadband modem all need electrical power to provide the VoIP telephone service, whereas regular telephone service is not dependent on electric power.

Not only that, VoIP telephone service goes down when your internet connection is down for any reason. Service providers have anticipated this as well, and many provide the option to set a specific backup phone number that all your calls will automatically roll to if your internet connection is down. Personally, I am maintaining a copper-wire line for now as a backup, or you could designate your cell phone as the backup number.

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Can I Make a 911 Call in an Emergency?

VoIP cannot work within the existing 911 system, which is built into the regular telephone system. The VoIP vendors are working on that. Some have devised a reasonable workaround, allowing you the option of registering your address in a database for 911 purposes. Then, if you ever do dial 911, their database determines which emergency call center your address is registered to and routes the call there instantly.

Can I Use a Fax Machine on a VoIP Line?

Even though many VoIP providers offer special fax-line service, faxing on a VoIP line is another area that can present some problems. Remember that this is voice over internet protocol, and the service is not optimized for data transmission such as faxes. VoIP is subject to packet loss. A little packet loss is no big deal when converted to a person's voice on a phone call, since you can still hear what they are saying with minimal loss. But even a tiny packet loss on a fax can cause significant errors and even dropped calls.

Burglar-Alarm Monitoring Services and VoIP

Monitored burglar-alarm service is one gotcha! with regards to VoIP. Even though burglar-alarm monitoring can be connected to a VoIP line and should work just fine most of the time, my VoIP provider explicitly recommends against using it for this purpose, apparently because of the greater vulnerability to electrical and internet-service outages. This is another reason for maintaining a stripped-down copper-wire line. Burglar alarm companies also are very eager to sell you a wireless monitoring service that is independent of any phone line.

Other Drawbacks to VoIP

VoIP's status as an unregulated service does come with some hitches. For example, VoIP providers that are not part of a regular telephone company cannot offer white pages listings—you won't be listed in the phone book.

There is also the specter that a VoIP provider could hold your phone number hostage if you ever wanted to move to a different provider. There currently is no regulation that compels a VoIP provider to port a customer's phone number to another provider, as there is with regular phone service and even now with cellular service. Of course, VoIP providers say they won't hold a customer's phone number hostage; but as big players like Comcast move into the fray, customers might abandon the upstart providers for more familiar names, raising the temptation for these smaller providers to try desperate measures to hold onto customers.

Another minor issue with VoIP at home is wiring. It's very simple to connect one phone to the adapter, but getting your whole house to work on the VoIP service is a little more involved. For a small fee, any electrician or wiring tech can set up your whole house to connect to the adapter, such as putting a standard RJ-11 phone jack on your phone junction box so that one jack will connect every phone in your house/office.

Lastly, security is theoretically an issue with VoIP. Internet hackers could eavesdrop on your VoIP telephone conversations, a risk that is at about the same level as a hacker intercepting your email or other IP requests. Frankly, cellular-phone conversations seem to pose a far greater security threat of interception, and yet that doesn't seem to bother most people.

The Final Word

VoIP is an exciting service that is now reaching mass-market potential because of the ubiquity of broadband internet connections. VoIP does still face some challenges, but all in all it can save users a great deal of money and provide extra features not available with regular telephone service—yet another benefit of living and working in the internet age. 📧



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