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CALIFORNIA

Covad to Launch New Service

Its offering will allow its partners to deliver calls with Internet telephony features over regular copper lines.

By James S. Granelli
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Covad Communications Group Inc. said Wednesday that it would launch a new telephone service that would allow its partners to compete more effectively with regional phone giants for both voice and high-speed Internet access.

Covad, the nation's largest independent DSL provider, said it would test its line-powered voice offering within a month and would roll out the service by midyear.

The service would allow Covad's partners — especially **AT&T Corp.**, **MCI Inc.**, **EarthLink Inc.** and **America Online Inc.** — to offer local and long-distance calls over regular copper lines but with all the features of Internet telephony technology.

Line-powered voice relies on new electronics to deliver voice and digital-subscriber-line service. The line would be powered separately, as conventional phone lines are, so they wouldn't go down in a power outage.

The San Jose company would lease the lines at regulated prices from regional phone companies such as **SBC Communications Inc.**, California's dominant local carrier. It then would connect the lines to its own network gear.

The offering comes as wholesale prices are expected to increase sharply for the entire platform of telephone lines, switching gear and other equipment that AT&T, MCI and other competitors have been leasing from SBC and other network owners.

Federal regulators and the Bush administration abandoned efforts last summer to ensure competition for local phone service through the use of the controversial platform. The Federal Communications Commission in December gave competitors a year to move customers off the platform, pay higher prices or get out of the business.

The change in the administration's direction caused AT&T and MCI to stop marketing phone service to consumers, though they both continue to serve existing customers.

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EarthLink and AOL, meantime, have been eager to enter the phone business more to ensure their survival as more consumers trade in dial-up Internet access for broadband service.

Local phone companies control DSL service and phone access to the Internet, and cable companies own the cable modem high-speed access, leaving the Internet service providers with a shrinking market.

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