

**Issue Of The Week: Monday, April 30, 2007**

## **The Nuances Of Net Neutrality Advocates**

by David Hatch

When a coalition of Internet companies fighting for network neutrality relaunches in May under a new name, Microsoft is not expected to be among them. The software firm was an early member of the "It's Our Net Coalition" but pulled out last autumn -- at the time it said temporarily -- because the group wanted to impose conditions on the merger of AT&T and BellSouth. Microsoft's policy is not to intervene in such transactions, so it stepped aside while the FCC considered the deal.

Microsoft spokeswoman **Ginny Terzano** said in an interview that the company remains committed to an accessible and open Internet, but its temporary departure from the coalition may become permanent. "We haven't made a decision as to whether to put our name back on," Terzano said of the soon-to-be announced Open Internet Coalition.

Microsoft is not alone in rethinking its role in the debate over net neutrality, a term that describes efforts to keep dominant Internet providers from discriminating against certain content on their high-speed networks. Google and eBay also have appeared to hedge their bets. Industry watchers said such Internet companies are afraid of alienating cable- and telephone-based broadband providers that they do business with now -- or hope to partner with in the future.

And with less attention being devoted to net neutrality in Congress, some stakeholders are directing their lobbying muscle and attentions to other policy concerns. Privately, even some supporters of strict neutrality rules concede that the debate over enforcing anti-competitive behavior on the Web likely will extend into the next presidency.

**Paul Gallant**, a senior media analyst with the Stanford Washington Research Group, notes that Microsoft is playing "catch-up" to Google's search engine and would like to compete with Google's popular video-sharing site, YouTube. "One way to jump back into the race in a serious way might be to architect a better delivery system by working closely with telcos and cable operators," he said.

### **Google Searches For Its Position**

Search the term "net neutrality" on Google, and you will reach the search engine's Web page warning of the dangers of an Internet dominated by communications companies. It is one of several ways in which the Silicon Valley heavyweight is leading the charge for new regulations to keep broadband providers from creating fast lanes reserved for favored content.

The potential upside of the tiered pricing model for AT&T, Comcast, Time Warner, Verizon Communications and other major broadband networks is huge. They could charge for access to those fast lanes, cut deals with partners to feature exclusive content, and prioritize traffic to enable bandwidth-hungry offerings such as movies to download more quickly.

But another corporation also stands to flourish without Internet regulation: Google. In a revealing speech this April at the National Association of Broadcasters convention in Las Vegas, CEO **Eric Schmidt** made clear that his company would benefit if the regulations it supports are not imposed.

"The perverse thing about this is that if there's any company that could afford to pay for such service, it would be Google," he said. "In fact, the loss of net neutrality would probably benefit Google, in some sense -- in a crass business sense," he added during a wide-ranging discussion with former NBC newsman **John Seigenthaler**.

Schmidt said the Mountain View, Calif.-based Internet giant wants net neutrality rules. "It would be a mistake if, in our view, the Internet were cut into pieces," restricting access to Internet content that is readily accessible now, he said. "We know it would be bad for entrepreneurs and innovators who will build the next Google."

### **Public Interest Versus Self-Interest**

Nevertheless, his candid remarks raise this question: If the restrictions would disadvantage Google, how long can it be expected to lobby against its self-interests?

"The fact is that Google would have never existed without net neutrality," responded **Craig Aaron**, the spokesman for the watchdog Free Press, a leading advocate of equal treatment for online content. "I don't see his comments in any way as trying to move away from net neutrality."

But Gallant thinks Google's \$1.65 billion purchase of YouTube has left it conflicted about Internet regulation. "Google's YouTube video would likely benefit from a more efficient arrangement with network owners," he noted, explaining that additional bandwidth would enable the clips to display larger and more crisply on computer screens.

**Mike McCurry**, co-chairman of the AT&T-backed Hands Off the Internet coalition, maintains that Google is beginning to accept that a strict definition of neutrality "might impede a lot of what they're probably now beginning to see as their business model of the future."

With the Internet rapidly evolving, imposing regulations "would be sheer folly," once a spokesman for former President **Clinton** said in an interview. "You can't imagine now the kinds of network architectures we'll need three to five years from now."

## **EBay's Whitman Is Sold on Romney Bid**

Some industry watchers, meanwhile, point to EBay CEO **Meg Whitman's** support of GOP presidential candidate **Mitt Romney** as evidence of a softening of her company's support for net neutrality.

There are three viable presidential contenders who back her company's stance on that subject, but they're all Democrats - Whitman is a Republican who previously contributed to President **Bush**. Sens. **Hillary Rodham Clinton** of New York and **Barack Obama** of Illinois, along with and former Sen. **John Edwards** of North Carolina, have publicly endorsed Internet regulation.

EBay's top executive is instead raising money for a candidate who has not voiced a public stance on net neutrality. "I don't believe he's taken a position," confirmed **Kevin Madden**, the press secretary to Romney, a former governor of Massachusetts.

Whitman worked for eight years as a vice president in the San Francisco office of Bain & Company, a consulting firm that Romney ran as CEO. Critics suggest that those connections have prompted her to set aside the company's dire warnings about telecom and cable giants angling to control the Internet.

Industry sources -- including those opposed to Internet regulation -- said it's not unusual for an executive to support a candidate's overall vision while disagreeing on particular issues. But one observer suggested that with Internet taxation and other concerns on eBay's plate, Whitman's fundraising for Romney shows that net neutrality is not the company's biggest priority. "I don't know that they would consider it their most important issue," he said.

"Meg's decision is a personal choice and is not representative of the views or opinions of EBay," spokeswoman **Catherine England** said.

"EBay thoroughly respects Meg's ability to balance the day-to-day operational needs of our business, while also maintaining an ability to conduct her life as a private citizen in the way she deems most appropriate," England added.

"Certainly she's welcome to support whoever she wants," Aaron of Free Press said. "I don't think it has anything to do with where EBay lines up. I'm sure she's got other interests as well."