



INTERNET LAW - 'Net Neutrality' Laws Will Cause \$70 Billion Loss

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What is Net Neutrality & will it help or hurt the Internet's development in the long run? This article will answer these questions, regarding the proposed Net Neutrality rules: What is Net Neutrality, Whose Idea is it?, What are the Main Points of the ACI Study?, How Will Net Neutrality Effect the Poorest?, How Does Multi-Sided Pricing Help?, What do Internet Pioneers Think of this Net Neutrality Legislation?

Certain to cause waves across the 'Net on both the Government and consumer advocacy sides, the American Consumer Institute released a large study on May 9, 2007 which suggests that if the "Net Neutrality" rules are enacted, the resulting loss of commerce could be in the range of \$70 billion in the next decade, alone. Perhaps even worse, the effects will be felt most strongly at the bottom of the socio-economic scale of society, "affecting lower income broadband consumers the most."

Ominously, the rules will even impact the release of newer and better software programs, which could have a chilling effect for decades afterwards, in terms of connectivity and efficiency of all computer applications. This article will answer these questions, regarding the proposed Net Neutrality rules: What is Net Neutrality, Whose Idea is it?, What are the Main Points of the ACI "Neutrality" Legislation Study?, How Will Net Neutrality Effect the Poorest?, How Does Multi-Sided Pricing Help?, What do Internet Pioneers Think of this Net Neutrality Legislation?

What is Net Neutrality, Whose Idea is it?

The 'Net Neutrality debate is actually a spill-over from business negotiations occurring all over the Internet regarding the pricing of service to premier online businesses, such as Amazon.com. What cable companies are doing is offering these large, e-commerce oriented businesses better service at increased rates. They will upgrade the service to these companies so that the average consumer finds it easier to access the site, surf, shop and order. It is a simple business decision for a company like Comcast to find those customers most interested in upgrades, whom would have the most to gain by receiving premier service, and then charge for it. As Columbia Law School professor Tim Wu put it, "Network neutrality is best defined as a network design principle. The idea is that a maximally useful public information network aspires to treat all content, sites, and platforms equally."

When Internet activists discovered what was going on inside the Internet business community, many were appalled because the seemingly open borders of the Internet frontier appeared to them to be getting smaller before their very eyes. The idea that the Internet would be used to discriminate between users, based upon an economic calculus, as opposed to first-come, first-serve fairness principles was infuriating to many. Cardozo Law School professor Susan Crawford maintains a neutral Internet must be egalitarian and send information on a first-come, first served basis, without regard for economic upgrades to give faster service to heavy hitters.

The disagreement can be boiled down to conflicting visions over what the good-life of the Internet represents. On the one side you have pragmatists and economic realists who hew to the bottom line of the belief that you can't get something for nothing. Alternatively, the groups opposed would claim the Internet is only incidentally an economic concern, or that business is only one of the intents of the designers, and that to allow businessmen to bully those surfing for information, recreation, titillation, or any other reason is simply prejudiced.

What are the Main Points of the ACI "Neutrality" Legislation Study?

The study points out the new laws regulating ISP's (Internet Service Providers) go well beyond Net Neutrality goals normally espoused. The study, titled "Net Neutrality and the Effects on Consumers," says consumers will be damaged by losing potential benefits, by "barring voluntary commercial agreements necessary to bring some new applications and services to the Internet." Also, many upgrades and services will be stifled because the capital that would have flowed in to help underwrite costs was arbitrarily cut-off. The study's sponsor, the American Consumer Institute is described as, "an independent consumer organization committed to providing information, analysis, and policy research to the public for the betterment of American consumers. The Institute is primarily comprised of volunteer public policy experts covering a wide range of issues."

How Will Net Neutrality Effect the Poorest?

The author of the report, Stephen Pociask, wrote, "Despite proponents' best intentions, net neutrality proposals would be a twofold problem for consumers. Innovations that require a guaranteed level of service won't come to market, and consumers would have to pay more for the services they receive." The study concludes net neutrality rules would probably raise the cost of Internet services for consumers and make millions of Americans cancel broadband subscriptions, which would obviously hit lower income households hardest. Mr. Pociask added, "Given the national commitment to universal broadband service, Internet regulations would drive millions of lower-income Americans offline, which is last thing we should do."

How Does Multi-Sided Pricing Help?

Such regulations could prevent "multi-sided pricing," which is how the Internet content providers would voluntarily agree to spend to underwrite a portion of network costs which would lower consumer charges, overall. The benefits from such multi-sided pricing would enable content providers to better afford part of network upgrade costs and might result in almost \$70 billion in benefits to the entire Internet during the next 10 years. Such an arrangement could well help content providers and online advertisers by creating a 40% expansion in broadband subscribers, which would swell advertising intake \$6 billion per year. Multi-sided pricing translates into consumers only paying a part of newspaper and magazine subscriptions, as advertisers underwrite large portions of the bill. Also, credit card companies in this system give consumers free credit cards, and merchants reimburse the credit card corporations.

What do Internet Pioneers Think of this Net Neutrality Legislation?

A man referred to affectionately as the Father of the Internet, Robert Kahn, has delivered a strident argument against "Net Neutrality" legislation. First, Kahn dismissed the phrase "Net Neutrality", as "a slogan", and he warns against dogmatic views of the development of the still-young Internet. Kahn said, "If the goal is to encourage people to build new capabilities, then the party that takes the lead is probably only going to have it on their net to start with and it's not going to be on anyone else's net. You want to incentivize people to innovate, and they're going to innovate on their own nets or a few other nets," and "I am totally opposed to mandating that nothing interesting can happen inside the net," he said. He claims the "Neutrality" legislation runs a great risk of fragmenting the 'Net, instead of uniting it.

Virtually all of the early pioneering senior engineers responsible for creating the Internet of today

oppose "Neutrality" legislation, it turns out. The so-called "Grandfather of the Internet," Dave Farber, is a scathing critic of the legislation. The fear is such impetuous legislation would starve funding and therefore inhibit systems engineers from improving infrastructure upgrades necessary to move data at speed.

Conclusion:

"The internet is still pretty fragile today," claims Kahn. "I fought a ten year battle to protect the name 'Internet'", he states matter-of-factly. "It cost a million dollars and eventually the name prevailed - but we could have lost the internet." He fears such Neutrality legislation could do the same thing, today.