

## Net neutrality required to spur innovation

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For the first time in history, the majority of the Earth's population is connected by a global communications network.

Unlike traditional information networks, such as newspapers, radio and TV, however, the internet is based on interactive communication. It has allowed for a revolutionary real-time participation of users.

With almost a billion connected computers and now so deeply embedded in our lives, the most surprising aspect of the internet may be that it is so new – a commercial life of just 15 years.

Its amazing success has been based on its openness, ubiquity, and non-discrimination. Its non-discrimination – dubbed "net neutrality" – means that content from anyone and of any type is treated equally on the internet.

Its open and public standards and the fact that no one ever had to ask permission from the network to innovate have led to one of the greatest periods of economic growth in history.

Companies such as Facebook, Twitter and Amazon would not otherwise exist. Centrally controlled electronic networks of the past, such as CompuServe, Prodigy and AOL, which did not allow innovation at the edge of the network, have either collapsed or radically changed and been absorbed in the internet.

So, when the global communications network grows by leaps and bounds and spurs tremendous innovation, why change its traditional rules?

One factor that is forcing a reconsideration of the rules is that telecom and cable companies aim to become the gatekeepers of the internet.

The blocking of Bittorrent by Comcast was the first salvo in their plans to start discriminating based on content, application, and identity of the sender.

These companies want to do this for two reasons: first, they want to promote their own traditional telecom and video services that compete with the new ones provided over the internet; second, they hope they will make more money through discrimination.

In a truly competitive market, such discrimination would lead to loss of market share and profits to rival providers who did not discriminate.

But this is an imperfect market: telecom and cable companies are to profit from discrimination because of limited competition in local internet provision. It is important to note the vast majority of US residential users have only two providers of internet service: a telecom and a cable TV company.

Repeated acquisitions and mergers among telecom companies have brought us to a tight duopoly of AT&T and Verizon who have also extended their control in cellular telecommunications.

On the internet, the US has fallen to fifteenth in broadband internet penetration behind many European countries, Canada, and Korea, largely because of the high prices that US companies are able to charge for internet connectivity.

Without protection of net neutrality, consumers will have fewer choices in content, video, and telephone services.

While Google can afford the tax charged by telecom and cable companies for preferential treatment, the "next Google" won't be able to afford the payments that will be demanded by the telecom and cable giants.

Small and new companies, as well as individuals and non-profit organisations who create their own content will be put in the "slow lane" that the telecom and cable businesses will create for all those who cannot afford to travel the toll road on the information highway.

One can understand the frustration of telecom and cable TV companies. Tremendous wealth is generated by information packets going back and forth through their lines, but most of that "internet gold" flows right past them to the content providers and consumers.

Even worse, traditional phone services are now provided through the internet by voice-over-the-internet services and Skype, and bandwidth-heavy TV shows can now be downloaded over the internet.

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Abolition of net neutrality will allow telecom and cable TV companies to defend their old products and profits better.

But the discrimination these companies propose will be devastating for innovation and choice. And, if internet innovation is hampered in the US, the rest of the world will not stay still.

Viviane Reding, the European Commissioner in charge of media oversight, recently made it clear that the EU will protect the neutral internet: failing to protect non-discrimination on the internet in the US will leave us way behind Europe in the technology innovation race.

Fortunately, the Federal Communications Commission recently proposed to formalise the non-discrimination tradition on the internet and preserve net neutrality and its tremendously positive effects on innovation.

It is good public policy: it will protect consumers and the public interest and it will preserve and enhance the competitive position of the US in innovation.

The proof of its wisdom is the tremendous success and innovation of the internet so far.

The FCC also proposed that network management by the telecom and cable operators be transparent so that consumers and companies know what to expect. These two rules (non-discrimination and transparency) conform to the golden rule of regulation – they protect the public interest and enhance innovation while they do not impose strict and difficult to follow rules.

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