

Internet Discrimination: Impending Threat to Technology Growth? Part 3 of 3



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The Internet, as we have come to know it, is one of the ultimate forms of democracy and expression of free speech. However, as soon as we begin creating Ohaveso and Ohave-notso in cyberspace, we loose of some of our freedom. In Part 3 of a three-part series, telecom expert Leo Wrobel describes how important a free Internet is to a democracy and how dangerous it is for too few corporations to control the power of its use.

At the turn of the century, high-speed Internet access service was present in about 2 percent of American homes. Today, that figure stands at nearly 60 percent. No other technology even comes close to competing with this pace of adoption not the telephone, television, the automobile, cable TV, cell phone, or even the computer itself.¹

It's human nature, I guess. Invent anything as far-reaching, fast-growing, and popular as the Internet and someone will try to corner the market. Someone will try to control it. In the first two articles of this series, we discussed Net Neutrality, what we all stand to lose financially in terms of national competitiveness if the wrong entities gain control of the Internet, and how these entities manipulate that control to their advantage rather than for the common good.

Net Neutrality is a principle that preserves the free and open Internet by affirming that Internet service providers may not discriminate between different kinds of content and applications online. It guarantees a level playing field for all websites and Internet technologies as well as for Internet users large and small.

Net Neutrality protects the consumer's right to use any equipment, content, application, or service without interference from the network provider. It espouses the notion that a provider's job is to move data, not to choose which data to move.

What Would Our World Look Like Without Net Neutrality?

Absent Net Neutrality, innovation would be stifled and access to information would be restricted. Consumer choice and free speech would be sacrificed to the financial interests of a few large corporations that would for practical purposes own the Internet. Without Net Neutrality, the Internet will look more like cable TV. Network owners will decide which channels, content, and applications are available. Consumers will have to choose from their menu and have to pay their prices. When one combines this with the consolidation in media ownership over the past generation into the hands of only half-dozen players, losing the last truly free news outlet could be chilling indeed.

Consider what has happened with media ownership over the last few years:

- On June 2, 2003, the FCC, in a 3-2 vote under Chairman Michael Powell, approved new media ownership laws that removed many of the restrictions previously imposed to limit ownership of media within a local area. The changes were not (as customary) first made available to the public for a comment period. As a result of this action, single-company ownership of media in a given market was permitted up to 45 percent (formerly 35 percent, and up from 25 percent in 1985) of that market. Restrictions on newspaper and TV station ownership in the same market were removed. All TV channels, magazines, newspapers, cable, and Internet services were to now be counted in a weighted manner based on people's average tendency to find news on that medium. At the same time, whether a channel actually contains news was no longer considered in counting the percentage of a medium owned by one owner. Previous requirements for the periodic review of licenses were changed, and licenses were to be no longer reviewed for "public-interest" considerations.
- The decision by the FCC was overturned by the United States Court of Appeals for the Third Circuit in *Prometheus Radio Project v. FCC* in June, 2004. The majority ruled 2-1 against the FCC and ordered the

commission to reconfigure how it justified raising ownership limits. Because the Supreme Court declined to hear the appeal, the ruling stood

- The FCC then acted again on December 18, 2007, to ensure the viability of American newspapers and to address the issues previously struck down by the Court of Appeals. It voted to rescind a statute that forbids a single company to own both a newspaper and a television or radio station in the same standard metropolitan statistical area² This is particularly bothersome because data on ownership and market share of media companies in the U.S. is not held in the public domain³ It's chilling. Nobody really knows who is controlling the news.

It's part of a disturbing trend. According to one source, the [Media Reform Information Center](#), the number of corporations that control a majority of U.S. media (including newspapers, magazine TV, radio, books, music movies, videos, wire services, and photo agencies) fell from 50 in 1983 to just 5 in 2004⁴ Whether these figures are gospel or not may be a point of debate. What is not subject to debate is the fact that whatever the precise numbers, control of the media is in far fewer hands these days. That can be a problem. Anyone remember Germany in 1933

A free and open Internet counteracts this trend and makes the country more democratic. With a free and open Internet, any Internet site can have the reach of a TV or radio station

The loss of Net Neutrality would end this unparalleled opportunity for freedom of expression. It would be like the 1700s would have been if someone owned all the printing presses, paper, and ink. (Perhaps that really was how it was?)

The last 20 years have seen changes and consolidation in media of all kinds that have created an entirely new dynamic. At the same time, though, growth of the Internet has created a new medium that allows for truly democratic participation in our democracy. In many ways, the Internet has counteracted many of the undesirable trends in media ownership, e.g., too much power in the hands of too few people or unaccountable corporations.

Arguably, the Internet has elevated the First Amendment of the U.S. Constitution (guaranteeing freedom of speech) to a whole new level. Moreover, it has done so in a way that has never been done before, at least in living memory

Footnotes

¹ *Comments of Free Press before the Federal Communications Commission, January 14, 2010.*

² *FCC Commissioners Deborah Taylor-Tate and Robert McDowell joined Chairman Martin in voting in favor of the rule change. Commissioners Michael Copps and Jonathan Adelstein, both Democrats, opposed the change.*

³ *Academics, for example at MIT Media Lab and NYU, have struggled to find data that show how reliably the concentration of media ownership to no avail.*

⁴ *In 2004, Ben Bagdikian's book, The New Media Monopoly, shows that only five huge corporations—Time Warner, Disney, Murdoch's News Corporation, Bertelsmann of Germany, and Viacom (formerly CBS)—now control most of the media industry in the U.S. General Electric's NBC is a close sixth.*

What About Future Innovation?

No one knows who will be the next Steve Jobs or Bill Gates. Stories about businesses starting in garages and becoming billion-dollar enterprises are the stuff of American dreams and the envy of the world. Access to affordable, generally available, high-quality Internet service will be the catalyst for the innovations of the future.

The industry neither needs nor wants help from large corporations with a vested parochial financial interest in the game at least as those players propose it. The Internet has done just fine pretty much on its own so far. Since its inception, the Internet has always been driven by innovation and has more or less grown organically. Websites and services succeed or fail on their own merits.

While there are no guarantees of success, there are also no artificial impediments to success, either. Little guys have the same chance to be geniuses as the big guys do; however, the race is on to be the first because within a week there will be many copycats hoping to make it rich off of someone else's original idea. All this can change, though, if the Internet becomes dominated by corporations fixed only on making a buck, because under such a scenario many

small companies would not be able to afford the cost of entry

Without Net Neutrality, decisions now made collectively by millions of users of a size will instead be made in corporate boardrooms. The choice we face now is whether we can choose the content and services we want, or whether the broadband barons will choose for us

What Is the Answer?

As we stated back in the first article, the answer does not lie in maintaining artificial scarcity and then rationing, but rather, in creating more bandwidth. *Fiber is like Doritos. Eat all you want. We'll make more*

Absent Network Neutrality protections, rationing will instead be the preferred option. Rationing in fact creates the market for selling preferred access for data to get through the bottleneck and cays. To think about it another way, people who don't like traffic are more willing to pay for toll roads. That's as far as the analogy goes in telecommunications, however. To compare roads and telecommunications, one would have to imagine a world where a four-lane highway costs \$10 million but where one could build a 48-lane highway for \$11 million. As I described earlier, that's the benefit of lighting more fiber and why *capacity*, not *rationing*, is the answer

Even worse, rationing actually creates an economic incentive to *maintain the bottleneck*. If network owners are earning significant revenue from people paying a premium to avoid the bottleneck, why would they choose to build more capacity to relieve the congestion?

Rationing is also bad for national competitiveness. Right now, our networks are slower and more expensive than most other industrialized nations by a fair margin. Upending the concept of Net Neutrality and permitting deliberate scarcity will only serve to worsen our situation⁵

What we *really* need to do right now is the following

1. Develop new capacity that reflects the dynamics of fiber and dispels the myth that network upgrades in the fiber environment cost a lot of money. Beat congestion problems with new capacity, not by bandwidth rationing or the creation of artificial scarcity
2. Enact new laws and regulations on service providers that safeguard the future of the open Internet and protect Internet users from discrimination online in any form
3. Provide financial incentives for the major carriers that deploy advanced networks, particularly in rural or underserved areas, not just for creating an artificial scarcity based on outmoded technologies. Incent them to make more Doritos, not just trade the same coconuts. It will pay dividends down the road in growth, jobs and national competitiveness.

Finally, lest anyone say I am an anti-ILEC person, let me congratulate at least incumbent local exchange carriers on getting something right. Upon cursory review of AT&T competitors (whom I fully expected to ape AT&T's usage-sensitive DSL plan), Verizon seems to be a noteworthy holdout. According to a *Broadband DSL Reports* article, Verizon says it has no plans to implement a usage sensitive mechanism for either its DSL service or FiOS any time soon.

Verizon spokesman Bill Kula told *Broadband DSL Reports*: "We have no plans to implement usage-based pricing for our fixed broadband customers."

There, see? Usage sensitive pricing for fixed broadband Internet users does *not* have to be a foregone conclusion. Hey, AT&T: Can you hear me now?

Footnotes

⁵ A June 2009 broadband survey out from Strategy Analytics shows the U.S. in 20th position when it comes to household broadband use, well behind countries like South Korea, Singapore, and the Netherlands.

For More Information

For more information, some good sources exist where you can get all of the views and perspectives. FreePress.net is a good start. Or just Google ONet Neutrality and get started that way. The important thing is get involved, while you

still can, and help keep the Internet free and open

Thanks for reading.
