



REPEALING NET NEUTRALITY: MUCH ADO ABOUT NOTHING

IS THIS REALLY A STORY OF VICTIMS AND VILLAINS?

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On December 14th, the U.S. Federal Communications Commission (FCC) will almost certainly repeal the American net neutrality rules that went into effect in 2015.

Net neutrality is somewhat of a misnomer - a better descriptor is 'content agnostic'. What net neutrality implies is that Internet Service Providers (ISPs) in the U.S. - cable companies and telcos like Comcast and Verizon - must treat all content equally, regardless of what it is or who owns it. For example, AT&T is not currently allowed to provide its subscribers faster access to DirecTV, which it owns, and slower access to Netflix, which it does not own. The end of net neutrality would, in theory, allow ISPs to charge more/less for, or slow down/speed up, different types of content.

Removing net neutrality has generated a huge amount of media coverage in the U.S., mostly casting the debate in terms of an epic story of victims and villains.

The victims are American consumers and businesses. As certain content is priced out of reach, the story goes, the Internet will become less rich, small enterprises will suffer, public schools and universities will see their Internet connections slow to a crawl, the best minds will leave the country in frustration, and everyone will pay more for Spotify and Netflix.

The villains are the ISPs, long reviled for high prices, poor service, and aggressive retention tactics. The ISPs lobbied the government hard for this change, and stand to benefit the most at the expense of long-suffering subscribers. Networking and infrastructure companies are also likely to gain, as the rule change will require upgrades to networking hardware and software.

This is a gripping narrative, but how much of it is actually true? Will the end of net neutrality really make a big difference to the average Internet user? We think not.

First, it is worth pointing out that net neutrality rules are quite new - the law was only enacted in mid-2015—although the concept has been around since the 1990s. Prior to 2015, there was no net neutrality and, well, the Internet worked just fine for most people. Occasionally, an ISP was caught slowing down (throttling) certain sites, but public pressure or legal action tended to keep them honest. There is little reason to believe that a future with no net neutrality regulation will be very different from the past.

Second, the issue with net neutrality is multispeed Internet service, not web censorship. An ISP might be frustrated that Netflix consumes 35% of its bandwidth at peak hours, but it cannot legally block it, with or without net neutrality. Even with no net neutrality, the most that an ISP could do would be to slow down access to Netflix, and charge people for higher speeds. In reality, this is not likely to happen - the public backlash would be too severe. More likely, the ISPs would discriminate by offering their own preferred content faster and cheaper. Ironically, this is already happening under net neutrality regulation - AT&T, for example, offers DirecTV access as a 'zero rating' product, i.e. it does not count towards data caps.

Third, the end of net neutrality rules will lead to a closer link between cost and consumption. While net neutrality may be conceptually appealing, it is not equitable. Is it fair that a few super-users are allowed to clog up networks by downloading movies, playing data-hungry online games, and not paying more for it? Why shouldn't ISPs be allowed to price data according to volume, type, or speed?

Fourth, ISPs could use any extra revenue generated from high-bandwidth users to subsidize the cost to regular users or improve network infrastructure. If they start to charge more for content, then there will be a lot of pressure from subscribers and regulators to improve services levels in return.

Fifth, the practical difference for most subscribers will be minimal. Most ISPs already charge higher prices for higher speeds, or bundle less attractive services (like TV channels you never watch) with more attractive ones (faster Internet access). The only difference without net neutrality would be that slow speeds could affect some sites more than other sites.

Sixth, net neutrality, however intuitively appealing, is a form of government control. History has taught us that government control and intervention often inhibits progress and innovation. If ISPs are less regulated, one might imagine companies springing up that would provide better, faster and cheaper service, thus promoting innovation!

Finally, ISPs are unlikely to make any quick moves to change the status quo. Legal challenges to the removal of net neutrality are likely, mid-term elections are coming in 2018, and public opinion of ISPs is already low. Most large ISPs have also pledged not to make any dramatic moves in the event that net neutrality is repealed.

Net neutrality is an attractive concept, and its removal might instinctively rub you the wrong way, but that doesn't mean it should be kept in its current form. Reid Hoffman, CEO of Netflix, has stated that net neutrality is 'not our primary battle at this point'. If he is not worried, why should the rest of us be? And it goes without saying that if this is overblown in the US where the legislation is happening then the rest of the world will be spared the impending doom that some are predicting.

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