

Network Neutrality ***An Open Discussion***

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Tier1Research

Network Neutrality: An introduction

What is Network Neutrality?

- Simply put, it's the idea that Internet Service Providers should treat all legitimate traffic the same way, regardless of origin or destination

Why should I care?

- A significant portion of the value of the Internet is the idea that its an end-to-end network, with certain “rules of the road” that get observed



The Bell Perspective

An Unfair Load

- The Bell Companies – AT&T and Verizon – aren't big fans of neutrality
- They feel that they are carrying traffic for others and are uncompensated – or not sufficiently compensated
- Google, Yahoo, et al making big profits from the “sweat of their brows”.

The Bell Answer

- \$\$\$ needs to flow from content carriers to the Bells



How would the Bells make this work

Everything old is new again

- In the PSTN world, the Bells charge reciprocal compensation for voice calls terminating on their networks
- They would love to charge these sort of fees to Google, etc

Talk of Prioritization

- The Bells say that content providers would get value for these payments – enhanced priority on the Bell's Internet networks.



The Content Perspective

The Internet works because of neutrality

- The Internet has had a transformative effect on our lives and cultures. This has happened because of a lack of tariffs and controls
- Non-Neutrality would stifle innovation
- The Bells have a bad business model and want content to prop it up, without having taken the risks
- This is a protection scheme, especially any talk of prioritization – the Internet works fine now....



The Bells are in a Power Position

Their control of Internet networks is high

- AT&T and Verizon now or soon will control: Verizon DSL, BellSouth DSL, SBC DSL, UUNet, MCI, AT&T backbones, Verizon and AT&T Internet business customers
- They are Tier 1 Internet Peers through AT&T and MCI/UUNET – settlement free peering with each other and other key backbones
- Lock on traffic and peering put Bells into a position to implement their desires



Others are tempted to jump on

Whether the Cable Providers?

- MSOs see non-neutrality as a way to keep others' VoIP off of their networks
- On the other hand, the Bells will squeeze them – the cable companies lack peering
- Other facilities based providers – Level(3), AboveNet, etc – would love a piece of the Google pie, but know that their Tier 1 Peering status is at risk



My Take

Leaning towards content

- Bell (and MSO) networks were built under monopoly auspices
- Consumers have little choice in many locations. Reciprocal comp would end up increasing consumer costs
- Some sympathy for the Bells – its their networks – but the possible outcomes are all too bad



How will this end?

Possibility #1: Regulation of the Internet to enforce Neutrality..

- Regulation makes the Internet less flexible
- Probably a vaguely worded law wrapped in FCC regulations
- Talk to Regulatory Affairs to get an approval for packet or route ACLs
- More difficult to do any sort of filtering quickly
- Ability to offer tiered services limited



How will this end?

Possibility #2: Bells get their way...

- VZ and ATT become Tier Zero Internet carriers
- Depeer everyone else as soon as current restrictions expire
- Charging reciprocal comp to all others
- Where are the MSOs? Other access providers?
- Why buy transit from anyone other than a Bell?
- Potentially disastrous scenerio
- Internet growth is stifled.



How will this end?

Possibility #3: Threat of regulation causes a continuation of the status quo

- Best of possible worlds
- Loss of neutrality could destroy the Internet
- Internet Regulation could stifle it – and the Bells are *very good* at regulation
- Perhaps the evolution of tiered consumer services could come about (by volume, not quality)
- Consumers are warming to this concept
- Upper tiers could be “sponsored” by some content providers

