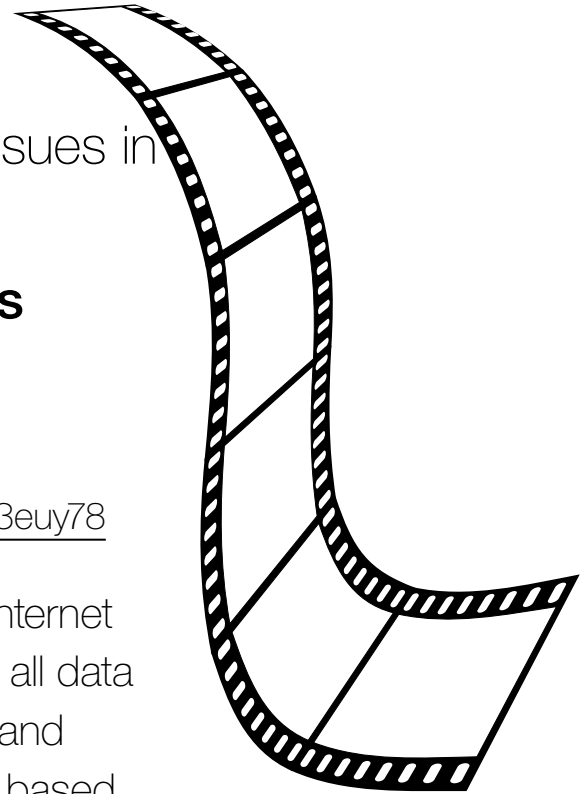




## video case



**chapter 8** Ethical, Social, and Political Issues in E-commerce

**case 8.3** **What Net Neutrality Means for You**

**watch the video at**

<https://www.youtube.com/watch?v=2psly3euy78>

**summary**

Net neutrality refers to the idea that Internet service providers (ISPs), should treat all data on the Internet in the same manner, and not discriminate or price differentially based on content, protocol, platform, hardware, or application. ISPs have long opposed the idea of net neutrality. In February 2015, the FCC issued regulations that mandated net neutrality. However, the Trump administration opposed the regulations and in December 2017, the FCC voted to repeal them. Since then, a variety of lawsuits have been filed, including by a number of state attorneys general, in an effort to halt the repeal, as well as actions at the state level and in Congress. The debate over net neutrality is not yet over. L= 3:06

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**case** Net neutrality is the idea that Internet service providers (ISPs) like Comcast, Charter, Verizon, and AT&T, must allow customers equal access to content and applications, regardless of the source or nature of the content. ISPs may not discriminate against any content, or types of files, by refusing to transmit these files, or charging more for these files and content. For some, it also means that everyone will be charged the same flat fee regardless of how much bandwidth they consume. This means that people who download very large video files pay no more for this service than people who just send emails.

Under net neutrality, most Internet traffic is treated equally (or “neutrally”) by ISPs in the sense that all activities—word processing, e-mailing, video downloading, music and video files, etc.—are charged the same flat rate regardless of how much bandwidth is used. Someone who streams a Netflix movie each day to his or her computer pays no more for Internet service than someone who uses the Internet for e-mail and web surfing. This is not true for the cell phone system, where there are many different data plans, and the more bandwidth you use, the higher the charges .

However, ISPs would like to be able to charge differentiated prices based on the amount of bandwidth consumed by content being delivered over the Internet. The carriers claim they need to introduce differential pricing in order to properly manage and finance their networks.

Plans to ration bandwidth are controversial. For instance, in 2007, Comcast, the largest ISP in the United States, began to slow down traffic and specific websites using the BitTorrent protocol not because the content was pirated, but because these video users were consuming huge chunks of the Comcast network capacity during peak load times. Comcast claimed its policy was a legitimate effort to manage capacity. In 2008, the Federal Communications Commission (FCC) disagreed and ordered Comcast to stop discriminating against certain websites. Comcast filed suit and in 2010, a federal appeals court ruled against the FCC and for Comcast, arguing that Comcast had the right to manage its own network, including charging some users more for bandwidth or slowing down certain traffic such as BitTorrent files.

In 2009, the FCC began developing a national broadband strategy. In 2010, the FCC approved “compromise” net neutrality rules. The rules forced ISPs to be transparent about how they handle network congestion, prohibited them from blocking traffic such as BitTorrent or Skype protocols on wired networks, and outlawed “unreasonable” discrimination on such networks. The regulations did not cover wireless cellular networks, nor did they prohibit “paid prioritization,” in which broadband companies could enable premium customers to have access to higher-speed, higher-priced “fast lanes.” In 2011, Verizon sued the FCC to stop

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its net neutrality rules from going into effect. In January 2014, a federal appeals court threw out the FCC regulations on blocking and price discrimination, but allowed the FCC to have some jurisdiction over Internet providers, and also upheld transparency rules (e.g., ISPs are required to make public their network management practices). In May 2014, the FCC issued new proposed regulations that would reinstitute the no-blocking rule, with certain changes to conform to the federal appeals court decision, bar commercially unreasonable actions from threatening Internet openness, and enhance the transparency rule that it had previously adopted. In February 2015, these proposed regulations were adopted. As noted above, the large telecommunications are preparing further legal challenges.

In the end, net neutrality is about distributing the costs of building high speed broadband Internet networks. Companies like YouTube and Netflix, very heavy users of Internet bandwidth, want no price rationing, caps, metering, or toll pricing in order to maximize their revenues. One price fits all. ISPs and landline carriers of the Internet want to charge heavy bandwidth users more than light users, in order to maximize their revenues.

### video case questions

1. Are you in favor of network neutrality going forward? Why or why not?
2. What is the problem with ISPs, which are private business firms, charging whatever they want to charge and that the market will bear?
3. Major cities of the world have adopted “congestion pricing” in which cars pay a toll to enter the core of the city during daylight hours. Congestion pricing is also used to regulate demand by businesses for electricity. During the day when electricity is in high demand, many businesses pay a “demand” fee in addition to the regular charge for electricity. Why is the Internet any different?
4. If your business model depended for its success on millions of people being able to inexpensively stream videos on demand (like YouTube or Netflix), would you be in favor of net neutrality or against it?