

Net Neutrality

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Overview

- Real reasons for concern: potentially,
 - Charges to content providers may “really” be paid by customers of broadband competitors
 - Expropriation of successful content providers
 - Inefficient or harmful leverage
- But very uncertain
- What to do in such a case
- An appealing middle ground here?

Terminating access problem

- Phone company charges to call its customers
- Who pays?
- With averaging, *not* just calls involving this company's customers
- Similar if Comcast charges Amazon when A trades with C customer
- Non-*avoidable* revenue stream?
- Imposes costs on *competitor's* customers

Expropriation

- Will Comcast charge Google to “access” Comcast customers?
 - Expropriating Google’s success? Charge more since G has higher willingness to pay
 - Or other way around?
- What if C can charge, but can’t “discriminate”?
 - Less expropriation
 - More deadweight loss ex post

Leverage

- If integrated into profitable content, such as historic business (TV, phone), broadband provider will resist substitutes unless they make similar “contribution”
 - Madison River
- Inefficient, or “merely” preserve pricing model?
 - Incentive to be integrated?

Leverage and ICE

- Broadband provider wants customers to value its product
- Encourages good platform mgt: ICE
- But that's not the only thing it wants
 - Weakening independent offerings available to rivals, especially if rival is smaller
 - Price discrimination
 - Needn't be harmful in itself, but collateral damage

(De) Regulating under Uncertainty

- Predicting (unregulated) behavior and performance on those dimensions is hard
- Does that imply
 - Should regulate, because there's a risk
 - Shouldn't regulate, because we don't know
- Should depend on
 - Probabilities
 - Ability to address problems later

Antitrust If Problems Arise?

- Concerns above are broadly *competition* problems
- Not necessarily *antitrust* problems under current law/interpretation
- Prompt and predictable cure or punishment for those concerns? No

The “poised to act” model?

- Establish some principles
 - Clarifying application of existing antitrust or other policy?
 - Going beyond?
 - Try to be exhaustive, or stay open-ended?
- Commitment and authority to act
 - Repair or deterrence
 - Speed and reliability factor differently

Is there a middle ground?

- What broadband providers (mostly) say they want
- What NN advocates (mostly) say they fear
- Win-win rules?
 - Implementation?
 - Really win-win(-win)?