Obama steps into divisive debate on net neutrality

November 11 2014, by Michael Liedtke

In this May 1, 2013 file photo, President Barack Obama shakes hands with then nominee for Federal Communications Commission, Tom Wheeler, in the State Dining Room of the White House in Washington. Obama touched off an angry debate Monday, Nov. 10, 2014, over government regulation of Internet service, coming down on the side of consumer activists who fear slower download speeds and higher costs but angering Republicans and the nation's cable giants who say the plan would kill jobs. (AP Photo/Jacquelyn Martin, File)

Let's say President Barack Obama gets his way and high-speed Internet service providers are governed by the same U.S. regulations imposed on telephone companies 80 years ago.

Depending on whom you listen to, the rules could unleash future innovation and create jobs—or stifle innovation and kill jobs. The divisive and often confusing debate has intensified now that Obama has entered the fray.

Obama's stance is meant to protect "net neutrality," the concept that everyone with an Internet connection should have equal access to all legal content online. The idea served as one of the Internet's building blocks, but its fate has been in limbo since January, when a court ruling invalidated Federal Communications Commission guidelines designed to treat all online traffic equally.

The FCC has already been working on a new regulatory framework and is under no legal obligation to heed Obama's call. Nevertheless, Obama's opinion turns up the political heat on FCC Chairman Tom Wheeler and the four other commissioners who will make the final decision. The FCC isn't under a deadline to make a decision.

—-

THE ARGUMENT FOR REGULATING INTERNET SERVICE PROVIDERS AS UTILITIES

Obama believes the adoption of these Depression-era rules are the best way to preserve a "free and open" Internet that gives everyone in the U.S. the same access to any website hosting legal content, including video, music, photos, social networks, email, and maps.

Adopting these rules would empower the U.S. government to prevent powerful online service providers such as Comcast, Verizon and Time

Warner Cable from controlling Internet traffic in a way that suits their own financial interests. This premise assumes the service providers, if left unchecked, will create a two-tier system that funnels Internet traffic into fast and slow lanes. Only the richest companies will be able to pay the extra tolls to ensure their online content is accessible through these fast lanes, according to this hypothesis.

"It is historically important that the Internet enhances freedom for all rather than profit for a few," says Ed Black, president of the Computer & Communications Industry Association, a trade group that represents many technology companies, including Internet search leader Google Inc. and social networking leader Facebook Inc.

And major cable-TV providers that also sell high-speed Internet service might be able to diminish the quality of service to Internet-only video services such as Netflix and Hulu that might lure away their customers.

Netflix Inc., which boasts 37 million U.S. subscribers, is leading the charge to regulate Internet service providers like utilities.

If net neutrality's principles hadn't been in effect for the past 20 years, proponents contend entrepreneurs would have been discouraged from developing a wide range of online services that have created millions of jobs and billions of dollars in wealth. Preserving net neutrality will put more people to work and enrich more investors under this theory.

THE ARGUMENT AGAINST REGULATING INTERNET SERVICE PROVIDERS AS UTILITIES

If the U.S. government becomes the Internet's traffic cop, online service providers will lose their incentive to continue investing in projects that improve their networks and expand into areas that have little or no high-speed access. This would lead to less innovation and threaten millions of jobs, according to cable and telecommunications companies spearheading the argument for little or no regulation.

Adopting Obama's approach "would threaten millions of jobs and a diverse array of stakeholders," warned Broadband for America, an industry trade group.

Last year, AT&T, Verizon, Comcast and Time Warner Cable invested a combined $46 billion in the U.S. on plants, property and equipment, according to estimates complied in an analysis by the Progressive Policy Institute, a think tank.

Internet service providers also argue that it would be unfair to codify regulations that would prevent them from ever recovering some of the costs for connecting to broadband hogs such as Netflix, whose service generates about one-third of U.S. online traffic during the evening hours on weekdays. Netflix already pays Comcast, Verizon and AT&T an undisclosed fee for a more direct connection to their networks, an arrangement that could become unnecessary if Obama's recommendation is adopted by the FCC.

More regulation under rules created in a dramatically different era also threatens to bog down the Internet in more government bureaucracy and meddling. The 1934 Telecommunications Act would be the foundation of net neutrality, as envisioned by Obama, and it's not clear how much the law would be updated. Broadband for America likened Obama's proposal to the efforts of governments in China and Russia to gain more control over the Internet.