

EXECUTIVE BRIEFINGS BUSINESS & POLICY: NET NEUTRALITY

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For consumers or investment, a hard choice

A few weeks ago the Telecom Regulatory Authority of India released a consultative paper inviting comments on the issue of net neutrality, an issue that has created flutters over the past few months. Apparently, its servers were then hounded by hundred of thousands of emails demanding legislation which would ensure that telecom companies do not treat Internet users differently and all access remains unhindered. The principles of net neutrality assert that Internet Service Providers (ISPs) and regulators should treat all data on the Internet equally without discriminate pricing or other hindrances for content, platform and applications.

Advocates of this principle argue that, in its absence, ISPs could be tempted into plotting mechanisms, not dissimilar to cable television, where control is exercised over what consumers pay when accessing different channels. They could, at a stretch, even block access or prioritise preferential treatments through higher speeds, determined by commercial arrangements between ISPs and websites. For instance, users could be compelled to pay higher charges for accessing certain social media websites, video streaming services or using particular search engines. Alternatively, ISPs could levy a charge on websites or application providers in return for allowing consumers to access them.

The problem really began when telecom companies realised to their horror that consumers had switched from traditional texting, an important source of revenue, to clever applications such as WhatsApp, Skype and Viber, which provide a free-of-charge interface. In the absence of net neutrality ISPs could ostensibly ensure that downloads on streaming sites such as You Tube, which require a vast bandwidth, could become agonisingly slow unless consumers were prepared to cough up larger sums.

As things stand there isn't a law against net neutrality, plausibly because it is a new concept. Technological innovation over the past few years created novel platforms enabling users to engage with each other, access content seamlessly and frequently at no cost. ISPs grumble that they are obligated to commit colossal sums in basic infrastructure and pipelines that enable this to transpire, without being proportionately compensated. They complain that large web based companies generate hefty profits without a prior investment in delivery mechanisms, which would enable them to function. ISPs believe they should exercise pricing control over Internet businesses either through preferentially directing or obstructing web traffic to them.

It is hard to say how this debate will shape and what form the ensuing legislation may take. It is conceivable that regulators under pressure from consumers and now politicians, who jumped on to the bandwagon, will favour unbiased access through a high profile "Save the Internet" campaign. If the outcome of legislation goes in their favour, ISPs could threaten to curb investments towards new broadband, supposedly undermining India's digital dream. The telecom regulator is in an awkward position and so is the government. If they were to take sides with politically sensitive public opinion, they may undermine new investment. If, on the other hand, they side with telecom companies, they risk accusations of a conspiracy with large corporations, alienating a vocal and growing voter constituency. Possibly the debate will settle somewhere in the middle. Broadly, the principles of net neutrality may be adopted, but certain types of services may come under greater regulation and scrutiny. Either way, somebody doesn't win.