

Network Neutrality in Japan

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Lasting Lessons of the Internet

Why has the Internet thrived?

- End-to-end design (the “where”)
- Internet Protocol design (the “how”)
- “Innovation without permission” (the “why”)
- Plus ... an underlying regulatory framework mandating openness and non-discrimination for last-mile facilities

Why Google Cares About Open, Unfettered Access to the Internet

- Open access to the Internet promotes key economic, social, and political interests.
 - Innovation: open opportunity for large and small innovators
 - Economic growth
 - International competitiveness
 - Democratic values
 - Freedom of expression
- Open access to the Internet also promotes the overall health of Google's Internet-based ecosystem.
 - Users
 - Partners
 - Advertisers
 - Present innovators
 - Future innovators

Challenges of a Concentrated Broadband Market

- The Japanese consumer broadband market is one of the most advanced in the world.
- Unfortunately, that same broadband market may remain highly concentrated for the foreseeable future.
 - NTT has a considerable advantage for deployment of fiber-to-the-home (FTTH) technology to consumers.
 - The success of current requirements for NTT to open up its fiber plant to wholesale-based competitors remains uncertain.
- Without adequate competition, wireline broadband providers would have the incentive and ability to become the Internet's gatekeepers.
 - Broadband providers can dictate who can deliver which packets, in what ways, to which end users.
 - In particular, vertically-integrated broadband providers can leverage their market power into adjoining content and applications markets, harming consumers and competition alike.

The Problem with Priority

- Government policy should favor generating more bandwidth for more individuals at lower prices.
- If allowed, prioritization greatly skews economic and technology incentives against expansion of available bandwidth.
 - Broadband providers with market power can prioritize based on their own interests, not those of Web companies or their customers.
 - Only those able and willing to pay would benefit from QoS.
 - Broadband providers would have economic incentives to:
 - rely on QoS measures, rather than increasing broadband capacity;
 - profit from bandwidth scarcity by charging more for discriminating between sources of content; and
 - underprovision their “best efforts” Internet access, creating a two-tiered Internet.
 - Sergey Brin (June 2006): “The only way you can have a fast lane that is useful – that people will pay a premium for – is if there are slow lanes.”

The Threshold Questions

- What is network neutrality?
 - A prohibition on discrimination based on the source or destination of Internet traffic.
- How should it be protected?
 - Through tailored, minimally-intrusive, and enforceable regulation.
- Why is network neutrality necessary for the Japanese market?
 - Based on the U.S. experience, broadband providers may seek to shift control over Internet activities away from end users.
 - Vertically-integrated carriers have greater incentives to discriminate against other content and applications.
 - Prioritization creates economic incentives to profit from artificial bandwidth scarcity, rather than investing in more broadband capacity.