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Net Neutrality's Impact on Low Income Communities: Equal Access for All

A Public Knowledge White Paper
by Craig Settles

On September 21, 2009, FCC Chairman Julius Genachowski calmly laid out the case for creating rules to ensure an open Internet. But similar to the eye of a hurricane, an incredible storm of protest, hype, fear, uncertainty and doubt threaten to bury the value propositions presented by the Chairman. This is particularly true in low-income urban and rural communities.

The threat by giant telecom companies that they will stop spending for networks in these communities, and increase prices where services currently exists, raises the fear level, stifles discussion and poisons community opinion towards the FCC's effort to preserve an open Internet. Low-income constituents are, in fact, among the primary beneficiaries of Net Neutrality rules that ensure those with the least continue to have equal footing on the Internet.

This paper presents a case for open Internet rules in the context of their impact on low-income rural and urban communities. Though urban and rural are distinctly different constituencies, an open Internet offers both similar benefits and protections.

Presenting the case for Net Neutrality

The principles of Net Neutrality are simple in issues they address, and deliver logical benefits that protect the best interests of consumers and businesses. Let's examine these in context of their impact on rural and low-income urban areas.

1) **Consumers are entitled to access the lawful Internet content of their choice.** A service provider can't hinder or prevent you from accessing the National Rifle Association's Web site, blogs from third-party political groups, overseas business opportunities, speeches from the President or any other content.

As two constituent groups that are behind the rest of the country in Internet adoption (46% of rural homes and 35% of households with \$20,000 or less in annual income have broadband in 2009¹), it's important to accelerate the pace at which they maximize use of Internet resources once they get online. The Internet is a primary road to political, economic and educational advancement. Those who are worried that "facially neutral laws and regulations are not always applied neutrally" should therefore be equally concerned that information denied is advancement denied.

2) Consumers are entitled to run the applications and services of their choice, subject to the needs of law enforcement. If you want to use Google mail or run an online book swapping business, you can't be denied these because the Internet Service Provider has a competing e-mail, or cut a deal with a national book chain.

The Internet allows constituents such as the under-employed worker in Appalachia or retired grandmother in Harlem to be able to create and run Web-based businesses from their home, or to access distance learning courses. Open Internet rules prevent a small group of profiteers from limiting choices that limit opportunities.

3) Consumers can connect to networks with the legal devices of their choice so long as they do not harm the networks. People should not be prevented from using the mobile device they love because the wireless provider has an exclusive deal to sell another type of device. Why should those with limited income be forced to buy a new device because they move or become dissatisfied with their current providers? Furthermore, open Internet rules could facilitate an entrepreneurial company to offer a line of less expensive, connect-anywhere devices to compete in price sensitive markets against telco-approved products.

4) Consumers are entitled to competition between networks, applications, services and content providers. There should be more than one wireless and one wire-line service provider wherever possible. A duopoly of one dominant phone company and one cable company is not competition, but a huge barrier to low-income communities having the networks and services they need. Open Internet rules should facilitate greater competition among service providers that offer access to the Internet.

5) Service providers are not allowed to discriminate between applications, services and content subject to reasonable network management. An ISP cannot allow customers to access one content provider's application or service but block or degrade another's application or service for financial, competitive or any other reason.

Communities historically on the economic spectrum's low end, in remote sections of the geographic or political landscape or disconnected from the mainstream know better than most the sting of discriminatory business practices. One must believe these communities are united to prevent the primary vessel for advancement in the digital New World from being dragged down by Old World anchors of such practices.

¹ JOHN HARRIGAN, HOME BROADBAND ADOPTION 2009 16-17. (Pew Internet and American Life Project) (2009), <http://www.pewinternet.org/~media/Files/Reports/2009/Home-Broadband-Adoption-2009.pdf>

6) Service providers must be transparent about the network management practices they use. A provider can't slow down or stop subscribers' ability to send or receive data without subscribers' knowledge. There are many occasions in history, such as reforming the banking industry's redlining practices in the 1960's, when the march to reform started with shining a bright light onto questionable business practices.² The FCC proposes to head off the need for extensive government intervention later by requiring service providers to disclose upfront how they control subscribers' access to the Net.

Community support for Net Neutrality

As with the U.S in general, within low-income communities and the organizations that represent them there are many voices and differing opinions about the FCC's push for open Internet rules. At a grass roots level, one can find strong support stemming from a common belief that Net Neutrality is about equality, fairness in how all people and businesses are treated.

Davis Park, Director of Community Technology Programs for the [Little Tokyo Service Center](#), believes that "if we in Little Tokyo have equal access to the Internet, that means equal opportunity for everyone. Suppose for example you are giving people online access to healthcare information and services, and that content is only available to a second or third tier of subscribers who pay an extra price. This is a matter of social injustice. The same is true for access to job opportunities and educational information that's supposed to be available for everyone."

Net Neutrality's emphasis on equal access to information directly impacts low-income people's ability to build up their communities, observes Genaro Rendon, Director of [Southwest Workers Union](#), which works for community empowerment. "People not informed are people not participating. The Internet is how you reach decision makers who influence whether Spanish-speaking people are counted in the census so their communities are allocated proper resources and representation in the government. It's a means of fighting more effectively against companies that disproportionately pollute poor communities."

Park does not confuse paying different prices for the speed at which people access data, and discrimination as to what content a subscriber can reach. "If I'm going to pay for 756k speed, that's what I'll pay. But I want to have the same access to whatever content is on the Internet. There shouldn't be two different 'highways.'" In all of the noise and information distortion surrounding the debate, this point is often missed. However, it is a critical one for low-income communities.

A. Mustafa Al-Aziz, formerly a financial analyst and currently CEO of a growing WiMAX network company [AuraWav](#), grew up in a low-income community. He knows

² Encyclopaedia of Chicago, *Redlining*, (2005)
<http://www.encyclopedia.chicagohistory.org/pages/1050.html>

firsthand the disadvantages of dealing with un-level playing fields when trying to pull oneself out of poverty.

Al-Aziz concurs with Park that Net Neutrality is a battle for equality. “If a service provider imposes restrictions on who can get out to particular content and control what data comes into their network, they’re not allowing people to touch all the resources they need. If my mom who lives in Battleboro, NC, were told she couldn’t get to Skype to make calls that are free or cheap [because Skype competes with telcos’ services], she wouldn’t be able to afford to make long distance calls.”

Increasing broadband adoption is a key challenge facing those who advocating for and building networks. It is also a great challenge for communities that have Internet access, yet 30% of their constituents are not subscribing to services. CEO for Philadelphia’s [Digital Impact Group](#) (formerly Wireless Philadelphia), Greg Goldman has overseen his organization’s success at moving hundreds of low-income residents onto the Internet.

“We’ve seen time and time again that the degree to which local nonprofits and content providers push information out to these communities, and the ease with how users gain access to local information, determines the success of broadband adoption,” says Goldman. “Net Neutrality will make it easier for new adopters to continue to gain access.” Digital Impact Group’s Communication’s Officer Ryan Nichols explains, “Corporate service providers’ business models don’t play to an open Internet. The kinds of services and information first-time Internet users need are not likely to be a high priority with providers should they decide to restrict network access.”

The [St. Anthony Foundation](#) in San Francisco, CA is a nonprofit organization that runs technology training programs to help low-income individuals enter, re-enter and/or advance in the workplace. 100 people a day use their services. Karl Robillard, Manager of Employment Programs and the Tech Lab, likewise sees a threat down the road if Net Neutrality principles are not codified. “Right now the Internet is an open exchange of communication. But if it becomes so profit driven by service providers that you have to have money to get to specific content, then you cut out people trying to get a leg up in the world.”

The Foundation surveys its members to determine how they use the Internet. 35% are either looking to find a job, maintain one they have or bolster their Web presence by creating blogs and personal Web sites, all of which increases members’ self sufficiency. About 35% seek out supportive content such as community and government resources, while 30% reach out to family members, friends and other resources that make their lives better. “Our constituents’ ability to access an open Internet is crucial,” states Robillard. “If access becomes restricted, packaged and priced like cell phone service, this is an additional barrier for those using Internet resources.”

While some national business organizations and corporations decry Net Neutrality as anti-business, anti-competition, the opposite is true. Except for the handful of companies that stand to financially benefit from a closed or restricted Internet, millions of small

businesses, home-based entrepreneurs and even major corporations will benefit from an Internet with guaranteed open access.

Rural residents of all ages, cultures and economic status receive creative and practical tools from [Main Street Project](#) in Minneapolis, MN that gives them the opportunity to participate more affectively in all aspects of community life. One of their programs is an economic development initiative known as the Rural Enterprise Center, which organizes local resources in rural communities to develop and train successful entrepreneurs.

“The danger we face in the future is the possibility of telcos showing preference to content that's in line with their commercial and political interests, “ says Steven Renderos, Media Justice Organizer for Main Street. “For small businesses the Internet is crucial for expanding their markets in a tough economic climate. It would be impossible to compete against some of the larger poultry and agricultural corporations were it not for an open Internet. Subsequently, part of the business platform in our program includes a presence on the Internet.”

As Al-Aziz sees things, the potential for large incumbent service providers to restrict or discriminate in allowing access to content, applications and services and even fight communities’ attempts to build their own networks is infuriating. “The thing that burns me about the Net is that there are ideas, talent and creativity out there in most rural parts of America and in poor urban areas that is untapped. If these individuals have the way to go out on the Net and do things creatively, they could create their own businesses. I don’t want to see anyone who is paying service not be able to go to and get the same content as everyone else.”

A “false choice” on innovation

Those opposed to the FCC’s open Internet rules raise two primary concerns:

- 1) incumbents’ innovation and investment in new networks will cease or be severely restricted in low-income communities if FCC rules are passed, and
- 2) incumbents will raise prices if they have to conform to any regulations, a particular concern within these communities.

Public Knowledge believes that these fears are unfounded. The main questions to ask are: 1) will our communities be adversely affected as described, and 2) are there alternatives if incumbents actually carry out these threats?

Chairman Genachowski pointed out the “false choice between openness and innovation” that Net Neutrality critics are trying to sell to the American public. He believes the open nature of the Internet is directly responsible for this innovation, and open Internet rules will protect rather than stifle this innovation in the future.

Telcos and cable companies are less the Internet innovators than the enablers of innovative content and applications that are created, transported and accessed by anyone who can get reasonably fast Internet access. Incumbents reference the billions of dollars they spend every year, but has this really gone to innovation, or mostly for maintaining older core technology? Public Knowledge believes the latter.

In reality, major innovations on the Internet have come from thousands of startups, small businesses and people in their bedrooms creating Internet content, and dozens of leading software and hardware companies providing technology to move and receive this content. Investments in the billions came from venture capitalists who \$28 billion in 2008 alone for Web and other IT technologies, financial institutions and large tech companies preferring the open plains of the Internet rather than walled gardens of service providers. These investors, more so than incumbents, will continue to drive innovation on the Net. And as the 2,200 organizations applying for broadband stimulus grants proved, there are quite a few willing to abide by open Internet rules for the privilege of bringing broadband to those underserved and unserved by the incumbents.

Pricing argument a red herring

It is highly unlikely that incumbents will raise their prices if they face competition mandated by open Internet rules. The reality of market forces weighs against them. There is ample evidence that increasing competition (open Internet principle #4) lowers prices for telecom services. The recent broadband adoption report from Pew Internet reveals that:

“Broadband users who say they have just one provider where they live report an average monthly bill of \$44.70.

Among broadband users with more than one provider in their area, the average monthly broadband bill is \$38.30.

A subset of home broadband users who say four or more broadband service providers serve their neighborhood reported an average monthly bill of \$32.10.”

For communities, getting affordable pricing depends a lot on their willingness to bring in or create a serious competitor. One way is by influencing legislation that prevents incumbents from using predatory anti-competitive business practices, hence support of the FCC rules. Another avenue is to work with various local government agencies, nonprofits and others to build a community network.

Though this is not easy, there are 57 successful fiber networks in the U.S. as of October 2009 run by local governments or public utilities. Expect more to come online by way of ARRA broadband stimulus grants. According to the Fiber to the Home Council’s **Municipal Fiber to the Home Deployments** October 2009 report,³ “not a single muni

³ FTTH COUNCIL, MUNICIPAL FIBER TO THE HOME DEPLOYMENTS: NEXT GENERATION BROADBAND AS A

FTTH system has failed. Nationwide, the take rates for retail municipal systems after one to four years of operation averages 54 percent. This is much higher than larger incumbent service provider take rates, and is also well above the typical FTTH business plan. Deployments usually require a 30-40 percent take rate to ‘break even’ within planned payback periods.”

While “building your own” is one of many avenues to address the issue of price, some communities can argue that the fear of incumbents’ threats shouldn’t become the tail that wags the dog. “Don’t start this debate with ‘Net Neutrality is going to raise prices, so our communities won’t have access,’ states Rendon. “It’s unfortunate that organizations are putting out that kind of statement. This is a misplaced argument. Poor people already don’t have access. Are we going to say access only comes if you have a lot of money? Let’s agree that everyone should have access, and with this goal look at where we get the money because we can come up with a variety of options to address this.”

Conclusion

The FCC’s push for open Internet rules is creating a very lively debate nationwide. While this is good for consumers and businesses alike, the disproportionate influence of a few entities threatens to obscure good arguments for low-income communities.

As Renderos states, “to penalize low-income communities as to what they do on the Internet based on what they can afford in my mind creates a second class society of Internet users that mirrors our marginalized communities in the real world. The Internet needs to remain open and free of content discrimination. Regardless of income level, I want the opportunities to do what anyone else can do on the Internet.”

MUNICIPAL UTILITY, 2 (OCTOBER 2009),

http://www.ftthcouncil.org/sites/default/files/Municipal%20FTTH%20Systems%20October%202009%20Final%20Oct09_1.pdf

About The Author



Broadband business strategist, marketing expert, author and internationally renowned speaker, Craig Settles helps organizations use broadband technologies to improve government and stakeholders' operating efficiency, as well as local economic development.

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In 1999 Mr. Settles served as Dir. of Electronic Commerce for Metricom, which marketed Ricochet wireless Internet access service, the pre-cursor to today's municipal wireless networks. He authored [Fighting the Good Fight for Municipal Wireless](#) in 2005. This, together with his numerous [in-depth analysis reports](#), established Mr. Settles as a prominent thought leader on appropriate business strategies for municipal broadband network deployments.

In recent years he has [consulted with several cities](#) on municipal broadband strategy. Technology vendors and service providers tap Mr. Settles' industry knowledge and marketing expertise to implement programs that generate sales leads.

Mr. Settles is frequently [called upon as an municipal broadband expert](#) for journalists at CNN, the Wall Street Journal, New York Times, Time Magazine and a host of business, technology and local media outlets. He has spoken and chaired various conferences, including MuniWireless, the Wireless & Digital Cities Congress and the N. American Wireless Cities Summit.

[Fighting the Next Good Fight](#), Mr. Settles' latest blog, further showcases his expertise in this area.

For over 20 years Mr. Settles developed and executed innovative marketing campaigns for technology clients that include Microsoft, [AT&T](#) and Symantec. A staunch advocate of creative yet practical uses of technology to improve business operations, he keeps abreast of new developments, tactics and techniques that help organizations thrive in an increasingly competitive marketplace.