



The Business Case for Net Neutrality



“How can government ensure that the information marketplace emerging on the other side of this Big Crunch will permit everyone to be able to compete with everyone else for the opportunity to provide any service to all willing customers?”¹”

– Vice President Al Gore, 1994

The internet is one of the most important inventions in human history. It launched the Information Age and continues to influence businesses of every size and industry. Today, most businesses depend on a fair, competitive, and open internet to reach customers in a way that is as fair for startups and entrepreneurs as it is for Amazon and Walmart. Since the 1990s, the Federal Communications Commission (FCC) has always asserted its authority to address anticompetitive behavior on the internet. Throughout the early 2000s, the FCC established further legal precedent to enforce this authority. However, in December 2017, the Commission voted to eliminate current net neutrality rules, exposing businesses once again to the potential of an unfair playing field. This surprising move by a historically bipartisan organization abdicates the FCC’s ability and responsibility to oversee and protect the open internet for businesses and consumers alike.

What is Net Neutrality?

Net neutrality is the principle that businesses and consumers who use the internet should be able to access the content and applications they want to without their internet service provider (ISP) blocking, slowing down, or redirecting internet traffic or prioritizing some sites or applications over others.

The 3 Principles of Net Neutrality²

- **No Blocking** access to legal content, applications, services, or non-harmful devices.
- **No Throttling** [i.e., slowing or speeding] or degrading lawful internet traffic on the basis of content, applications, services, or non-harmful devices.
- **No Paid Prioritization** that favors some lawful internet traffic over other lawful traffic in exchange for consideration of any kind — in other words, no [paid] “fast lanes.” This rule also bans ISPs from prioritizing content and services of their affiliates.

What Repealing the FCC Net Neutrality Rules Does in Practice

Without guidelines in place defining net neutrality, a select few large ISPs, like Comcast and AT&T, are allowed to prioritize, speed up, or slow down internet traffic from specific sources. Because only a very few ISPs provide essential services to almost all other businesses in the United States, this creates leverage to favor one business over another and charge higher fees.

¹ <http://artcontext.com/calendar/1997/superhig.html>

² <https://web.archive.org/web/20150615044837/https://www.fcc.gov/openinternet>

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Scope of the Potential Economic Impact

The internet is one of the major driving forces of the entire U.S. economy and that will only continue to grow. From 2006–2011, the internet accounted for 21 percent of GDP growth in mature economies.³ The ‘ad supported internet’ represents \$1 trillion of the U.S. economy, 6 percent of its GDP, and 10 million jobs. Eighty-six percent of those jobs are outside the conventional industry centers of the San Francisco Bay Area, Manhattan, Boston, Seattle, and Northern Virginia.

Threats to Business

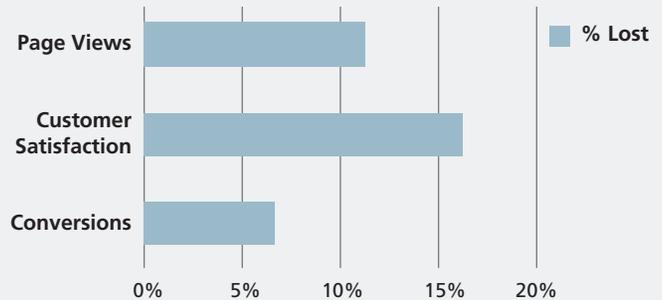
The risks to business from the loss of net neutrality are significant. Some are obvious, such as the potential for an ISP to favor or package certain services at the expense of others, overall reducing consumer choice since many businesses do not have a choice in the ISP to start with. According to the FCC’s latest Internet Access Services report (which is accurate as of 2015), just 24 percent of developed areas in America had at least two ISPs that offered official broadband speeds.

Small firms will be impacted the hardest due to their lack of ability to budget for higher fees and compete with established industry leaders. Website slowdowns also hit businesses where it hurts most. According to a 2008 Aberdeen Group study, “a 1-second delay in page load time equals 11 percent fewer page views, a 16 percent decrease in customer satisfaction, and 7 percent loss in conversions.”⁴ 57 percent of online shoppers will abandon a travel website if they have to wait three seconds for it to load.⁴

Beyond higher fees and overall reduced competition, other effects will negatively impact businesses. Within the tech industry, small firms accounted for nearly two-thirds of the net new jobs created between 1993 and mid-2013. Many large corporations have adopted acquisition of smaller firms as their primary method of innovation. Without net neutrality protections, the ability of startups and entrepreneurs to compete and create the next great generation of technology is under threat.

The loss of net neutrality may also have profound implications for other sectors. In the retail sector, over half of business is already online. Modern agricultural businesses use the internet for satellite crop yield monitoring and commodities trading. Realtors have seen much of their business shift to online, and many depend on online listing providers like Redfin and Trulia to do business. Restaurants and hotels have to engage in a variety of digital advertising and participate in the ecosystem of consumer review websites to attract new businesses, all of which could be unfairly weighted by heavy-handed ISPs.

Declines in Sales Performance with 1 Second of Additional Load Time

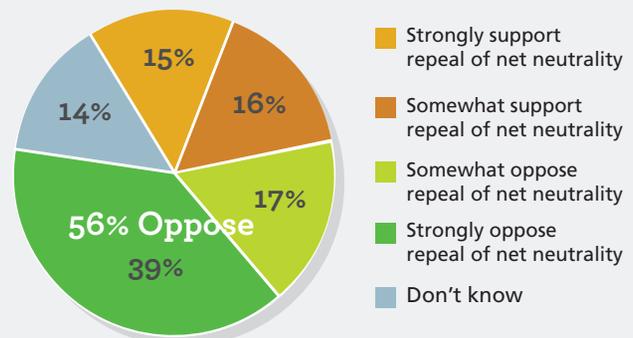


Across sectors, a lack of net neutrality protections threatens the ability of teleconferencing and telecommuting due to higher fees, lower speeds, and reduced choice of services needed to perform job duties. Almost 4 million workers or 2.3 percent of the American workforce now telecommutes at least half of the time.⁶ The same study also found that telecommuting saves employers an average of \$11,000 per remote employee.

Small Business Polling Demonstrates Wide Disapproval of the FCC’s Repeal

New scientific polling from Small Business Majority has found that a majority of small businesses (56 percent) oppose the FCC’s repeal of net neutrality and nearly 4 in 10 strongly oppose it. One in four small businesses say it is “very important to the operation of their business.”⁷

Small Business Opinion on Net Neutrality



Source: Small Business Majority (2018)

³ https://www.mckinsey.com/~media/McKinsey/Industries/High%20Tech/Our%20Insights/The%20great%20transformer/MGI_Impact_of_Internet_on_economic_growth.ashx

⁴ <https://www.forbes.com/sites/rogerdooley/2012/12/04/fast-sites/#72031fea53cf>

⁵ <https://hospitalitytech.com/new-study-reveals-impact-travel-site-performance-consumers>

⁶ <https://www.workflexibility.org/state-of-telecommuting-us-2017/>

⁷ <http://smallbusinessmajority.org/our-research/technology/small-businesses-oppose-repeal-net-neutrality>

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What Businesses are Saying

In August, ASBC delivered a letter signed by 500 business leaders to the Federal Communications Commission (FCC) to demand that net neutrality protections remain in place, calling them “a key economic driver for entrepreneurs across the country.”

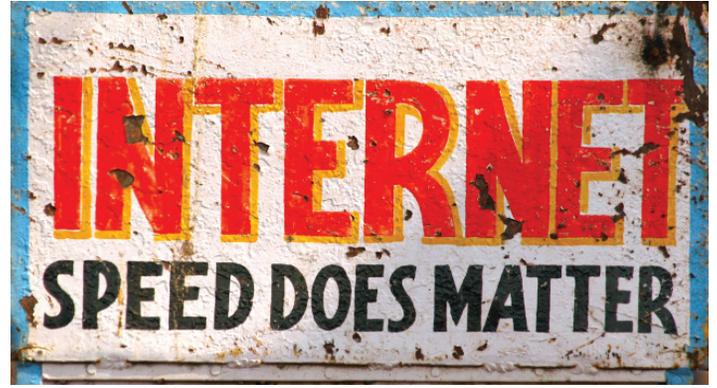
Facebook, Twitter, Apple, Microsoft, Google, Amazon, Netflix, Reddit, Vimeo, AirBnB, Twitch, OkCupid, Dropbox, Etsy, eBay, Tinder, Expedia, Sonos, Spotify, Tumblr, and Yelp have all voiced their support for restoring the protections. The National Association of Realtors also opposed eliminating the open internet protections.

Rachael Solem, the owner of ASBC member **Irving House at Harvard**, commented on the value of net neutrality for small businesses in the travel industry in January 2018. “Before there was an internet for the general public, we did market in many ways, some of which were very effective, some of which we still use,” Solem said. “But we must be findable on the internet to get most — 60% to 70%? — of our business now.”⁸

ASBC member **Etsy** said: “As a community, we believe that the basic principle of net neutrality should be safeguarded, and we encourage policymakers to adopt clear rules that allow any business, including micro-entrepreneurs, to compete on an even playing field online.”⁹ The company has also filed its own legal suit to defend its over 1.7 million sellers.

“A free & open internet is critical to innovation, an open society, & widespread access to economic empowerment,” **Airbnb** Co-founder and CEO **Brian Chesky** said in a tweet.¹⁰

Mac Clemmens, CEO of ASBC member **Digital Deployment** said, “The threat of having our customers — many of whom are nonprofit



organizations, schools, associations and foundations — placed in a “slow lane” not because of the merit of their content but based upon their willingness or ability to pay runs deeply contrary to our mission of empowering communication and connecting communities.”¹¹

The Bottom Line

Net neutrality protects all American businesses by ensuring a fair playing field for new ideas to develop and for all businesses to compete and grow. The lack of protections will impact far more industries than streaming and tech. These impacts will be seen upstream, affecting every size of business from sole entrepreneurs to large cap retailers. Congress needs to take action now to protect businesses.

Congress must act to ensure no blocking, no throttling, and no paid prioritization. The FCC should also be legally empowered to prevent price gouging and other anticompetitive practices that could weaken these three principles. ★

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— Mac Clemmens, CEO, Digital Deployment

For More Information



AMERICAN SUSTAINABLE
BUSINESS COUNCIL

netneutrality.asbcouncil.org

⁸ <https://www.fundera.com/blog/net-neutrality-small-business>

⁹ <https://www.etsy.com/advocacy/net-neutrality>

¹⁰ <https://twitter.com/bchesky/status/941399506511216640>

¹¹ <https://www.digitaldeployment.com/article/update-net-neutrality>