

NETFLIX

Net Neutrality @ CPUC

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Introduction

Three ideas to discuss this morning:

1. What Netflix means by Net Neutrality
2. Why Interconnection matters to consumers
3. Role of the States

Status of the Net Neutrality Debate

The “bi-partisan” policy of net neutrality

The FCC’s current proceeding is attempting to thread the needle on authority

The Shire



Datchet Bridge. Built approximately 1770.

Weak v. Strong Net Neutrality

Equal treatment of user-requests for content

- > Non-discrimination on the last mile

Efficient interconnection

- > No access charges

- > “Bill and keep”

The ISP landscape

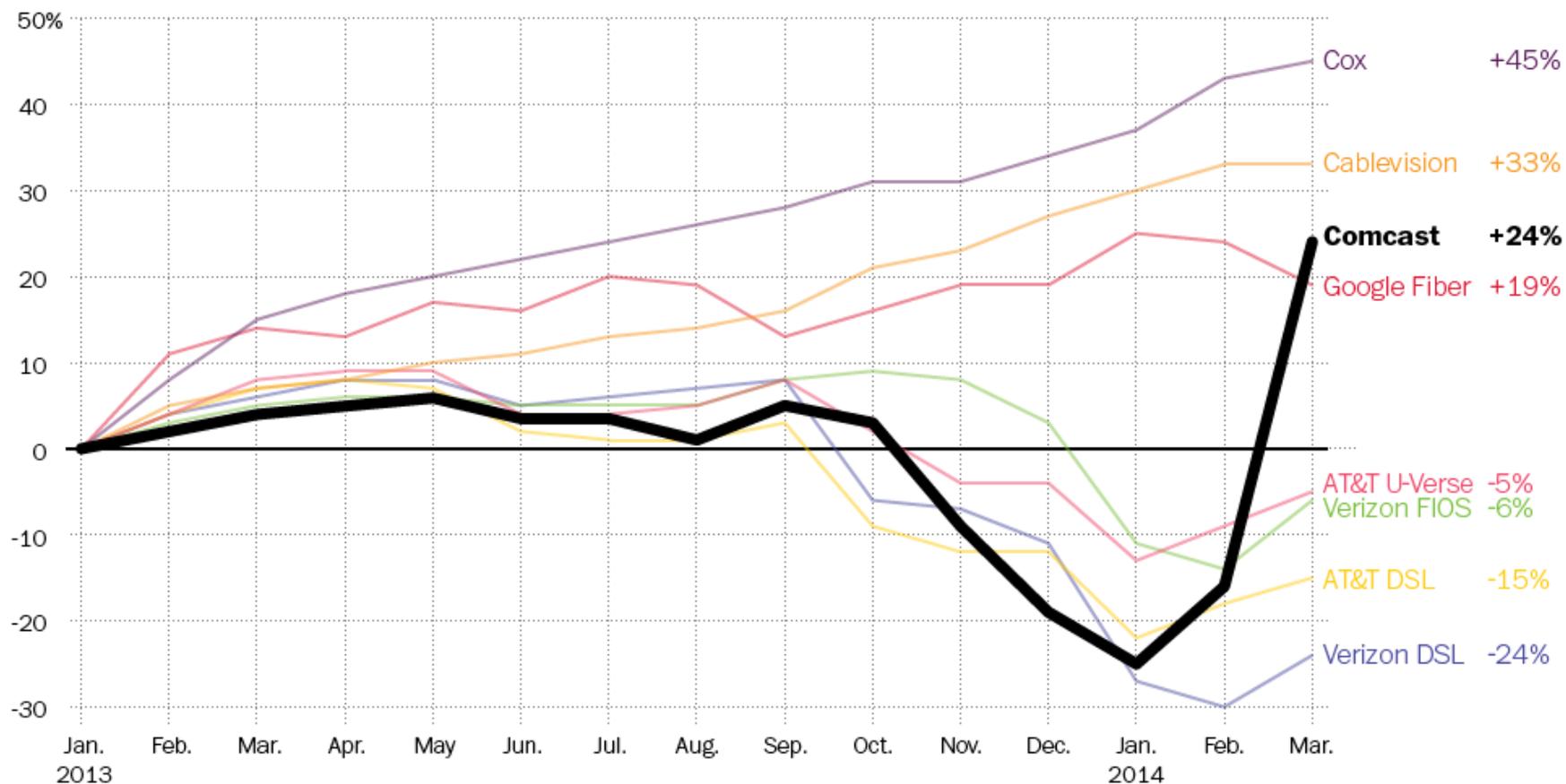
“Small ISPs”

1000+ U.S. ISPs,
ranging from
hundreds of subs to a
few million

“Big ISPs”

The 6 largest U.S.
ISPs, each with
several million subs

% change in Netflix download speed since Jan. 2013, by I.S.P.



SOURCE: Netflix

GRAPHIC: The Washington Post. Published April 24, 2014

Our experience

The size of an ISP's subscriber base changes the ISP's behavior in ways that implicate net neutrality policy

Degraded interconnection matters to real people because the services they use will buffer and stall more than they should

Peering with big ISPs

The big ISPs won't peer unless we pay
> The 1% of ISPs we pay are big ISPs

Third-party transit providers in similar position

The new world: everyone pays the big ISPs

Source of market power

Multiple factors

- > terminating access monopoly
- > limited retail competition
- > Large subscriber base

Their combination gives big ISPs market power

Role for states

There are muddy waters around state regulation of ISPs

But clear opportunities to check market power and promote competition

Checking market power

Review by the state of ISP mergers

➤ Public interest standard

Removing barriers to Muni broadband

Conclusion

Any effective net neutrality policy should cause big ISPs to behave more like small ISPs

States have a role particularly in review of large ISP mergers