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NET LOSSES

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In the first decades of the twentieth century, as a national telephone network spread across the United States, A.T. & T. adopted a policy of “tiered access” for businesses. Companies that paid an extra fee got better service: their customers’ calls went through immediately, were rarely disconnected, and sounded crystal-clear. Those who didn’t pony up had a harder time making calls out, and people calling them sometimes got an “all circuits busy” response. Over time, customers gravitated toward the higher-tier companies and away from the ones that were more difficult to reach. In effect, A.T. & T.’s policy turned it into a corporate kingmaker.

If you’ve never heard about this bit of business history, there’s a good reason: it never happened. Instead, A.T. & T. had to abide by a “common carriage” rule: it provided the same quality of service to all, and could not favor one customer over another. But, while “tiered access” never influenced the spread of the telephone network, it is becoming a major issue in the evolution of the Internet. Until recently, companies that provided Internet access followed a de-facto common-carriage rule, usually called “network neutrality,” which meant that all Web sites got equal treatment. Network neutrality was considered so fundamental to the success of the Net that Michael Powell, when he was chairman of the F.C.C., described it as one of the basic rules of “Internet freedom.” In the past few months, though, companies like A.T. & T. and BellSouth have been trying to scuttle it. In the future, Web sites that pay extra to providers could receive what BellSouth recently called “special treatment,” and those that don’t could end up in the slow lane. One day, BellSouth customers may find that, say, NBC.com loads a lot faster than YouTube.com, and that the sites BellSouth favors just seem to run more smoothly. Tiered access will turn the providers into Internet gatekeepers.

The logic of the tiered-access approach is simple: broadband companies do the work of providing Internet access, so they should be able to charge what they can for it. Telecom executives say that the revenue from tiered access would let them invest more in adding bandwidth and improving download speeds, and argue that Web sites are parasites taking, as A.T. & T.’s chairman, Edward E. Whitacre, Jr., put it, a “free ride” on the pipes the broadband companies own. But these companies have pipes into people’s homes in the first place only because of a long history of government regulation, and people want to use those pipes only because of all the value the so-called parasites have created. And it’s that value which tiered access—even if it does improve the Internet’s infrastructure—will put in harm’s way. The Internet has become a remarkable fount of economic and social innovation largely because it’s been an archetypal level playing field, on which even sites with little or no money behind them—blogs, say, or Wikipedia—can become influential. If the Internet turns into a zone of tiered access, it will be harder for noncommercial sites or startup companies to compete with bigger firms.

Broadband providers insist that they have no plans to block access or degrade service to those who don’t pay a premium rate. But if some companies are getting better service, then all the others are getting worse service. Besides, there have already been examples of active discrimination. Last year, a rural telecom company in North Carolina blocked its users’ access to the Internet-based phone service Vonage, and in Canada the telecom company Telus blocked access to a Web site supporting the telecommunications workers’ union. Market forces will offer some check to this kind of interference—if a particular provider goes too far, customers will take their business elsewhere—but, in the world of broadband, market forces are weak, because most cities have only two major providers. More than ninety per cent of Americans get Internet service from either their local phone company or their local cable company, and A.T. & T.’s newly announced acquisition of BellSouth means that there will soon be only three major phone companies in the entire U.S.

Ultimately, Internet providers hope to manage the Internet the way a supermarket owner manages his store, charging companies “slotting fees” in exchange for better shelf space, or the way bookstores charge publishers extra in order to have books placed on tables at the front of the store. Up to this point, the Internet has been operated more or less like

public utility. All bits of data have been treated similarly, just as the highway system doesn't allow trucks from some companies to go faster than others, and the electrical grid does not deliver reliable power to some customers and erratic service to others. We could write this principle into law, as a new bill sponsored by Ron Wyden, a Democratic senator from Oregon, proposes. But the bill's chances of success are slim at best. Increasingly, it seems likely that the Net will end up looking less like the highway system and more like a collection of Safeways.

A collection of Safeways is not a terrible thing—supermarkets in the U.S. do a good job of delivering food that people want, at a reasonable cost—but it's hardly what we've come to expect of the Internet. Decisions that once were made collectively by hundreds of millions of Internet users would now be shaped in large part by a handful of telecom executives. It used to be said that the Internet was all about “disintermediation.” With the end of network neutrality, the middlemen are striking back.