

Policy Issues in Data Caps and Usage Based Pricing

Open Internet Advisory Committee
Working Group on Economic Impact
Washington, DC
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What these slides do

- Provide a five minute summary of topics in the report.
- The report has considerable substance in it.
 - For further questions, please read report.

Table of contents in the report

Cannot be absorbed in five minutes

- **Topics Covered**
- **Defining Terms**
- **The Report and Order on UBP**
- **Competition**
- **Caps: The Facts**
- **The Perception of Users**
- **User Control**
- **The Perception of ISPs**
- **UBP and Price Discrimination**
- **Managing Network Growth**
- **Managing Instantaneous Congestion**
- **Perception of Edge Providers**
- **Specialized Services and Edge Providers**

The topic covered

- Addresses question: What is source of concern with data caps in wireline non-specialized services?
 - Provide definitions and identify concerns.
 - Identify common fact-basis.
 - Identify open questions.
- Report bridges the divide between the vernacular conversation surrounding caps and perspectives from various stakeholders.
 - Perspectives of users, ISPs, Edge-providers.

Report and Order on UBP

- What Order said about Usage Based Pricing (paragraph 72).
 - “Some commenters suggest that open Internet protections would prohibit broadband providers from offering their subscribers different tiers of service or from charging their subscribers based on bandwidth consumed. We are, of course, always concerned about anti-consumer or anticompetitive practices, and we remain so here. However, prohibiting tiered or usage-based pricing and requiring all subscribers to pay the same amount for broadband service, regardless of the performance or usage of the service, would force lighter end users of the network to subsidize heavier end users. It would also foreclose practices that may appropriately align incentives to encourage efficient use of networks. The framework we adopt today does not prevent broadband providers from asking subscribers who use the network less to pay less, and subscribers who use the network more to pay more.”
- Why the Order left open many questions.
 - The Order expects that the Internet would continue to evolve in unexpected ways, including in pricing (para 94).

Conclusions about the facts

- The Report concludes that there is considerable variance and experimentation in the market by ISPs.
 - Difficult to interpret highest thresholds in the situations in which they arise, as there is no definitive public source on household usage per month to use as a benchmark.
 - Usage varies depending on ISP and technology.
 - All public measurements show great skew in usage, and suggest that caps do not yet impact users other than the highest users.
- The committee could reach only tentative conclusions.
 - Although caps do not seem to be affecting a large number of US users now, the situation may change in the future, as user habits, supplier experimentation, vendor policy, and applications all change.

Perception of users

- User understanding about perceptions of caps and thresholds?
 - Importance of consumer education to user perceptions of caps and thresholds.
 - It is not yet apparent whether the issues in this topic are a transitory or permanent concern.
 - The experience of ISPs with providing customers with tools to monitor or control data usage might be valuable to insights about the perceptions of caps by consumers.
- Issues may require monitoring, now and into future.

Perception of ISPs

- Discussion focuses on divergent perspectives and open questions about whether data caps, tiers, & related forms of UBP may...
 - ... encourage end users nearing that cap to act efficiently;
 - ... spur efficiency and innovation on the delivery of services;
 - ... help manage network growth;
 - ... encourage heavy users to change their usage, and if so, in what way;
 - ... shape the future and conduct of other service providers (i.e. application developers).
- Identified a number of open questions.

Perception of edge providers

- Discusses how data caps, tiers and UBP can shape other providers of services in broadband ecosystem
 - Entrepreneurs who provide applications, build web pages, and operate other services in the cloud.
 - ISPs & edge providers have different perspectives on open questions.
- Examines competition policy for specialized services.
 - Recognizing that this topic is also covered by other working group, so many aspects of topic not covered.
 - Competition policy concerned about situations where one firm, such as a broadband provider, supplies a service and also controls aspects affiliated with the cost, performance, and user-experience in a competing service, provided by an edge-provider.
 - Identifies divergent perspective between the ISP and edge provider.
- The situation yields no easy answers in general, and, at a minimum, merits further monitoring.

Read the report

- This was a summary.
- The substance cannot be easily summarized in a brief set of bullets or summary paragraphs.
 - The report contains many perspectives, as well as many open questions, and took considerable work to write.
 - It identifies many issues not reviewable in five minutes.
- Encourage anyone to read the report in its entirety.

Thank you

- Thank you for your attention.