House Democrats shelve net neutrality proposal

The Associated Press

WASHINGTON (AP) -- House Democrats have shelved a last-ditch effort to broker a compromise between phone, cable and Internet companies on rules that would prohibit broadband providers from blocking or degrading online traffic flowing over their networks.

House Commerce Committee Chairman Henry Waxman, D-Calif., abandoned the effort late Wednesday in the face of Republican opposition to his proposed "network neutrality" rules. Those rules were intended to prevent broadband providers from becoming online gatekeepers by playing favorites with traffic.

The battle over net neutrality has pitted public interest groups and Internet companies such as Google Inc. and Skype against the nation's big phone and cable companies, including AT&T Inc., Verizon Communications Inc. and Comcast Corp.

Public interest groups and Internet companies say regulations are needed to prevent phone and cable operators from slowing or blocking Internet phone calls, online video and other Web services that compete with their core businesses. They also want rules to ensure that broadband companies cannot favor their own online traffic or the traffic of business partners that can pay for priority access.

But the phone and cable companies insist they need flexibility to manage network traffic so that high-bandwidth applications don't hog capacity and slow down their systems. They say this is particularly true for wireless networks, which have more bandwidth constraints than wired systems. The communications companies also argue that after spending billions to upgrade their networks for broadband, they need to be able earn a healthy return by offering premium services. Burdensome net neutrality rules, they say, would discourage future investments.

Waxman's proposal, the product of weeks of negotiations, attempted to carve out a middle ground by prohibiting Internet traffic discrimination over wireline networks while giving broadband providers more leeway when it comes to managing traffic on wireless networks. The plan would have given the Federal Communications Commission authority to impose fines of up to $2 million for net-neutrality violations.

For the broadband companies, Waxman's retreat is a setback. They fear the issue could now go back to the FCC, which deadlocked over the matter in August. The commission could impose more restrictive rules on the industry than a House compromise would have.

"If Congress can't act, the FCC must," Waxman said in a statement. He added that "this development is a loss for consumers."

Net neutrality was the Obama administration's top campaign pledge to the technology industry and a major priority of the current FCC chairman, Julius Genachowski, a key architect of Obama's technology platform. But frustration is growing - particularly among public interest groups - as the debate has dragged on over the past year without resolution either at the FCC or in Congress.

Waxman's proposal, in part, fell victim to today's political climate, with Republicans hoping to rack up gains in the upcoming midterm elections apparently unwilling to help Democrats make progress on such a contentious issue. With an anti-government, anti-regulation sentiment sweeping the nation - and boosting Tea Party candidates - Republicans also were reluctant to support a proposal that opponents equate to regulating the Internet.

Yet in what would have been a big victory for the phone and cable companies, Waxman's proposal would have headed off an effort by Genachowski to redefine broadband as a telecommunications service subject to "common carrier" obligations to treat all traffic equally.

The FCC has been trying to craft a new framework for regulating broadband since a federal appeals court in April threw out its current approach, which treats broadband as a lightly regulated "information service." The agency had argued that this approach gave it ample jurisdiction to mandate net neutrality.

But the U.S. Court of Appeals for the District of Columbia rejected that argument. It ruled that the agency had overstepped its authority when it ordered Comcast to stop blocking subscribers from using an online file-sharing service called BitTorrent to swap movies and other big files.

With Congress making no progress to resolve this issue, several public interest groups on Wednesday called on Genachowski to move ahead with his proposal to reclassify broadband as a telecom service.

"The FCC must act now to protect consumers by reinstating its authority over broadband," Gigi Sohn, president of the public interest group Public Knowledge, said in a statement. "We expect the FCC to do so to carry out one of the fundamental promises of the Obama administration."

But Joe Barton of Texas, the top Republican on the House Commerce Committee, said Genachowski's proposal would "stifle investment and create regulatory overhang in one of the most dynamic sectors of our economy."

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