Internet Protocol Transition and the Social Contract for the Broadband World

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Three observations for discussion

1. The goals of the social contract are unchanged in an IP/broadband world.

2. What *has* changed is the government's ability to uphold its side of the social contract.

3. As a result, the rights and responsibilities of providers and consumers will be very different in an IP/broadband world (for better or worse).

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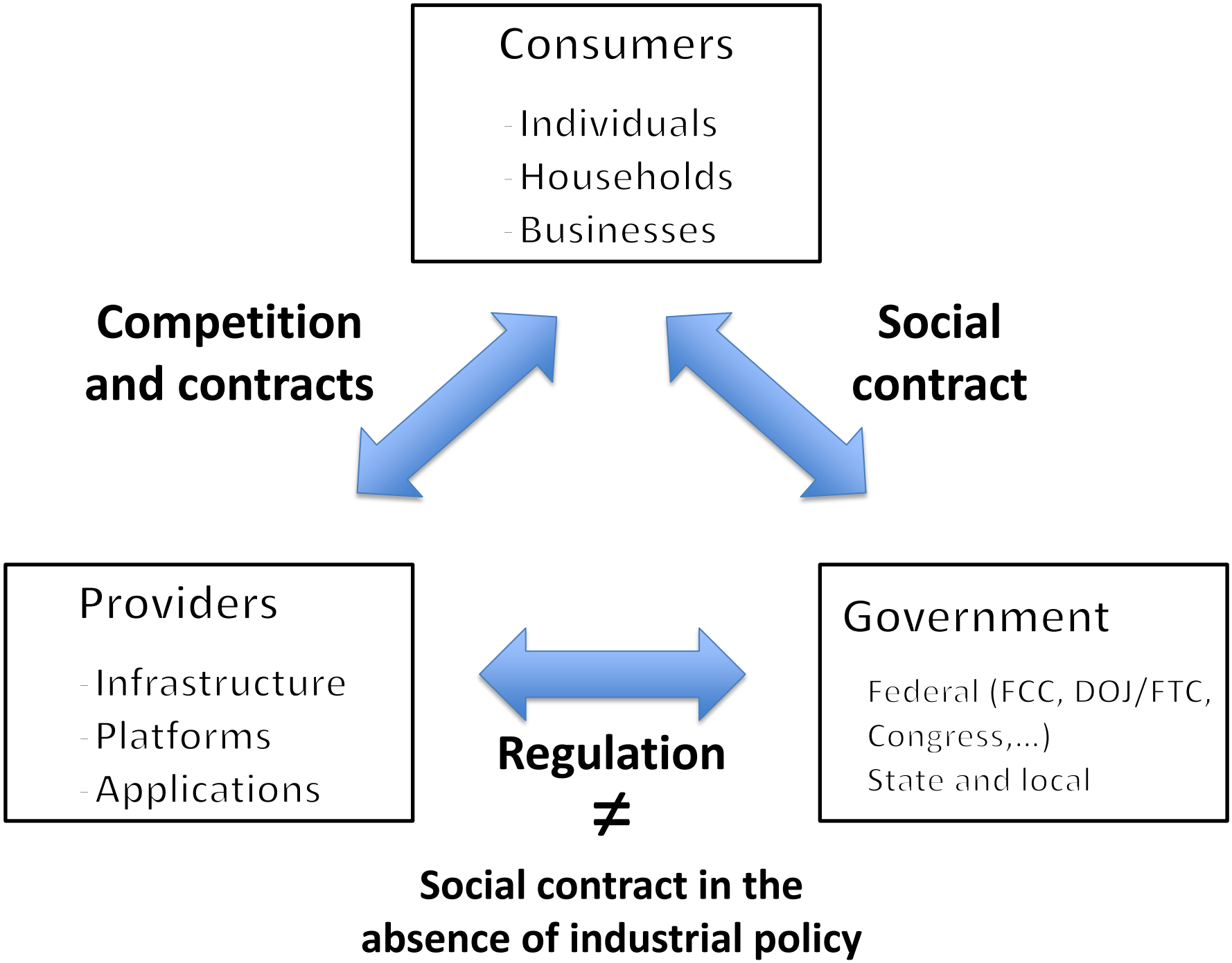
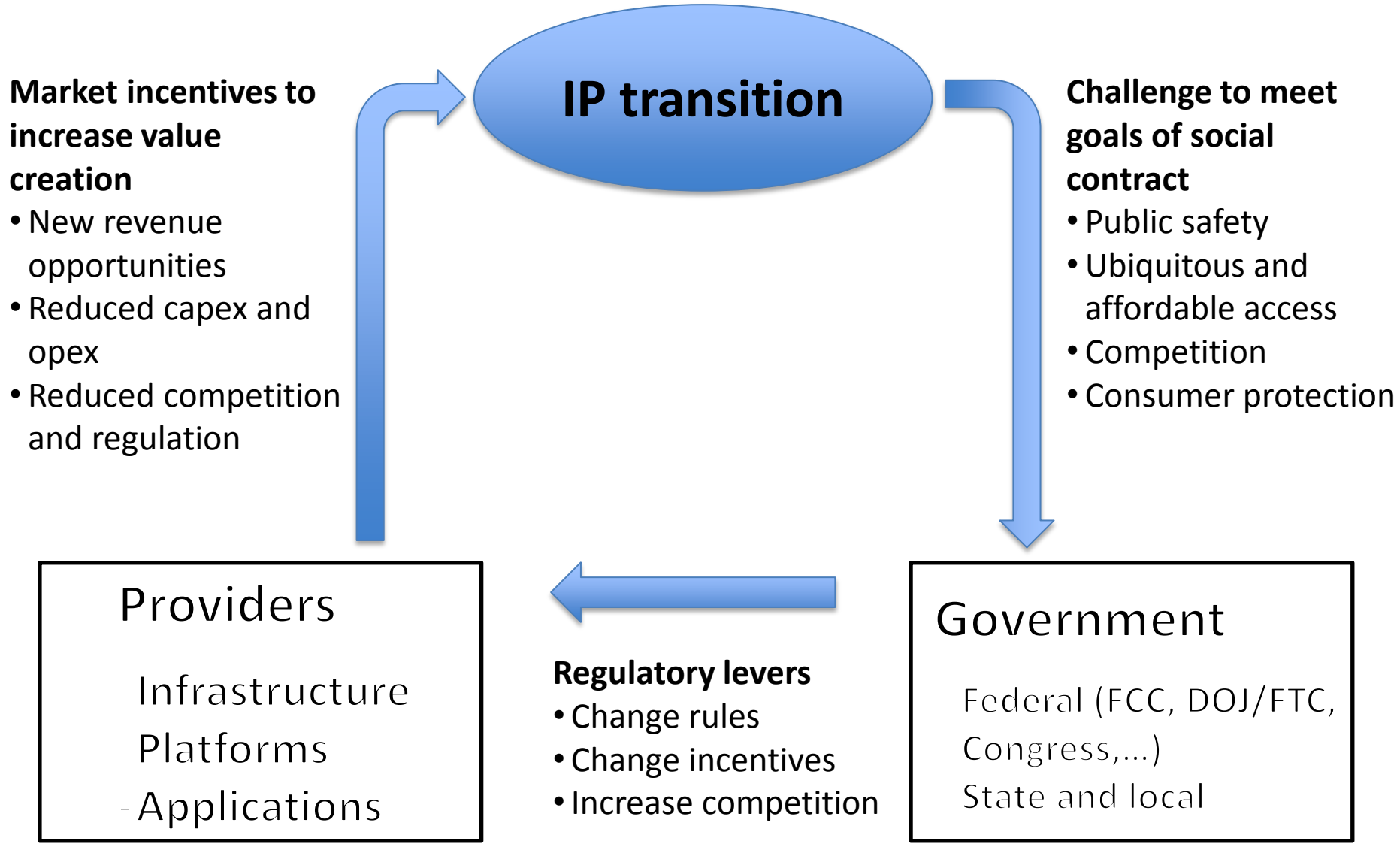

Consumers
- Individuals
- Households
- Businesses
Competition and contracts
Social contract
Providers
- Infrastructure
- Platforms
- Applications
Government
Federal (FCC, DOJ/FTC, Congress,…)
State and local
Regulation
≠
Social contract in the absence of industrial policy


IP transition
Market incentives to increase value creation
• New revenue opportunities
• Reduced capex and opex
• Reduced competition and regulation
Challenge to meet goals of social contract
• Public safety
• Ubiquitous and affordable access
• Competition
• Consumer protection
Providers
- Infrastructure
- Platforms
- Applications
Regulatory levers
• Change rules
• Change incentives
• Increase competition
Government
Federal (FCC, DOJ/FTC, Congress,…)
State and local

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- Limited jurisdiction over relevant providers
  - Platforms
  - Applications
- Limited jurisdiction over potential IP bottlenecks
  - Peering
  - IP-enabled pricing models
- Difficulty translating technology-based regulation
  - Telco vs. cable
  - Special access vs. IP transport
  - Voice roaming vs. data roaming

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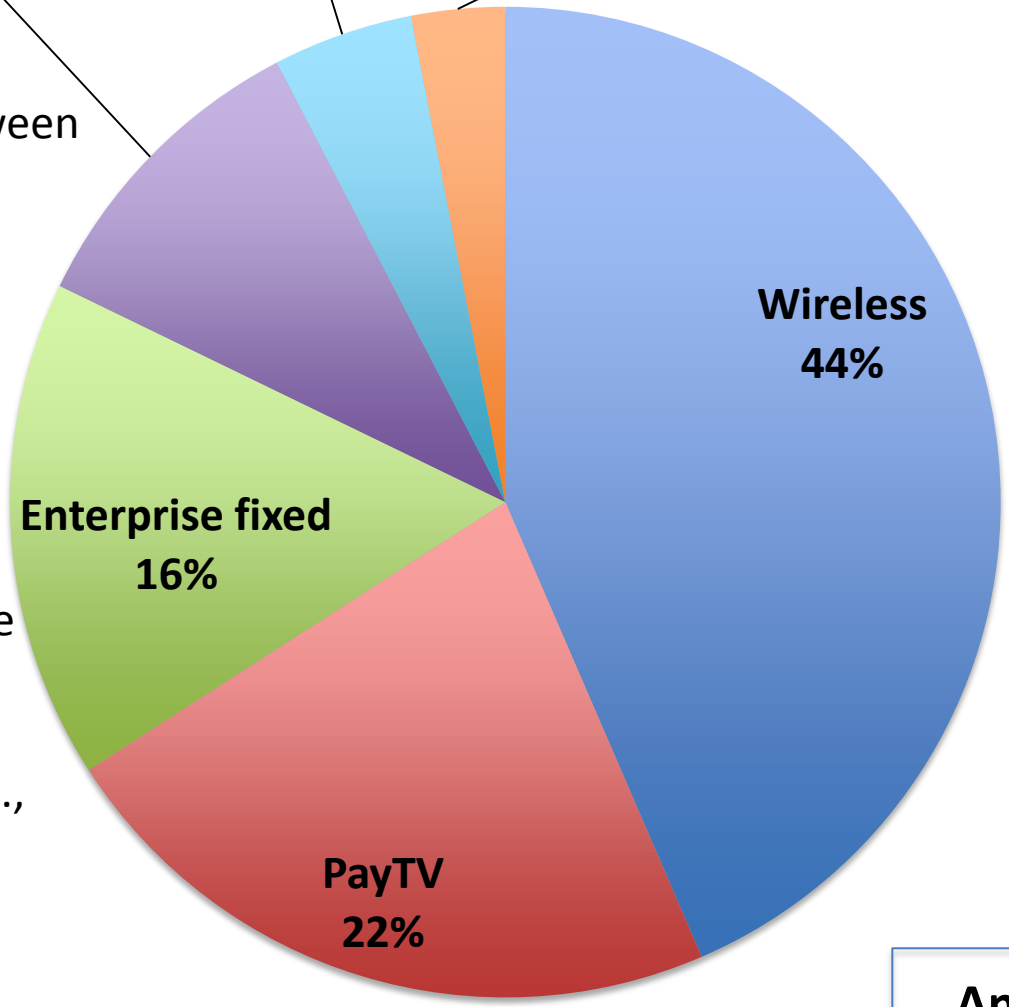

- Vertical power between infrastructure/ platform/app
- IP-enabled pricing models

- TDM to VoLTE
- Voice roaming to data roaming
- Vertical power between infrastructure/ platform/app
- IP-enabled pricing models

- TDM to IP wholesale (e.g., SpA to IP transport)
- Legacy facilities (e.g., CPE, Ethernet over copper)

- Cable: QAM to IP video

Annual revenues (100% ≈ $400 billion)

Source: Bernstein Research