Session Report: WS 208: *Net Neutrality, Zero-Rating, and Development*
3 September 2014, 9:00AM

Session Background:

“Zero-rating” refers to a range of technical and businesses practices that aim to offer free data services for customers of mobile Internet connectivity providers as they access certain popular online services. Major online content and service providers, including Facebook, Google, Twitter, and Wikipedia, are experimenting with partnerships with mobile network operators in a variety of countries to deliver what are often lightweight versions of their services at no cost to subscribers. Mobile users on participating networks access these zero-rated services without paying for data usage. In some cases, this means use of the sites does not count against customers’ data caps; in other arrangements, mobile users can access the service even if they do not subscribe to a data plan. While many of these services are primarily targeted at developing economies, they are also available in some European countries and in the United States. Mobile carriers, including AT&T and T-Mobile, offer subscribers mobile Internet plans with data caps along with sponsored data deals for particular apps so usage of the apps doesn’t count against the data caps.

One of the main arguments in favor of zero-rated services is they are a method of bringing down the cost of access to information in Less Developed Countries. A mobile user on a network that supports Wikipedia-zero, for example, has unlimited no-cost access to all of the information contained in the online encyclopedia. Further, it is argued that providing free access to a popular content or social networking site will drive more general demand for more access to the open Internet and will encourage investment in infrastructure.

However, zero-rated services also require network operators to discriminate among sources of online content and services, creating strong incentives for their subscribers to access the content and services of their identified partners over others. This challenges a fundamental principle of net neutrality, that content and service providers should not be able (or required) to enter into deals with Internet access providers for preferential or favorable treatment of their content and services.

Speakers:

Olga Cavalli, Universidad de Buenos Aires, Argentina
Helani Galpaya, LIRNEasia, Civil Society/Academic, Sri Lanka
Josh Levy, Access, Civil Society, United States
Yves Nissim, Orange, Industry, France
Berin Szoka, TechFreedom, Civil Society, United States
Yana Welinder, Wikimedia Foundation, Private Sector, United States
Emma Llansó, Center for Democracy & Technology, United States (moderator)
Summary of the workshop and main issues raised during discussions:

Principles for Zero-Rating
Panelists discussed a number of characteristics of zero-rating programs, including whether they involved for-profit or not-for-profit entities, whether carriers and online services were exclusive in their agreements, and whether zero-rating programs were transitional.

Exclusivity of deals
One panelist described the concerns for local content production if zero-rating deals are exclusive agreements between major content providers and mobile network operators. The availability of locally produced and locally relevant online content is a major driver of demand for Internet access, and small and medium enterprises and local content and service developers will be placed at a disadvantage if mobile carriers can enter into exclusive agreements with giant foreign content and service providers. It is also important to consider whether, even if zero-rating agreements are made available to all content producers on equal terms, the need to enter into a deal with a mobile carrier for favorable access to its subscribers will serve as a high enough barrier to entry to suppress some local content and service providers.

One panelist argued that transparency and non-exclusivity were important criteria for mobile operators offering zero-rating or sponsored data agreements, noting that the legitimate concerns about which content and service providers can participate would be addressed in part if mobile carriers were open to allowing any content or service provider to enter into a data-sponsorship agreement.

Wikimedia Foundation has articulated 10 principles that guide its implementation of Wikipedia Zero, including non-exclusivity of the deals (Wikimedia can enter into agreements with multiple carriers in the same region) and no transfer of payment between Wikimedia and the mobile carrier.

Transitional or permanent?
Panelists also discussed the notion that zero-rating programs could function as transitional models that provide initial incentives or awareness-raising marketing, to encourage individuals to begin using Internet-connected services. It is not clear whether zero-rating programs will be (or need to be) long-term features of mobile broadband subscription plans. The panelist from Orange framed the immediate benefit from zero-rating programs in terms of access to information and education, and noted that any increase in mobile Internet subscribers would be a long-term development and not something the company considers as a short-term incentive to providing zero-rated services. Another panelist gave the example of TurkCell in Turkey, which offered Facebook Zero in 2010 and Twitter Zero in 2012 as part of a limited-time promotional offering to encourage more people to subscribe to mobile Internet access. Further consideration is needed of what the indicators are for deciding whether, when, and how zero-rating plans should be phased out of a market.

What problem is zero-rating trying to solve?
There are a number of interrelated factors that influence whether an individual has access to the Internet: price of access, perception of relevance of Internet access to a user’s life, literacy (and particularly digital and media literacy), and availability of locally relevant content. Panelists noted that it is important to distinguish between two different barriers to Internet adoption in
developing countries: high cost of access can prevent those who are aware of and want Internet access from acquiring it, but among some individuals – particularly in the “base of the pyramid” or poorest segment of society – awareness of the Internet and its potential relevance to their lives was low to nonexistent. This lack of perceived relevance is posed as an explanation for why there is often very low Internet access among BOP even in countries where there is generally high mobile growth, high penetration and use, and the availability of relatively inexpensive mobile data plans.

On Relevance:
Panelists agreed that local content was crucial to establishing the relevance of the Internet in a country and increasing demand for Internet access. Panelists also noted the tension between a need to encourage locally developed services and the network effects that draw users worldwide to social networks such as Twitter and Facebook.

The panelist from Wikimedia Foundation noted that the Wikipedia Zero program aims to provide free access to the online encyclopedia in markets where mobile broadband penetration is high but adoption/use of the Internet remains low (primarily due to cost issues), on the theory that people may perceive access to Wikipedia as more relevant/appealing to them.

Several panelists noted that a chief source of locally relevant information should be governments, who should take the lead in putting government information online, and in working to ensure that locally developed media, including educational content, is also made available online.

Another panelist noted that these programs essentially function as joint marketing agreements between the carriers and the online services, allowing both entities to pool resources in marketing the benefits of mobile Internet access to new markets.

In considering how to encourage local content development, it will be important to examine whether the kind of access provided by zero-rated programs can support generative/creative activity. For example, can mobile users of Facebook Zero become app developers who create locally relevant apps (for Facebook or another platform)?

Effect on the network and access in the future
A primary concern is that zero-rated programs do not offer full access to the open Internet, and challenge fundamental functions of the web such as the ability to link from one source of content to another elsewhere on the web and to follow those links seamlessly. Others noted that many mobile operators already restrict their subscribers to some form of “walled garden”, where users have access to a limited number of applications or services. Another panelist noted that, if zero-rating programs prove not to be transitional in a market, it may be practically and politically difficult to introduce neutrality requirements after carriers have normalized the process of providing preferential access to certain online content and service providers.

An audience member developed the point that, because digital literacy, familiarity with what the Internet is and how to use it, is also a key component to driving demand for broader Internet access, it’s important to understand how people with access through zero-rated programs will develop digital literacy skills. If a person has access to a single online service, it will not necessarily prepare them to navigate the myriad content sources and online services available with full Internet access.
Another audience member noted that accessing the Internet via mobile data subscriptions is only one form of mobile Internet access – people can also use their devices to access wifi networks, and can use wifi for Internet access beyond what their mobile carriers will offer. It was suggested that savvy subscribers use zero-rated mobile services when out of wifi range and switch over to free wifi when available.

Conclusions drawn from the workshop and possible follow up actions:

A primary conclusion drawn from the workshop was that there is very little data currently available to support or refute claims of the impact of zero-rating programs on Internet access and adoption in developing countries, and that there is a significant need for further research into a number of questions. Among these questions are:

- Do individuals who first access online services via a zero-rated application ultimately expand their use of online services, or do they remain primarily users of the zero-rated app?
- When zero-rating programs are available, are there individuals who could afford full-Internet plans who instead use the zero-rated services because those services are sufficient to meet their demand? If yes, how does this affect the argument that zero-rating will ultimately lead to greater numbers of mobile broadband subscribers overall?

Another key potential follow-up action is to engage additional telecommunications carriers directly in these research questions; these operators are best positioned to provide data about Internet adoption and use among their subscribers. There is also a need for better information about how one operator’s decision to offer a zero-rating program affects other mobile network operators in the same region.

One panelist noted that Myanmar could present an informative case study in the coming year, as the country has recently [opened its telecommunications sector] and one of the three mobile carriers now operating in Myanmar is offering Facebook [and Wikipedia?] Zero to subscribers. Studying the rates of mobile Internet penetration and use in Myanmar across the carriers that do and do not offer zero-rated programs could provide valuable insight into the short-term effect of these programs on a national Internet access market.

One panelist noted that studying analogous efforts to “prime” people for Internet access – for example, providing telecenters in a community – could provide useful evidence of how an initial introduction to Internet access affects perceived relevance and demand for mobile Internet access.

As policymakers, human rights advocates, industry, and others deliberate over the best way to increase the number of people with access to the open Internet, it is crucial that we do not overlook the continuing need to demonstrate the potential benefits of Internet access to people in economically and geographically diverse contexts.

Zero-rated services provide a limited form of access to online services, which is a key component to increasing adoption of Internet, but they raise important questions about other key components: developing local capacity in creating content and services is vital, and increasing
digital literacy skills among new Internet users is essential. It is not clear that zero-rating programs are well situated to support the development of these skills.

CDT looks forward to proposing a follow-up workshop at the IGF in Brazil in 2015 to discuss these important issues further, as more data about the implementation and effects of zero-rating programs becomes available.