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Submission by

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**Debunking Edge Competition Premises in FCC 2015 Title II Broadband Order – FCC Comments**

In 2015, the FCC’s Title II Open Internet broadband order implicitly was based on three core competitive premises about “edge” competition and competitors, that are demonstrably false, which undermines the factual legitimacy and legal justification of the FCC’s 2015 Open Internet order, and which supports the current FCC’s Restoring Internet Freedom NPRM to overturn it.

**Summary: The 2015 FCC’s three demonstrably false core competitive premises are:**

1. “Edge” providers are competitive and not concentrated, warranting exclusion from net neutrality obligations. **False. The evidence below shows the opposite to be true. The main edge providers are exceptionally concentrated and not competitive.**
2. The most powerful companies in the Internet ecosystem are AT&T, Verizon and Comcast. **False. The evidence shows Google, Amazon and Facebook are the most powerful companies in the Internet ecosystem.**
3. Edge providers do not engage in non-neutral, discriminatory behavior, like broadband providers are alleged to have the market incentive to do. False. **The evidence below shows that the three most powerful edge providers, Google, Amazon, and Facebook, operate non-neutral networks and discriminate against competitors.**

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**“Edge” providers are competitive and not concentrated warranting exclusion from net neutrality consideration. False. The evidence shows the opposite to be true.**

The Internet Association [estimated](https://internetassociation.org/121015econreport/) the Internet sector comprised 6% of US GDP in 2014. Given that the Internet Associations members are growing revenues at a collective 20%, the Internet sector’s share may soon be approaching 7% of US GDP.

We know these four WTAPs are growing revenues substantially faster than others – Google +23%; Amazon +22%; Facebook +49%; and Microsoft +8% -- and thus are taking substantial market share overall. And anyone watching the market this last year knows these four WTAPs enjoyed the lion’s share of market gains in market capitalization.

Now we can roughly measure how extremely concentrated the U.S. Internet sector has become, thanks to the Internet Association, the [professed](https://internetassociation.org/) “*voice of the Internet economy*.” Their [membership](https://internetassociation.org/) comprises the “*world’s leading Internet companies*” based in the U.S., and thus it offers us the best proxy universe of the most significant revenue-producing and highly-valued public and private Internet companies based in the U.S.

If we research all the key public-available data, on revenues, revenue growth, market capitalization and other comparable data, what does this group of 39 elite, U.S. Internet Association, companies tell us?

The companies alphabetically [are](https://internetassociation.org/our-members/): Airbnb, Amazon, Coinbase, Doordash, Dropbox, eBay, Etsy, Expedia, Facebook, Google, Groupon, Handy, IAC, Intuit, Linkedin, Lyft, Matchgroup, Microsoft, Monster, Netflix, Pandora, Paypal, Pinterest, Rackspace, Reddit, Salesforce, Snap, Spotify, Survey Monkey, Ten-x, TransferWise, Tripadvisor, Turo, Twitter, Uber, Upwork, Yelp, Zenefits, and Zynga.

Of the 39 companies, 22 are public, and two are subsidiaries of members: Microsoft’s Linkedin, and IAC’s Matchgroup. 39% were founded in the 1990s, 39% from 2000-2009, and 22% from 2010-present.

Overall, these 39 Internet companies collectively generated $434b in revenues; $75b in absolute new annual revenues (at a collective 20.5% revenue growth rate); an overall market capitalization of $2.545t; and 699,000 employees. Collectively that’s $621k in revenue per employee and $3.6m in market capitalization per employee.

The top 10% of this Internet Association proxy market are the four winner-take-all platforms: Google in search/advertising; Amazon in retail/cloud computing; Facebook in social/advertising; and Microsoft in software/hardware.

These top four/10% of Internet Association companies generate:

80% or $347b of $434b in total Internet market annual revenues;

77% or $58b of $75b in total new absolute Internet market annual revenues;

77% or 538k of 699k in total Internet market employees; and

81% or $2.059t of $2.545t in public & private Internet market, market capitalization.

Going forward if this Internet market were to continue to generate ~20% annual growth over the next 5 years, it would grow from $434b today to $1.08t in 2021, a cumulative revenue increase of 149% or +$646b that would come largely from cannibalizing offline-economy revenues.

If we do this exercise for just the three most dominating Internet platforms, Google, Amazon and Facebook, five years of 20% annual growth would grow their $260b in collective annual revenues to $647b, a revenue increase of 149% and +$387b – that predictably would largely come from cannibalizing other forms of offline-based advertising and offline-based retail revenues.

In short, the Internet sector is far from a competitive market. It has become extremely concentrated, more than any other sector by far.

[Note: this research was first [published](http://precursorblog.com/?q=content/why-aren%E2%80%99t-google-amazon-facebook%E2%80%99s-winner-take-all-networks-neutral) on Precursorblog.com 7-11-17.]

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**The most powerful companies in the Internet ecosystem are AT&T, Verizon and Comcast.** **False. The evidence shows the opposite to be true because Google, Amazon and Facebook are the most powerful companies in the Internet ecosystem.**

**Market value:** Financial markets value Google, Amazon, and Facebook at $1.558 trillion, which is 165% more than the $587 billion market value of AT&T, Verizon, and Comcast [per](https://finance.yahoo.com/) Yahoo Finance. Google, Amazon and Facebook have a brand value of $297b or 343% higher than AT&T, Verizon and Comcast’s $67b brand value [per](https://www.forbes.com/powerful-brands/list/#tab:rank) Forbes.

**Revenue Growth:** Over the last twelve months, Google, Amazon, and Facebook increased their revenues +25% or +$52b; in stark contrast, AT&T, Verizon, and Comcast together decreased their revenues -2% or -$7b, [per](https://finance.yahoo.com/) Yahoo Finance data.

**Users:** Google, Amazon, and Facebook have roughly 1,000% more users than AT&T, Verizon and Comcast have, because the netopolies are global and the ISPs are overwhelmingly U.S. driven. Specifically, Google and Facebook each have ~2b users and Amazon over 300m customer accounts. In contrast, AT&T and Verizon serve around 100m users each and Comcast substantially less than that.

**Market Shares:** FCC ownership rules effectively limit AT&T, Verizon and Comcast video subscription share to 30% nationally and 39% nationally for broadcasting – and they all are well below those limits. In contrast, online services have no FCC ownership limits or any apparent antitrust market share limits.

Consequently, Amazon Prime’s video service has 80m U.S. subscribers, which is 89% of all households that use cable or satellite TV subscription services combined. And Amazon is on pace to surpass the *entire* industry by next year, [per](https://www.recode.net/2017/7/9/15938658/amazon-prime-numbers-members-us-households-cable-tv) Recode. (And Netflix, which netstreams on Amazon’s AWS’ [dominant](https://www.geekwire.com/2017/aws-maintains-sizable-lead-as-public-cloud-market-grow-42-in-q1/) cloud platform, has 51m subscribers, twice the subscribers of AT&T, the largest cable/satellite provider nationally, and more than all U.S. cable providers, [per](https://www.ncta.com/industry-data) NCTA stats and Leichtman [Research](https://www.engadget.com/2017/06/14/netflix-subscribers-top-cable-tv-in-us/).)

In its core business, Amazon already has captured 43% of all U.S. online retail sales and 53% of U.S. retail ecommerce growth last year [per](http://www.businessinsider.com/amazon-accounts-for-43-of-us-online-retail-sales-2017-2) Business Insider. That makes Amazon’s 43% of *online* share of U.S. retail, an *amazing four times greater* than Walmart’s 11% share of the total *offline* U.S. retail market [per](http://www.scdigest.com/firstthoughts/17-03-02.php?cid=12028) Supply Chain Digest. With Amazon’s consistent 20+% annual revenue growth rate, it will likely command more than half of the U.S. online retail market in the next two years.

Google and YouTube are used by over 90% of Americans online and are the #1 and #2 most visited websites in the U.S. [per](http://www.alexa.com/topsites/countries/US) Alexa. Google-YouTube [claims](YouTube%20overall,%20and%20even%20YouTube%20on%20mobile%20alone,%20reaches%20more%2018-34%20and%2018-49%20year-olds%20than%20any%20cable%20network%20in%20the%20US.) to reach more of TV’s prime demographic than any U.S. cable network. Google’s mobile search share is 96% in the U.S. [per](https://www.statista.com/statistics/511358/market-share-mobile-search-usa/) Statista. Google Chrome is the dominant Internet browser with 52% of both desktop and mobile [per](https://www.statista.com/statistics/511358/market-share-mobile-search-usa/) Statista. Since Apple’s iOS, is unavailable for license by non-Apple devices, Google-Android has 98% of the U.S. mobile operating system licensing market.

Facebook’suser [statistics](https://newsroom.fb.com/company-info/) indicate 85% of all Americans online use Facebook monthly and video is among its fastest growing services. The Google-Facebook ad [cartel](http://precursorblog.com/?q=content/why-did-google-facebook-stop-competing-with-each-other) is capturing 85% of all U.S. digital ad revenue growth [per](https://www.nytimes.com/2016/04/18/business/media-websites-battle-falteringad-revenue-and-traffic.html?_r=0) Morgan Stanley. In contrast, AT&T, Verizon, and Comcast digital ad share is a few percentage points at best.

By most every objective measure, Google, Amazon and Facebook operate vastly more powerful corporate networks than those of AT&T, Verizon, and Comcast.

[Note: this research was first [published](http://precursorblog.com/?q=content/internet-association-proves-extreme-us-internet-market-concentration) on Precursorblog.com 6-15-17.]

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**Edge providers do not engage in non-neutral, discriminatory behavior, like broadband providers are alleged to have the market incentive to do. False. The evidence below shows that the three most powerful edge providers, Google, Amazon, and Facebook, operate non-neutral networks and discriminate against competitors.**

Do Google, Facebook and Amazon block, throttle, and engage in paid prioritization? Yes.

For context, let’s start with Google, Amazon, and Facebook’s effective pledge in its 1 min. Google-YouTube [video](https://www.youtube.com/watch?v=y8v8MhSUvCw) touting its staunch support of net neutrality.

It clearly stated: “*Net neutrality is the principle that allows consumers to choose which websites and Apps are the best. … Take action; tell the FCC why you care about the open Internet and competition online and demand access to the whole Internet free of paid prioritization, blocking, and throttling*.”

**Google:** Let’s start with Google search and see if it’s really consumers that choose which sites/apps are best. Its search head, Mr. Amit Singhal, [described](http://www.telegraph.co.uk/technology/google/7833590/Google-Caffeine-and-the-future-of-search.html) Google search as “*the biggest kingmaker on this earth*” to the UK Telegraph, because over 30% of people click on the top ranked result and ~50% click on the top two results. Google SVP Jonathan Rosenberg on Google’s blog [said](https://googleblog.blogspot.com/2009/02/from-height-of-this-place.html): “*We won’t (and shouldn’t) try to stop the faceless scribes of drivel, but we can move them to the back of the arena*.”

The EU recently [convicted](http://europa.eu/rapid/press-release_STATEMENT-17-1806_en.htm) Google of abusing its search dominance by ensuring Google, not consumers, chose what websites are best. This occurred after Google promised on its website for over a decade that: “*We never manipulate rankings to put our partners higher in our search results and no one can buy better PageRank*.” That was [proven](http://marketingland.com/google-broken-promises-65121) untrue and still is, Google’s shopping results in fact are sold to the highest bidder.

Let’s look at Google’s dominant Chrome browser which is effectively a virtual network Google completely controls. As recently as last month, Google-Chrome has increased how it throttles and blocks advertising display traffic by 15-40% on its dominant virtual browsing network to create a faster lane for some websites over others [per](https://www.androidheadlines.com/2017/06/google-compresses-ads-by-15-to-speed-up-internet-browsers.html) Android Headlines. Last month, Ad Age [reported](http://adage.com/article/digital/official-google-chrome-ad-blocker/309238/) “*Google Chrome will automatically block annoying ads*.”

Let’s look at Google’s Android 85+% dominant smartphone operating system which is the world’s largest single network connecting people and devices, and which is inherently and necessarily non-neutral, because something must decide what app and what data will go first or fastest, otherwise the devices will jam and not function.

How did Android become the dominant licensable operating system? Non-neutrally. By not letting consumers decide what apps are on their device, but by forcing smartphone manufacturers and carriers to pre-install over a dozen of Google’s apps in tying contracts that ensure Google and not the consumer chooses the websites and apps on their smartphones. (See [here](https://www.theinformation.com/Google-s-Confidential-Android-Contracts-Show-Rising-Requirements) about the Android contracts and [here](http://europa.eu/rapid/press-release_IP-16-1492_en.htm) about how it is anti-consumer.)

Very recently, the International Business Times [reported](http://www.ibtimes.com/google-triangle-app-will-save-data-cutting-background-data-usage-closing-idle-apps-2559703): “*Google Triangle App will Save Data by Cutting Background Data Usage, Closing Idle Apps*.” How is it neutral for Google to decide to block and throttle a consumer’s apps without a consumer’s knowledge?

Finally, let’s not forget Google’s blocking, throttling, and paid prioritization trifecta in 2015-2016 which the media dubbed “[Mobilegeddon](http://fortune.com/2015/04/21/google-mobilegeddon/),” where its Accelerated Mobile Pages (AMP) Project created a de facto Internet wide Google “paid prioritization” “fast lane” for websites to reach consumers.

Google forced a huge change in most all users’ mobile access to the web’s content to increase and accelerate Google’s mobile ad revenue potential by forcing all websites to pay for costly mobile upgrades to their websites so that Google could more easily search, index and monetize them – or else.

If sites did not pay to upgrade their websites to Google’s AMP expectations, Google would demote a website’s search ranking so that effectively it would not be found by consumers. Not surprising, most all websites paid for this prioritization and Google AMP’s “fast lane” so that their smaller businesses would not be competitively disadvantaged by Google’s non-neutral network practices.

**Facebook:** Facebook’s Instant articles service that [makes only](https://media.fb.com/2015/05/12/instantarticles/) some news faster for publishers who pay more is a clear form of “paid prioritization” that delivers content to Facebook’s world-leading two billion social users non-neutrally via a Facebook instant “fast lane” that puts smaller publishers at a relative commercial disadvantage to larger publishers, which net neutrality supporters supposedly oppose.

Facebook in supporting net neutrality, supposedly opposes discrimination too. However, Pro Publica last year [exposed](https://www.propublica.org/article/facebook-lets-advertisers-exclude-users-by-race) that Facebook was illegally discriminating against minorities systemically for years in targeting advertising by ethnic/race for housing, in violation of The Fair Housing Act of 1964 and the Civil Rights Act of 1968.

Last month, Pro Publica [exposed](https://www.propublica.org/article/facebook-hate-speech-censorship-internal-documents-algorithms) that “*Facebook’s Secret Censorship Rules Protect White Men from Hate Speech But Not Black Children*.” It appears the world’s largest social network that connects more people around the globe than any other, has a network with an inherent discrimination problem.

**Amazon:** Maybe the most egregious and hypocritical example of these most powerful corporations not being net neutral is the report that: “*Amazon has a patent to keep you from comparison shopping while you are in their stores*” [per](https://www.washingtonpost.com/news/innovations/wp/2017/06/16/amazon-has-a-patent-to-keep-you-from-comparison-shopping-while-youre-in-its-stores/?utm_term=.ad0e7988322e) the Washington Post.

Let’s marinate on this one for a moment.

A company that supports strong network neutrality is also for blocking a consumer’s WiFi signal in a specific place from doing what is in the consumer’s best interest, i.e. comparison shopping to find the best price, and by doing what the FCC [ruled](https://www.fcc.gov/document/warning-wi-fi-blocking-prohibited) was illegal in January 2015, i.e. blocking WiFi traffic for commercial advantage.

We also [learned](http://www.consumerwatchdog.org/story/federal-regulators-urged-block-amazons-whole-foods-purchase) recently from Consumer Watchdog that Amazon is involved in deceptive pricing, in displaying fraudulently high list prices so Amazon’s prices can imply more savings.

Now it is more clear why Amazon would want a [patent](https://www.washingtonpost.com/news/innovations/wp/2017/06/16/amazon-has-a-patent-to-keep-you-from-comparison-shopping-while-youre-in-its-stores/?utm_term=.ad0e7988322e) to block consumers in their stores from accessing the Internet to comparison shop to check if Amazon’s displayed prices and savings are true or not.

Making this an even more severe problem is that a recent survey of Amazon Prime subscribers indicates that 99% do not check other site’s prices per ILSR’s “Amazon Stranglehold” [report](https://ilsr.org/amazon-stranglehold/).

That same ILSR [report](https://ilsr.org/amazon-stranglehold/) also documents that Amazon uses its dominant Amazon Prime subscribership of 80m U.S. subscribers to force retailers to join their Marketplace, where Amazon treats them non-neutrally and anti-competitively in multiple ways.

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