FINANCIAL TIMES

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ase rate (%)

Reuters Datastream

when short-term bank
es fell to record lows. But
eads over base rates still
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sive than in June 2007.
t, spreads on three-month
settled back into their
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ing means credit can still
be uncrunched.
ose of Lehman Brothers
of counterparty default a
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ut although credit
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Private sector loans in the
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ng September. And in the
rtgage lending for 2009
at as owners are paying
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March. Anheuser-Busch
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Initial public offerings

Initial public offerings seem to have been in danger of losing favour with investors almost as fast as the earlier market rally curried it. Aviv, the US nursing home owner, last week halted its listing of about $300m only days after AEI, a former Enron energy unit, shelved plans for its $800m offering. Large debuts that did hit the main boards last week included the A$2.2bn raising by Myer, the Australian department store chain, and the €1bn raised by Dutch insurer Delta Lloyd. But although both were oversubscribed and priced at the bottom of the projected range, their shares dipped in initial trading. The two-week market wobble seems to have made investors jittery.

But investors should perhaps think twice before assuming IPO markets are again closing their doors. After all, hotel chain Hyatt raised almost $1bn last Thursday and gave investors an immediate profit. And though competition for capital remains high, much of it comes from rights issues, particularly by beleaguered banks. And some fund managers, suffering from banking rights issue fatigue, crave diversity.

Good pressure remains, meanwhile, in the IPO pipeline. Many private equity firms are keen to jettison investments on to the public and this year's biggest IPO in Europe, the upcoming $2.4bn listing of PGE, Poland's largest electricity generator, is twice subscribed. It has been priced at the top of the range, a signal that investors will support IPOs in a strong industry peer group. China Minsheng Bank is still preparing an IPO worth up to $4.7bn.

Reopening any market is difficult, particularly in mature economies. It is no surprise that most IPO value this year has gone to fast-growing Asia, and the year's biggest issue, the $7bn listing of Santander's Brazilian subsidiary, took place in a country where the global downturn barely troubles the locals. Jitters in the IPO market attest to continued uncertainty, but are more likely to be speed-bumps on the road to recovery than road-blocks.

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Why we need net neutrality

DIGITAL BUSINESS
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The majority of the Earth's population is connected by a global communications network. Unlike traditional information networks, such as newspapers, radio and television, the internet is based on interactive communication. It has allowed for a revolutionary real-time participation.

Its success has been based on its openness, ubiquity and non-discrimination. This "net neutrality" means that content from anyone and of any type is treated equally.

Its open and public standards have led to one of the greatest periods of economic growth in history, helped along by companies such as Facebook, Twitter and Amazon.

Centrally controlled electronic networks of the past, such as Compuserve, Prodigy and AOL, which did not allow innovation, have either collapsed or radically changed and been absorbed in the internet.

> One factor that is forcing a reconsideration of the rules is that telecom and cable companies aim to become the internet's gatekeepers

So, why change the rules?

One factor that is forcing a reconsideration of the rules is that telecom and cable companies aim to become the internet's gatekeepers.

These companies want to do this for two reasons: first, they want to promote their own traditional telecom and video services that compete with the new ones provided over the internet; second, they hope they will make more money through discrimination.

In a truly competitive market, such discrimination would lead to loss of market share and profits to rival providers who did not discriminate. But this is an imperfect market: telecom and cable companies are to profit from discrimination because of limited competition in local internet provision.

It is important to note the majority of US residential users have only two providers of service: a telecom and a cable TV company.

The US has fallen to 15th in broadband internet penetration behind many European countries, Canada and South Korea, largely because of the high prices that US companies are able to charge for connectivity.

Without protection of net neutrality, consumers will have fewer choices in content, video and telephone services.

While Google can afford the tax charged by telecom and cable companies for preferential treatment, the "next Google" won't be able to afford the payments that will be demanded by the telecom and cable companies.

Small and new companies, as well as individuals and non-profit organisations who create their own content will be put in the "slow lane" that the telecom and cable businesses will create for all those who cannot afford to travel the toll road on the information highway.

One can understand the frustration of telecom and cable TV companies. Tremendous wealth is generated by information packets flowing through their lines, but most of that "internet gold" flows right past them to the content providers and consumers.

Even worse, traditional phone services are provided through the internet by voice-over-the-internet services and Skype, and bandwidth-heavy TV shows can be downloaded over the internet.

Abolition of net neutrality will allow telecom and cable TV companies to defend products and profits more effectively. But the discrimination these companies propose will be devastating for innovation and choice. And, if innovation is hampered in the US, the rest of the world will not stay still.

Fortunately, the Federal Communications Commission proposed to formalise the non-discrimination tradition on the internet and preserve net neutrality and its positive effects on innovation. It will protect consumers and the public interest and it will preserve and enhance the competitive position of the US in innovation.

The FCC also proposed that network management by the telecom and cable operators be transparent so that consumers and companies know what to expect. These two rules (non-discrimination and transparency) conform to the golden rule of regulation – they protect the public interest and enhance innovation while they do not impose strict and difficult-to-follow rules.

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