



Here's What the End of Net Neutrality Could Mean for Your Startup

by Dennis Hammer

You've probably heard about the FCC repealing net neutrality. It's an important issue that affects anyone whose work and livelihood involves the web. For the sake of your startup, you should care about this.

- What is Net Neutrality?
- What Does That Mean For Your Startup?
 - Scenario 1. ISPs Could Slow Down Your Website or App
 - Scenario 2. ISPs Could Charge Your Users for Access
 - Scenario 3. ISPs Could Block Your Website
 - Scenario 4: Venture Capitalists Will Prefer Established Startups

- The Fight Isn't Over

What is Net Neutrality?

Net neutrality has *far reaching* ramifications. Here's a [full timeline](#) of the history.

The term “net neutrality” was coined by [Tim Wu at Columbia University](#) back in 2003, and the FCC Internet Policy Statement of 2005 first outlined early rules for ISPs. A decade later, in 2015, the FCC issued [The Open Internet Order](#), which reclassified internet service providers (ISPs) from “information services” to “telecommunication services.”

The ruling gave the FCC the authority to regulate ISPs more like utility companies. ISPs wouldn't have their prices controlled (like a power or water provider), but they had to grant access equally in order to prevent them from influencing what we see and do on the web.

Anada Lakra, co-founder of day100 (a data & analytics platform for recruiting) [says it best](#):

“Simply put, [net neutrality] means that the Time Warner Cables and Verizons of the world don't get to play gatekeepers of internet traffic. They can't dictate what people do with their data, nor can they restrict, favor, or slow down any legal traffic.”

The argument for the change was that Americans have migrated to the web for many of our communication needs. We talk to one another, share content, pay bills, and even apply to jobs through our internet connections.

Free access to the web is so popular and important that an overwhelming majority of us oppose taking net neutrality away. Here are results of a survey conducted in December of 2017:

On the repeal of net neutrality regulations:

● Favor ● Oppose



SOURCE University of Maryland/Voice of the People poll conducted Dec. 6-8 of 1,077 registered voters. Margin of error is ±3 percentage points.

Source: [usatoday.com](#)

Net neutrality rules were designed to prevent companies like Verizon, Time Warner, and Comcast from influencing our online experiences. They couldn't slow down certain sites or block you from content unless it was illegal. They also couldn't engage in a practice called "paid prioritization," which means they couldn't take money from someone to deliver that person's content faster than others.

On December 14, 2017, the [FCC voted to dismantle net neutrality rules](#).

The big ISPs claim to be committed to keeping the internet a level playing field. Comcast even [released this statement](#): "Comcast does not and will not block, throttle, or discriminate against lawful content." Spokespeople for Verizon and AT&T have said similar things.

But if they care about equal access, we have to wonder [why they lobbied the FCC so hard and spent so much money](#) to repeal net neutrality.

We know ISPs won't keep a level playing field on their own because they haven't in the past. In 2009 (before the FCC instated net neutrality), [AT&T blocked Skype and other calling services](#) from devices on its network in a secret deal to appease Apple. There are plenty of other examples of ISPs influencing online experiences before The Open Internet Order.

Before net neutrality was repealed, you could access the entirety of the internet at whatever speed you paid for. You could chat on Facebook, read blogs, buy on Amazon, binge Netflix shows, or do *anything else* without your ISP's involvement.

Naturally, ISPs didn't like that arrangement. They want as much control as possible over how we access and use the internet in order to maximize profits.

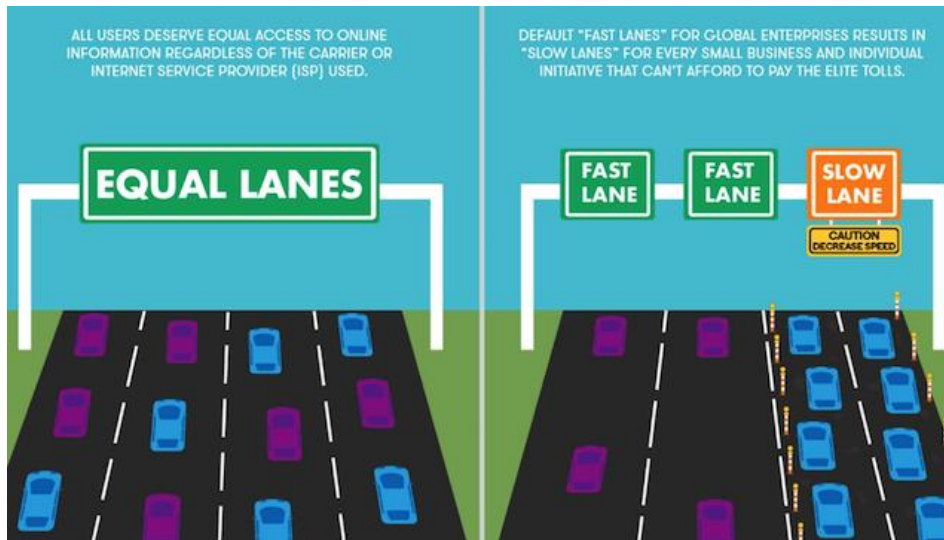
What Does This Mean for Your Startup?

We're leaving politics out of this article, but we want to talk about what unregulated internet access looks like.

Here's what the net neutrality repeal could mean for your startup:

Scenario 1. ISPs Could Slow Down Your Website or App

ISPs are now free to create "fast lanes" for their preferred partners. They'll charge fees to high-traffic websites (like Netflix, Spotify, and Facebook) to ensure they're treated preferentially. As long as your favorite sites pay the fees, you won't see much difference in those experiences.



Source: imgur.com

Of course, if your favorite sites become burdened by new expenses, those costs will filter down to the users. Netflix and Hulu might raise their subscription prices. Amazon might increase their fees on sellers, who would then increase their fees on buyers. Facebook might display more ads to cover the additional costs. Any app or tool that needs a fast connection is likely to increase their rates. You get the idea.

If your startup can't afford those fees, however, there's a very real possibility that ISPs will artificially slow your website on their network. That could *cripple* your startup by making it impossible to compete with established players who can afford the fees.

[Discord](#), the video game voice and text chat app, has plenty of funding and 45 million users. But even they're worried that net neutrality will make it hard for them to compete with Skype, Google Hangouts, and TeamSpeak.

"Net neutrality is incredibly important for small startups like Discord because all internet traffic needs to be treated as equal for us all to have access to the same resources as the big companies," [says Jason Citron](#), co-founder of Discord. [Hundreds of startups \(including Snapchat\)](#) have come out against net neutrality.

If a company that size is worried about their ability to survive in a post-net neutrality internet, what does that mean for your startup?

Scenario 2. ISPs Could Charge Your Users for Access

Over time, internet service plans might evolve to resemble cable TV bundles. ISPs could sell the "Social Media Package" with access to Facebook, Twitter, and Instagram (plus a dozen other social media platforms you'd never use but would have to pay for because they're in the package—just like cable TV), or the "News Package" with access to The New York Times, CNN, and Fox News.

Imagine buying internet access like this:

TELCO ADSL \$29.95
Your email. Your world wide web. Your imagination.
Includes 500 MB of free transfers to non-peering websites at full speed. Limited to 128 Kbps thereafter.

\$5 pathfinder
Includes a massive extra 1000 MB a month to non-peering and non-selected websites. Limited to 256 Kbps thereafter.
Google, Blogger, Ask, Yahoo! SEARCH, bing, WORDPRESS.COM, flickr, YouTube, WIKIPEDIA

\$5 international
Includes the top 200 services from over 30 countries.
Baidu, Яндекc, WEB.DE, BBC, indiatimes, news.com.au

\$5 news
News Freak? Get your fix. Includes free online access to your local news site.
digg, The New York Times, msnbc, THE WALL STREET JOURNAL, Los Angeles Times, THE HUFFINGTON POST, FOX NEWS

\$10 hollywood
Includes free Hulu subscription. Enjoy exclusive content from your favourite networks.
YouTube, hulu, tv.com, Joox, NETFLIX, ESPN

\$0 the social
All social networks. All your friends. Includes all your dating sites.
twitter, facebook, AOL, bebo, msn, myspace.com, YAHOO!, friendster.

\$10 the beat
Listen to your favourite music. Includes three months of emusic.
lost.fm, PANDORA, napster, Rhapsody, Spotify, emusic

\$5 marketplace
Save money. Shop online. All your favourite things, secure and fast. Includes Internet Banking from over 20 financial institutions.
amazon.com, newegg, PayPal, Overstock.com, skype, ebay

\$5 playground
Game? We hear you. Unwind, relax and play hard.
STEAM, EA ELECTRONIC ARTS, WORLD OF WARCRAFT, realArcade, POWER, GAMETAP

\$5 recharge
Your full-speed quota wasn't enough? A massive 2000 MB for access to your company's VPN at full speed. For accessing your friends' non-peering websites at full speed. For getting your emails faster and the included limit didn't cut it. Or if you're a web designer and need some extra buffer. Whether it be the world wide web, VPN or email, we have you covered.

The problem with this arrangement is that it funnels users into buckets, discouraging them from trying new apps and websites. For instance, if Time Warner sold a “Media Package” that came with YouTube, other video platforms would suffer and new ones might never emerge. Users

would have to buy an additional package to access lesser known services, or pay for the inevitable “Premium Package” for \$199/month or \$25/GB.

Scenario 3. ISPs Could Block Your Website

Admittedly, this is an unlikely scenario. ISPs probably won't outright block your startup's website unless you're doing something illegal. That would create a massive public relations problem, at least in the beginning. They'll probably stick to the previous two scenarios.

Nevertheless, without net neutrality, there's nothing stopping ISPs from blocking websites they don't like for whatever reason—or websites that offend their preferred partners. They might enter into agreements to lock out competitors. They could even censor the web dynamically, blocking any sites from their network that mention certain words or use certain images.

This concern will grow as ISPs continue to buy and develop their own sources of content. They might want to give their own services an advantage over competitors.

In fact, this is a long-term concern because it already happens to some extent: AT&T owns DirecTV, so it doesn't charge its mobile customers for their data when they watch it. Verizon doesn't charge its users data for its GO90 service. T-Mobile exempts multiple streaming services from its limits, essentially choosing which apps get traffic.

Scenario 4: Venture Capitalists Will Prefer Established Startups

For many startups, attracting venture capital (VC) money is the only way to grow quickly. You've probably invested time and money into a [great pick deck](#) to convince investors to open their wallets.

Vcs looking for investment opportunities are willing to take risks to get great returns, but they aren't crazy. They want to put cash into a startup to help it grow, but small companies are vulnerable in a post-net neutrality world.

Your startup could tank overnight if ISPs choose to slow your site/app, block you from their network, or favor your competitors. It may turn out that Vcs won't be willing to risk that. Instead, they may invest their money in larger companies who can afford to deal with the ISPs.

The Fight Isn't Over

We can't figure out how repealing net neutrality helps startups. There is some good news, however.

The big ISPs aren't taking steps to profit from the lack of net neutrality just yet because [several states have already filed lawsuits](#) and [Montana is attempting to force net neutrality](#) within its borders. A court will likely halt the FCC's repeal until all parties have run through the court process.

There's also the possibility that Congress codifies net neutrality into law, although that's unlikely because the current legislature supports the repeal.

As startup founders, it's important to do whatever we can to influence Congress, the FCC, and the White House to support net neutrality. With popular opinion on our side, we can bring back a free, unrestricted internet.