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A TANGLED WEB

Why end of net neutrality means internet will never be the same

BY ARTHUR AUGUSTYN

The Federal Communications Commission's vote Dec. 14 to repeal regulation of the internet known as net neutrality will have a significant impact on any business that uses the web, and some local businesspeople and lawmakers believe the magnitude of the change could create a chilling effect.

"I don't know any business who thinks this is pro-business; they say it's the opposite," said U.S. Rep. Frank Pallone, D-NJ 6th District. "If you want a free and open internet where everyone can compete based on the quality of what they're selling, then you have to be for net neutrality."

Net neutrality had been law since 2015 when the FCC voted to classify the internet as a Title II utility under the Communications Act of 1934. That gave the commission the authority to regulate internet service providers as utilities, or "common carriers."

Current FCC Chairman Ajit Pai, formerly associate general counsel for Verizon Communications, introduced a proposal to repeal that classification, in effect ending net neutrality, due to a concern that investment in internet infrastructure had slowed in the last two years.

"Repealing these heavy-handed regulations on internet service providers will give [internet service providers] a much stronger business case for spending scarce capital building out these networks," Pai told The Daily Signal in November.

Prior to the 2015 classification, the internet effectively functioned as if it were under net neutrality guidelines, but the rules of the industry had never been formalized under legislation. Some experts have said that any change to how an industry operates will have a noticeable effect on investment and business deals.

"Whenever you change something, you don't know the impact until years later," said **Gil Santalizi**, CEO and founder of **New Jersey Fiber Exchange**, a company that operates an internet infrastructure facility in Wall. "There have been businesses developed and mergers and acquisitions based on [the 2015 classification] and now we're talking about another change."

Using the internet requires transmitting data to and from connected devices such as computers, cellphones and tablets. Under net neutrality laws, the ISPs were obligated to treat all data

as the same. They only distinguished the amount of data used. For example, streaming video requires significantly more data than reading text articles, and many ISPs implemented "data caps" for customers who used an unusual amount of data per month.

With the repeal of net neutrality, ISPs are allowed to monetize the types of data being used no matter the volume. This allows them to create more lucrative revenue streams by charging consumers or businesses for priority access.

Critics such as **Mark Stogdill**, president and CEO of **Hammer Fiber Optics Holding Corp.** in Point Pleasant Beach, are concerned this could allow for anti-competitive tactics against small businesses or even promote censorship.

With the rollback in place, he said in an email, "ISPs will be able to block at their discretion any lawful traffic or content they want."

Companies like **Comcast** and Verizon can now offer "fast lanes" for websites owned by their parent companies. For example, Comcast owns both **NBCUniversal** and **MSNBC** and can offer a "fast lane" to Comcast customers for visiting **MSNBC.com**.

Alternatively, Comcast no longer is under obligation to provide a connection, "fast lane" or otherwise, to competing news services such as Fox News, The New York Times or **NJBIZ**. This could result in users not being able to access these websites or experience a connection so slow the website is virtually unusable.

If customers are unhappy with their ISP's business tactics, they can choose a different provider; however, Stogdill believes that's unrealistic.

"The issue is the consumer doesn't have choice," said Stogdill. "It's one thing to say Walmart doesn't carry your soda so you went to Target, but there is no secondary option."

In December 2013, then-FCC Chairman **Tom Wheeler** presented data that showed over 80 percent of Americans have only one ISP choice for internet speeds above 50 megabits per second (the slowest plan available through Verizon in New Jersey). Less than 15 percent of Americans have access to more than two choices for speeds below 4 megabits per second, a speed that would make it difficult to stream high definition video through services like YouTube or Netflix.

An ambitious entrepreneur may see the lack of choice as a valuable business

WHAT THE DEMISE OF NET NEUTRALITY MEANS FOR YOU

BY ARTHUR AUGUSTYN

The internet holds a unique position as one of modern day's most vital tools that few people truly understand. Technical jargon leaves behind anyone who isn't tech savvy and even if layman's terms are used, its infrastructure doesn't necessarily lend itself to precise analogies.

In the context of net neutrality, it's best to visualize the internet as a series of roads. Your internet service provider (ISP) owns the infrastructure that gets you from your computer to a popular destination such as **Facebook.com** or **Amazon.com**.

Net neutrality laws have ensured ISPs treat all destinations the same. Visiting a well-known website like **Netflix.com** is no different than visiting an independent blog. Your ISP charges a monthly rate for the speed at which you can access the road to your destination. Customers can use the speed they pay for on all roads to access all destinations.

Without net neutrality, ISPs will be allowed to offer "fast lanes" to specific destinations. For example, Comcast, which owns **NBCUniversal**, may offer a "fast lane" for its customers that visit **NBCU-owned** websites such as **MSNBC.com**.

opportunity, but Santalizi and Stogdill said the current system is built off of former monopolies, so creating new infrastructure is cost prohibitive.

"All the infrastructure you see today is when monopolies were in place," Santalizi said, referring to internet infrastructure built by the Bell System before it was dismantled in the 1980s.

According to Santalizi, many regions across the country have an "incumbent," an ISP that was once part of the Bell System monopoly before being spun off into its own entity. New Jersey's is Verizon.

"The core infrastructure is still owned by the incumbent and [they are] still allowed to monetize that," Stogdill said.

Independent companies like Hammer Fiber are allowed to use the incumbent's infrastructure, but are charged for this service, putting them at an inherent disadvantage. The cost of placing new infrastructure typically outweighs the potential revenue, Stogdill said.

Even if an independent like Hammer Fiber managed to invest in infrastructure and enter a new market, there's nothing stopping an ISP from blocking access to the competition's website.

"Could that happen? It seems like it," Stogdill said. "It's hard to say now whether the biggest ISP would even take that route if they could, it might just be a bridge too far."

The monopoly control of internet infrastructure makes it difficult for new companies to compete, which contrib-

On the other hand, ISPs would not be obligated to provide roads to all destinations and instead could charge "tolls" for accessing specific roads. For example, ISPs could charge tolls for accessing **The New York Times** or **Netflix**, whose websites are not owned by major conglomer-

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ates that control the ISP landscape. ISPs could avoid charging their own customers tolls and instead maintain business deals with companies like the Times or Netflix and charge these businesses for access to fast lanes.

If a company has a website, and it can't afford to pay an ISP for fast lanes, the

ISP no longer would have an obligation to maintain a road to their website. In this instance, customers may experience a slow connection to specific sites or not be able to reach them at all.

With net neutrality laws, all websites could be accessed by customers of any ISP. Removing net neutrality laws doesn't guarantee ISPs will implement tolls or fast lanes, but it does open the door.

Earlier this year, Comcast's website said the company "won't throttle back the speed at which content comes to you" and "doesn't prioritize internet traffic or create paid fast lanes." Those statements have since been removed.

uted to the FCC's 2015 decision to classify the internet as a form of public utility.

Other experts argue the internet has a unique status as a marketplace of consumer choice, which could be manipulated by ISPs without net neutrality protection.

"What is provided to the consumers might not reflect what they actually want," said **Priya Nagaraj**, a professor of economics and global business at **William Paterson University**. "[For] the producers and suppliers of content, the marketplace of exchange works against them."

Meanwhile, Pallone suggested congressional Democrats likely will pursue court action to reverse the repeal of net neutrality, arguing the method used to repeal the web's status as a public utility is illegal.

If such a challenge is unsuccessful, Pallone said Democrats will attempt to pass legislation that reaffirms net neutrality.

"Republicans are saying they'll pass legislation, but every time they propose legislation it has so many limitations it's not useful," he said.

According to Nagaraj, if net neutrality is not reinstated through judicial or legislative action, the U.S. will be one of just three countries that have internet infrastructure and no net neutrality protections.

"The only two countries that don't have it are China and Russia," she said.

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