



What Kind of Effect Will the Rollback of Net Neutrality Have on This Canadian Small Cap?

Description

Last month, Federal Communications Commission (FCC) chairman Ajit Pai got the victory he wanted when the FCC committee voted three to two to roll back the net neutrality rules, which had been put in place by President Obama in 2015.

Net neutrality essentially had the effect of treating the internet like a public utility, similar to companies that provide essential human needs, like electricity and heat.

Yet Pai, an appointee of Donald Trump, contends that the Obama-era legislation was largely based on “hypothetical harms and prophecies of doom.” A quick search of “net neutrality” online today will yield hundreds of articles and videos espousing exactly those “prophecies of doom” that Pai refers to.

It’s true that a successful repeal on net neutrality could have radical effects on the way Americans consume their internet; some of it does come off as a bit hyperbolic.

To understand, there are three basic elements of net neutrality:

First is the “blocking” of content. This would have the effect of allowing internet service providers (ISP’s) to lawfully block whatever content they want to. Since the dawn of the internet some 20 years ago, the world has experienced an unprecedented wave of access to unfiltered information.

Allowing ISPs to block or restrict content at their will would obviously have adverse consequences on many aspects of society that have benefited from the freedom of the internet.

The second and third elements don’t have so much to do with the issue of “free speech,” but rather are of a more of an economic impact on those parties involved.

The second element of net neutrality is “throttling,” which means ISPs that can speed up and slowdown broadband transmissions as they choose. This means that if an ISP doesn’t appreciate how customers binge-watching **Netflix, Inc.** ([NASDAQ:NFLX](#)) are using up all the broadband capacity, it could slow down, or throttle, those customers data speeds.

The third and final element is “paid prioritization,” which implies that [ISP’s could charge users more for certain premium content and services](#), like video Netflix’s video streaming service or **DHX MEDIA COM VTG ORD’s** (TSX:DHX.B)([NASDAQ:DHXM](#)) YouTube channels.

Bottom line

Many people, both big and small, have already hit the digital airwaves with force, launching campaigns to fight against the impending repeal of net neutrality.

Right now, the future remains very uncertain with many forecasting that the battle will be fought out in court over the next several years.

A successful repeal would likely have dire consequences for those streaming premium content like television shows over the internet, either through impacts from throttling or paid prioritization.

While [Netflix, today an US\\$83 billion dollar company](#), will be relatively more insulated now than if the changes had gone through in 2015, DHX Media, with a market cap just north of US\$600 million, finds itself in a precarious spot.

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