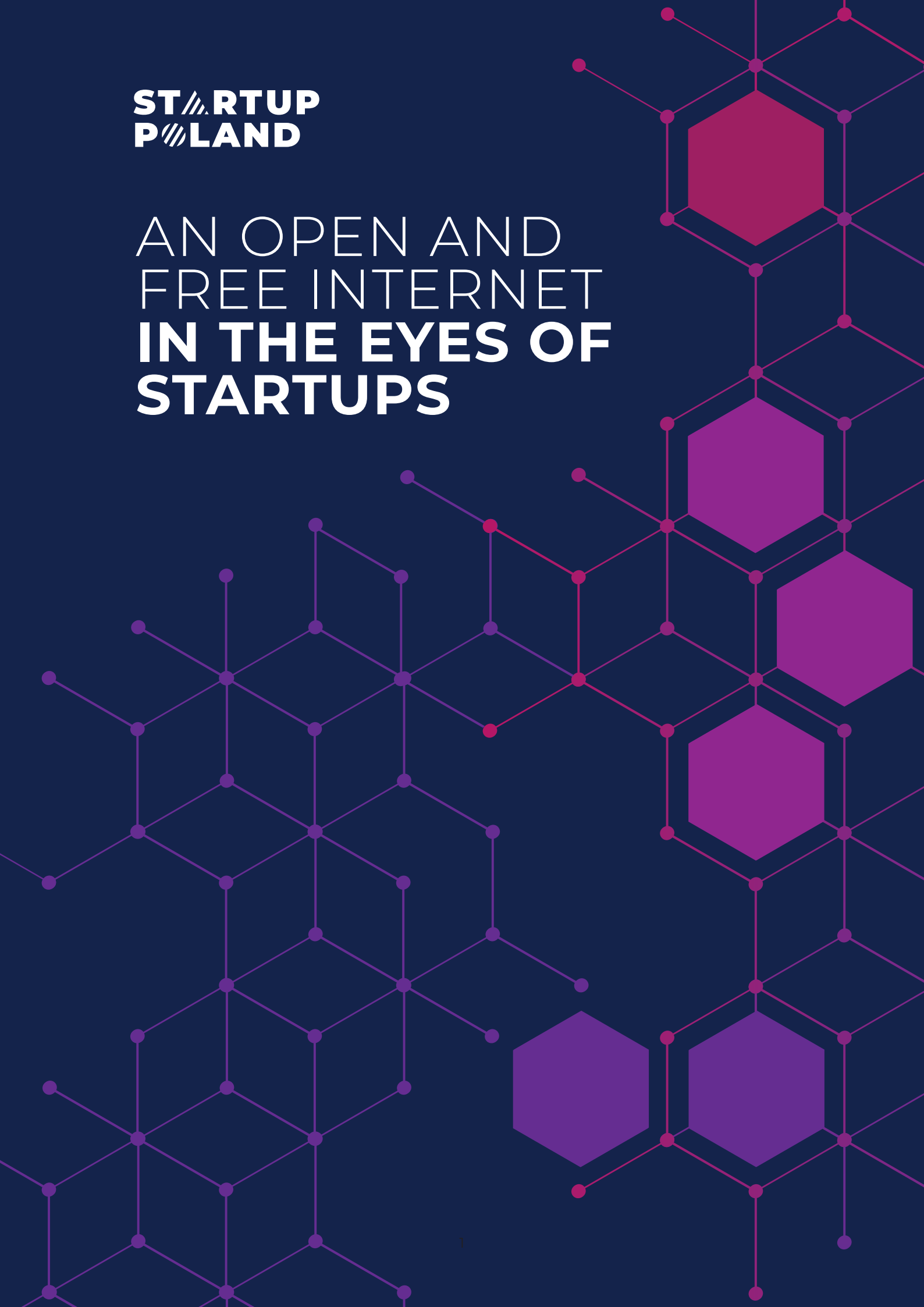


**ST//RTUP  
P//LAND**

AN OPEN AND  
FREE INTERNET  
**IN THE EYES OF  
STARTUPS**



# STARTUP POLAND

## **AN OPEN AND FREE INTERNET IN THE EYES OF STARTUPS**

Startup Poland, Warszawa 2023

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# Abstract

The purpose of this study was to assess the potential impact of changes to the principle of net neutrality on startups in CEE Member States. The aims of its authors were threefold: first, to assess the level of knowledge and awareness of the issue at stake; second, to study the views of startup representatives on how the introduction of a two-speed internet would affect their businesses; third, to contribute to the ongoing EU exploratory consultation, along with startups that want to comment on the scope of new initiatives and existing legislation, as well as express their concerns.

The survey was conducted using the CAVI method on a group of 146 subjects from 6 countries: Bulgaria, Croatia, Hungary, Lithuania, Poland, and Romania.

The results show that startups are concerned about the various potential threats to net neutrality which might affect their businesses. The vast majority of respondents admitted that increasing broadband and content prices would make it harder to run a startup in an already difficult economic environment. “Throttling, or slowing down delivery, unless one pays more to telecom operators” is an issue for 77% of startups.

The report also includes commentaries by industry leaders voicing their opinions about the proposed regulatory developments.

# Top 5 Facts

- 1. Almost all startups (97%) confirmed that network fees would make it harder to develop unicorns.**
- 2. A significant majority of startups, 72%, see potential negative effects for fundraising if network fees are imposed.**
- 3. 86% of startups are convinced that net neutrality has a vital impact on innovation.**
- 4. Equal opportunities for all companies are essential for them to be able to compete.**
- 5. CEE startups, even if they are confident about their everyday business, feel threatened by a regulatory framework that is evolving dynamically.**



# Preface

Public policy is one of the main pillars of Startup Poland's activities as a think tank representing the voice of Polish startups. Whether created in capitals or Brussels, it may seem at first glance that legislation does not affect startups. However, this legislation may generate unintended barriers or additional obligations that were not considered by those setting up startups (or investing in one). Startup Poland is striving to highlight important issues for the EU's digital ecosystem, and this report on net neutrality and its impact on startups is an excellent example of our activities.

When we learned about the European Commission's potential plans regarding the net neutrality principle at the end of 2022, we immediately began to consider their impact on startups. We undertook several discussions with representatives of startups in this regard, some of which are presented in the report. In addition, on March 6, 2023, together with other startup organizations from Europe, we published the One23 Startup Manifesto, where we defined 5 pillars that legislators should consider in the context of startups. These pillars are: (i) Fostering data-driven innovation, (ii) Creating a fair and level playing field for artificial intelligence, (iii) Building cross-border ecosystems, (iv) Ensuring net neutrality as the foundation for innovation and growth, (v) Embrace collaboration and investment in future technologies.

In principle, the open internet offers equal opportunities for all companies to compete (especially startups) regardless of the resources they may have at their disposal. The report contains a summary of net neutrality and what it entails but we did not want to base our opinions solely on our own interpretation of the existing law i.e. that free and open access to the internet is key for startups in Europe and a basic



principle of the European internet infrastructure. Instead, we asked CEE startups directly (from Poland, Bulgaria, Romania, Lithuania, Croatia, Hungary) what they thought about the proposed changes and the results of our survey can also be found in this report. To the best of our knowledge, this is the first such survey on this subject and on this group of respondents.

As we did in the One23 Startup Manifesto, Startup Poland would like to emphasize that „startups benefit from the principle of net neutrality for making it possible to provide products and services to customers all over the world, generate economic growth, meet growing consumer demands, and increase consumer choice.” Changes in this regard could result in a slowdown in innovation but also reduce the attractiveness of Europe as an investment destination. Therefore, bearing in mind that the consultation process is ongoing, we present the findings of our report for discussion and consideration.

Disclaimer: We invited several representatives of public offices with interests in the topic to contribute during the consultation phase. However, they declined to give us an official comment.

**Tomasz Snażyk**

CEO

Startup Poland





# Introduction

A new discussion on net neutrality issues has recently begun in Brussels.

Since the authors of this report, the Startup Poland Foundation, represent Polish startups in dialogue with local government and European institutions, the discussion on proposed changes to the Open Internet Regulation, initiated by telecom companies at the EU level, served as the impulse to study how it might affect startups. Naturally, we wanted to consider this question in relation to Poland but also in other CEE countries such as Bulgaria, Croatia, Hungary, Lithuania, and Romania.

Organizations like Startup Poland should keep a close eye on any legislative changes, especially those that may have negative consequences for startups, and react when their rights may potentially be undermined. The most important factor is an awareness of the opinions of startups on a given subject, promoting dialogue to learn how they feel about a particular problem. Only a deeper analysis of the situation should result in a specific action being taken.

That is why Startup Poland decided to take a closer look at the ongoing debate and conduct a survey on young and innovative companies facing the new potential problem regarding internet fees.

The report contains two main chapters and three other sections: the top 5 most interesting facts from the survey, a foreword from the Startup Poland CEO and a short summary. While working on the report, its authors not only conducted a fascinating survey but also asked startups and other startup-related agents to present their opinions in shorter and longer commentaries in terms of the potential changes affecting net neutrality.

The first chapter was dedicated to defining net neutrality, exploring the reasons why the internet must be kept open and neutral, together with the legal aspects of net neutrality in the EU.

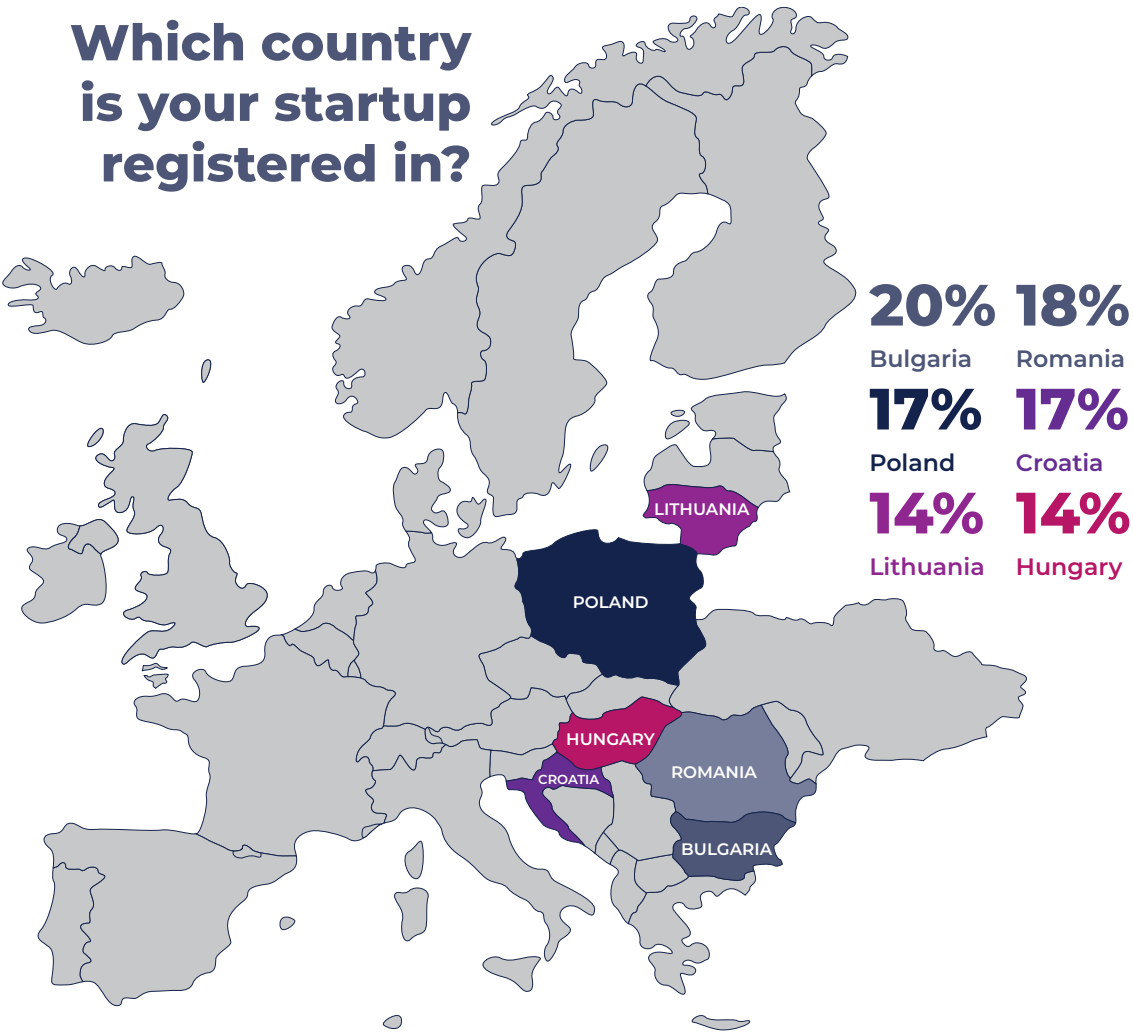
The second chapter is a summary of the research conducted. The authors present the data obtained from the survey, considering the current situation in the CEE startup market to better understand the responses of the startups.

The methodology of the conducted survey, together with the profiles of respondents, is presented in the methodological section at the beginning of the report.

# Methodology

This is the first example of research of its kind in the CEE region, focusing on the principle of net neutrality and network fees from the perspective of local startups. The Startup Poland Foundation, with the support of other European based organizations such as Startup Hungary, aimed at determining how startups feel about potential legal changes impacting the Open Internet Regulation and how it might influence their business.

In total, 143 startups participated in the study. To ensure the high quality of the research, the responses were verified by applying a filter and asking selected questions twice to confirm compliance. 28 of the startups were from Bulgaria, 26 from Romania, 25 from Poland, 24 from Croatia, 20 from Hungary, and 20 from Lithuania. This number of responses allows us to draw comprehensive conclusions about the perspectives of CEE startups regarding the topic.



Before checking how startups perceive potential changes, we wanted to get to know our respondents better. We asked several questions in order to build an accurate profile of our survey participants and better understand their responses. Since young and innovative companies are extremely important for economic growth, we decided to ask about the total income of the startups in 2022. Almost 50% of respondents had an income above 100,000 EUR. This can be directly attributed to the fact that the surveyed startups are relatively young and are still within the growing business phase. 14% admitted that their revenue was in the range of 100,001 – 250,000 EUR; 10% indicated 250,001 – 500,000 EUR; 9% - 500,001 – 1,000,000 EUR. Finally, 1% of respondents declared a revenue of 2 mln, 1% of 2-5 mln EUR; 1% of 5-10 mln EUR, and 1% earned more than 10 mln EUR. 10% of the startups declined to answer this question.

The next question was about market presence - 31% of the respondents had 3-4 years of experience, 30% - 1-2 years, and 29% of surveyed startups declared that they were older than 5 years. Only 10% of respondents declared that their startups were younger than 1 year.

A sizable majority (71%) of respondents held decision-making positions. Most of the respondents were founders of the startup, 36%, while 30% defined themselves as “specialists, who have an impact on decision-making”. 20% were managers and 15% were board members. We also checked what industries are represented by the participating startups: design – 17%, e-commerce – 12%, education – 11%, content – 9%, crypto – 7%, management – 7%, energy – 6%, games – 6%, industry 4.0 – 5%, AI – 4%, other – 16%. Regarding the size of the startups, 30% of respondents were run in the form of sole proprietorship. 25% of the surveyed startups operate in 1-3 person teams and the other 25% have 4 to 10 people. There were also larger companies: 11 - 12 people - 7%, 21-50 - 9%, and over 51 people - 3%.

The survey was conducted between February 24 and March 03, 2023, using the computer-assisted web interviewing (CAWI) technique.



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# Chapter I

## What is Net Neutrality?

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## What is Net Neutrality?

### 1. Definition of Net Neutrality

Net neutrality<sup>1</sup> is the principle that every type of data transfer on the internet should be treated equally. The opposite of net neutrality would be situations in which transmission is differentiated, particularly due to the type of data transmitted, the manner in which it is sent, and the senders and recipients.

Obviously, not all interference with how data is transmitted is bad. For example, we can prioritize certain services to ensure that there are no delays or interruptions during data transfers. There are technical solutions addressing such problems, and their application is in the interest of Internet Service Providers, as well as any user who cares about the quality of the connection and access to services available on the Internet. Problems and violations of the principle of net neutrality arise when the Internet Service Provider decides on the priority of one of several services serving the same purpose.

### 2. What Happens if Net Neutrality is Not Respected?

Any threat to the net neutrality principle constitutes a threat to an open and free internet. Why? Because non-compliance with the principle of net neutrality in practice means agreements between Internet Service Providers and Content Providers to treat a given service as a priority, for which the end-user will have to pay. If the net neutrality principle is not safeguarded, the internet will shift to a supply-and-demand market in the sense that priority will be given to those who pay more. Promising startups lacking significant capital would lose any chance of competing and reaching their clients on the same basis as their competitors. The precise mechanism allowing the prioritization of some services would also allow others to be slowed down or even blocked, leading to censorship on the internet.

If the net neutrality principle is not enforced, it is conceivable that the internet will become available in different forms. There will be basic packages, where some services will work and others will not, and unlimited packages for the rich with full access to all services. We could compare this situation to the selective delivery of electricity, water, or telephone services.



### 3. Net Neutrality: EU Legislation

The principle of net neutrality is legally guaranteed at the level of the European Union. The legal regulation that ensures compliance with net neutrality is the so-called Open Internet Regulation (Regulation (EU) 2015/2120)<sup>2</sup> where article 3(3) lays down measures concerning open internet access.

EU Regulation 2015/2120 clearly establishes the general principle that all traffic must be treated equally without discrimination, restriction, or interference, and irrespective of the sender and receiver, the content accessed or distributed, the applications or services used or provided, or the terminal equipment used. Reasonable traffic management measures would only be acceptable if they are transparent, non-discriminatory, and proportionate. They should not be based on “commercial considerations but on objectively different technical quality of service requirements of specific categories of traffic”, “do not monitor the specific content” and are not maintained for longer than necessary.

This means that any practices which go beyond these reasonable traffic management measures, by “blocking, slowing down, altering, restricting, interfering with, degrading, or discriminating between specific content, applications or services, or specific categories of content, applications, or services”, are prohibited.



#### Did you know?

77% of startups agree that the need to increase the price of their service would have a negative effect on their competitiveness

The wording of the provisions in Regulation 2015/2120 is unclear, however, and does not indicate how net neutrality should be interpreted in the context of three issues in particular: Internet traffic management, specialized services, and zero rating. Therefore, on August 30, 2016, BEREC<sup>3</sup> issued guidelines on the interpretation of Regulation 2015/2120. These guidelines are addressed to the national regulatory authorities that BEREC brings together. The aim of BEREC’s guidelines was to clarify how net neutrality should be understood and guaranteed in the European Union.

Zero-rating, internet traffic management, and specialized services violate the principle of net neutrality but may be justified in specific cases. The BEREC guidelines specify these exceptions. The guidelines clearly show that the EU sought to restrictively regulate the principle of neutrality, and deviations from it must be strongly justified in terms of the necessity and proportionality of any such action.



### Did you know?

82% of startups are concerned that previously free of charge content could become paid

## 4. The Undermining of Net Neutrality

It is worth noting that the legal regulations regarding net neutrality and the need to enforce it have become stronger and stronger, demonstrating the importance and necessity of maintaining a free internet available to all on the same terms. Despite this, the issue of undermining net neutrality has recently resurfaced in the public debate addressing a long-standing complaint of telecom operators accusing online platforms of consuming data without paying for the costs of that capacity.

The issue of net neutrality surfaced when the Commissioner for the Internal Market, Thierry Breton, said in an interview on 2 May 2022 that telecoms operators weren't getting "the right return on investment" from maintaining their networks, and it was time "to reorganize the fair remuneration of the networks."<sup>4</sup>

## 5. The Consultation by the European Commission

The European Commission launched an exploratory consultation on 23 February 2023 to gather views on the potential developments of the connectivity sector and its infrastructure. The issue whether to introduce an "infrastructure levy" on large online platforms/large Content and Application Providers (CAPs), defined as Large Traffic Generators (or LTGs), to help fund infrastructure development in Europe had already been consulted internally. An infrastructure levy would mandate LTGs to either pay or negotiate a payment to ISPs in return for using their infrastructure to reach end-users. Net neutrality is at stake. The consultation is open until 19 May 2023.

# Comment on Net Neutrality and the Proposed Imposition of a Network Fee

Over a decade since the last attempt to introduce a network fee, we are once more engaged in a public discussion on the issue. The outcome of this conversation may reshape the landscape of both the digitally transforming economy and European society. Poland and other Central Eastern European countries should be particularly invested in the debate - the region's digital economies are among the fastest growing in Europe and are looking to increase by €206 bln by 2023. However, despite the stakes being so high, concerns voiced by consumers and enterprises more than ten years ago remain valid today.

Imposing a fee on online content and application service providers is bound to cause less-efficient traffic flows, higher prices, and lower content quality, negatively impacting the diversity of products and stifling digital growth. While the views of consumer and enterprise organizations on the issue are well established, it is important for us to take a closer look at the approach of startups in particular. SMEs are the backbone of the Polish economy (responsible for virtually half of the country's GDP) as well as of other Central Eastern European countries.

Despite a relatively low level of awareness among startups of the net neutrality principle, also threatened by the network fee proposal, among startups, the vast majority of them realize that increasing broadband and content prices will make it harder for them to run their companies. Thus, gaining insight into the startup community's approach towards the proposed network fee and further dissemination of the report's findings are much needed. Raising awareness about these issues and the risks we are facing is a vital task we have to address as an industry.

**Michał Kanownik**

Chairman of the Board.  
ZIPSEE Digital Poland



# How Does Introducing Network Fees Endanger Startup Ecosystems?

The European Commission has announced its intent to make large online platforms contribute to the cost of telecom networks in the form of a levy. While well-intentioned, these levies could have lasting negative repercussions for startups, the global digital economy, and the internet as we know it today. Allied for Startups and its Members are concerned about how the introduction of new network fees will alter the entirety of the internet ecosystem and make startups less competitive.

Here's why:

Introducing a network fee incentivizes prejudicial traffic management: In 2015 the EU passed the Open Internet Regulation, which ensures that internet traffic is treated without discrimination, blocking, throttling, or prioritization, commonly referred to as net neutrality. Net neutrality allows for all internet actors, whether big or small, to compete on the basis of equal bandwidth, making the internet an engine of innovation and free speech.

Before this regulation, net neutrality violations were common practices, which meant that some internet content was blocked or slowed down by telecommunications companies. Let's imagine you are watching your favorite online show and it suddenly stops or slows down because your hired internet service provider wants to get paid – or get paid more – for the content you are watching, even though you, as a consumer, have already paid for that content and access to the entirety of the internet. That's a violation of the principle of net neutrality.

The imposition of network fees by telecommunications companies, which are market-dominant players, could result in the blocking or throttling of content. This means that users would no longer be able to use services, creating a two-tiered internet in which only those who could pay the fees would be able to offer their services and products. This will disproportionately affect smaller players with fewer resources, such as startups, as well as consumers.

Thresholds disincentivize growth and competition: The debate is currently focused on forcing large content providers to pay for network access, most likely disincentivizing startups from scaling and competing against incumbents. Creating such a scenario would cement the position of large content providers in the system, making it very difficult for smaller actors to compete with them. In addition, this creates a slippery slope for the telecoms providers, leading them to demand payment from all content producers, big or small, in the future. Startups and smaller economic actors will also be asked to pay for internet usage, significantly limiting their ability to innovate.

Startup Investors will be discouraged by a two-tiered internet: The internet as we know it has allowed startups to compete with incumbents on the basis of their service or product., Charging different prices for the amount of data transferred would create a disincentive for startups to grow and become unicorns, hence making the startup funding business model significantly less attractive and efficient. The threat of a two-tiered, or even multi-tiered, internet would discourage investment in startups potentially impacted a telecoms company demanding payment or a throttling internet. This would have a knock-on effect on content creation, innovation, and competition – as well as ultimately users. Merely the threat of a two-tiered internet would discourage investment in startups, especially those that offer services competing against incumbents.

Maintaining a free and open internet is essential to preserving the Internet as we know it. It has allowed new voices to be heard, innovation to thrive, a competitive market to flourish and for startups to be able to compete against incumbents. Despite the Commission’s insistence that the net neutrality principle will not be affected by a potential network fee, imposing such a levy would have profound implications for startups, the entirety of the digital internet ecosystem and inevitably create a conducive environment for infringements of the net neutrality principle to arise. Network fees are not only incompatible with a free and open Internet, but it is also likely that the effect of the levy will impact every aspect of the Internet, discouraging growth, investment, and competition.

**Ines Moreno**

Operations & Growth Director  
Allied for Startups





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# Chapter II

## Why Net Neutrality is so Important for CEE Startups

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## Why Net Neutrality is so Important for CEE Startups

### 1. The Impact of Net Neutrality on Innovation

Startups are often subject to legislative changes without even being aware of them. They are focused on their core business, fundraising, customer acquisition, improving their software or hardware, implementation, marketing, and many other activities necessary for scaling their businesses. On the other hand, startups do not have large legal and compliance budgets that would allow them to monitor ongoing legislative developments. Startups very frequently consist of teams of up to 10 people striving to develop new tech solutions often aimed at solving the most burning global issues such as power production, the storage of energy obtained from alternative sources, or water purification.



#### Did you know?

72% of startups see negative effects of potential changes in network fees in fundraising

The fact that the world needs such startups is undisputed. Legislators and ecosystem stakeholders should do everything in their power to support young entrepreneurs and enforce procedures existing in EU law aimed at providing legal stability. Running a startup is very demanding, requires knowledge in various areas, and self-discipline. Keeping track of the constant changes in European legislation is naturally important, but for many founders it is also an additional burden.

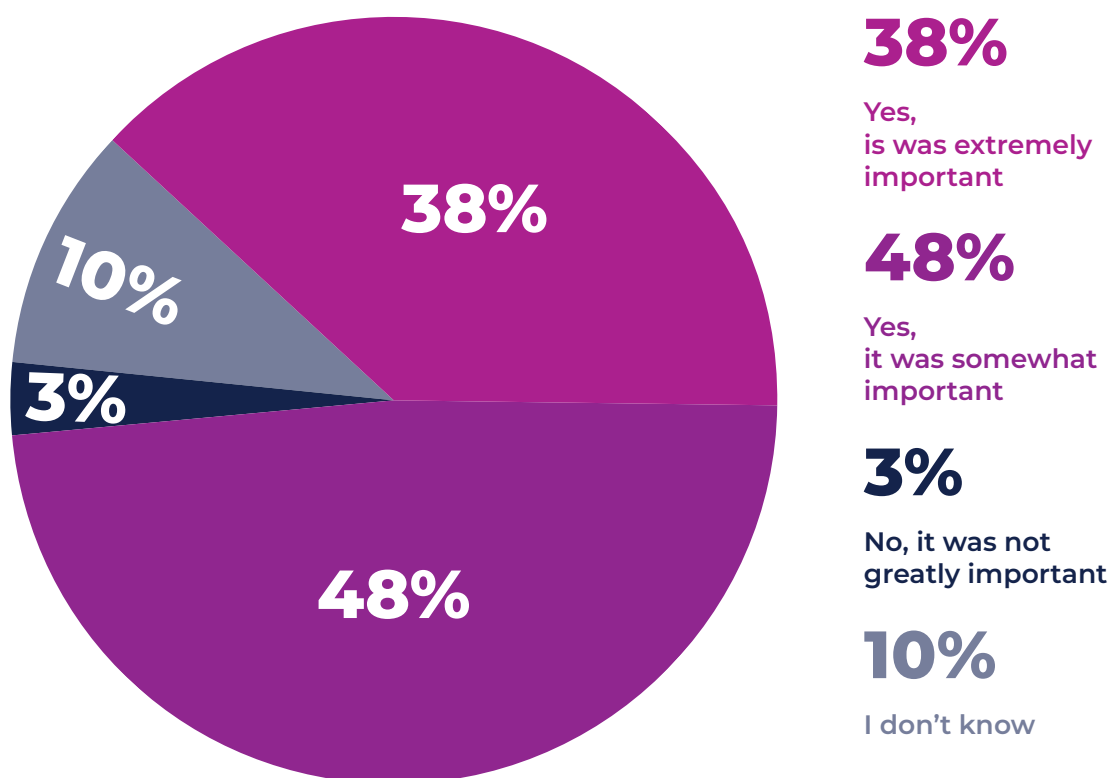
Keeping this in mind, Startup Poland decided to reach out to startups directly and ask them for their views on the explanatory consultation on the new network fee.



We asked startups from 6 CEE countries about net neutrality concept and 58% of responders claimed that they were familiar with it. Startups that were unfamiliar with the concept were provided with the relevant definitions and examples developed by Ofcom.<sup>5</sup>

Below we're presenting the results of the study.

## In your opinion, was net neutrality important in boosting innovation on the internet?



An overwhelming majority of respondents agreed that neutrality played a role in boosting innovation on the internet, with 38% of respondents recognizing it as extremely important, and a further 48% as somewhat important. Significantly, only 3% of respondents stated that net neutrality was not greatly important, while no startup claimed that it was not important.

CEE countries (Croatia - 96%, Poland - 92%, and Hungary - 90%) have no doubts that net neutrality helps maintain the high pace of the development of innovative solutions. Interestingly, the answers only differ slightly between respondents who declared

that they had knowledge of the subject matter and those who did not. Among those who answered “no” to the first question, 13% did not know if net neutrality boosted innovation on the internet. Only 7% of startups familiar with the topic had some doubts. Summing up, almost all of the CEE startups surveyed agree that net neutrality has a positive impact on innovation. The internet has become a necessary tool for developing each and every business. It not only drives innovation but also plays host to it, with companies basing their functioning on the internet. We are now entering the metaverse and access to the internet is no longer a privilege but a fact of daily life.

Net neutrality is the fundamental principle that ensures an open and free internet, where all data is treated equally and internet service providers (ISPs) are not allowed to discriminate against any particular websites, apps or services, enabling every individual and business to compete on a level playing field and facilitating the exchange of ideas and information without fear of censorship or manipulation by those with the power to control access to the internet, thus safeguarding the democratic ideals of freedom of speech and expression that have been at the core of the internet since its inception.

**Artur Kurasiński**

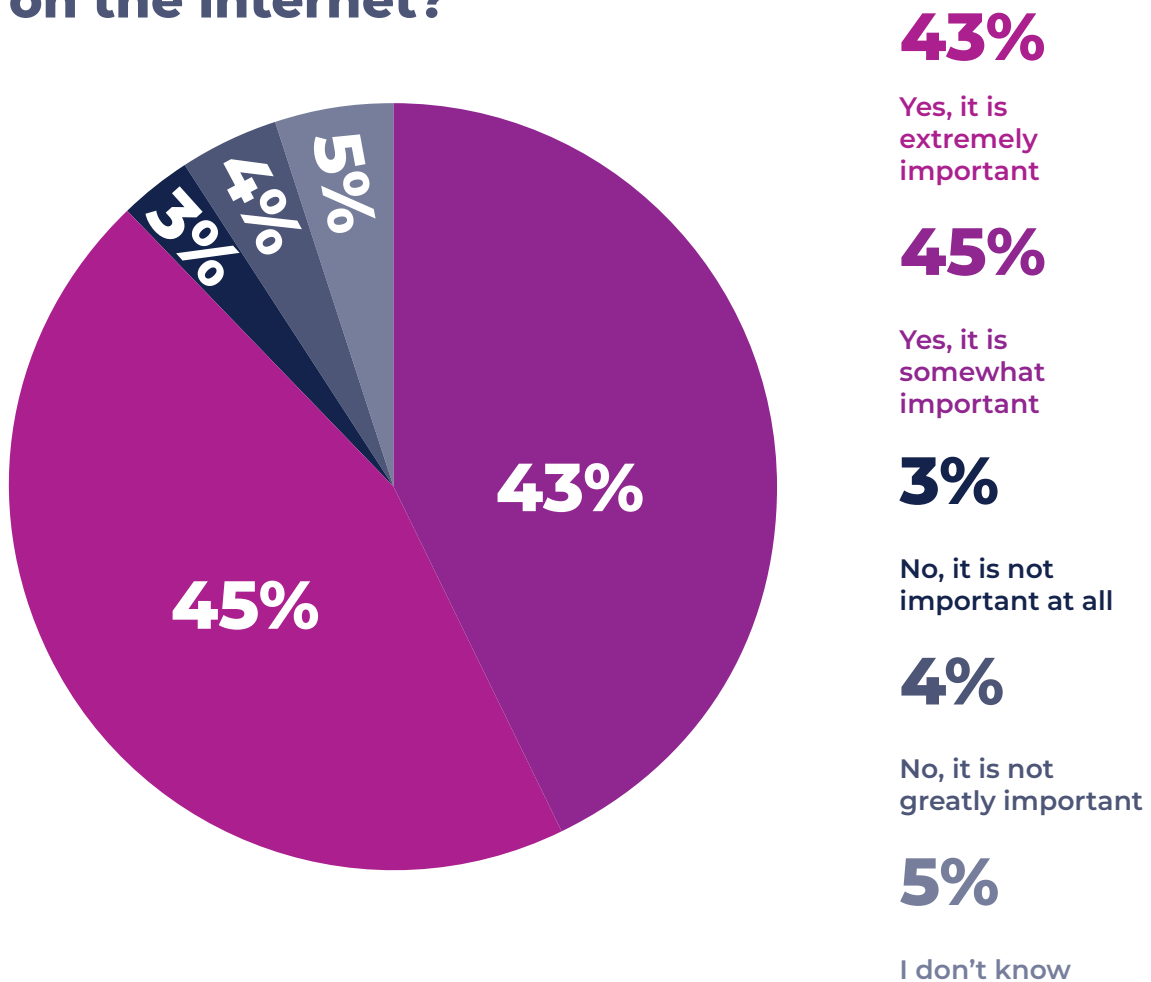
Creator, investor and entrepreneur



## 2. Equality is Key

Since internet users prefer responsive websites, just a one-second delay can cause a loss of interest, and this is where bandwidth discrimination by ISPs can lead to problems.<sup>6</sup> For instance, if the sites of small business do not load as fast as those of larger companies, it is the small ones that will suffer. With this in mind, we asked respondents: “Is it important, in terms of the growth and development of startups, for all data to be treated equally on the internet?”

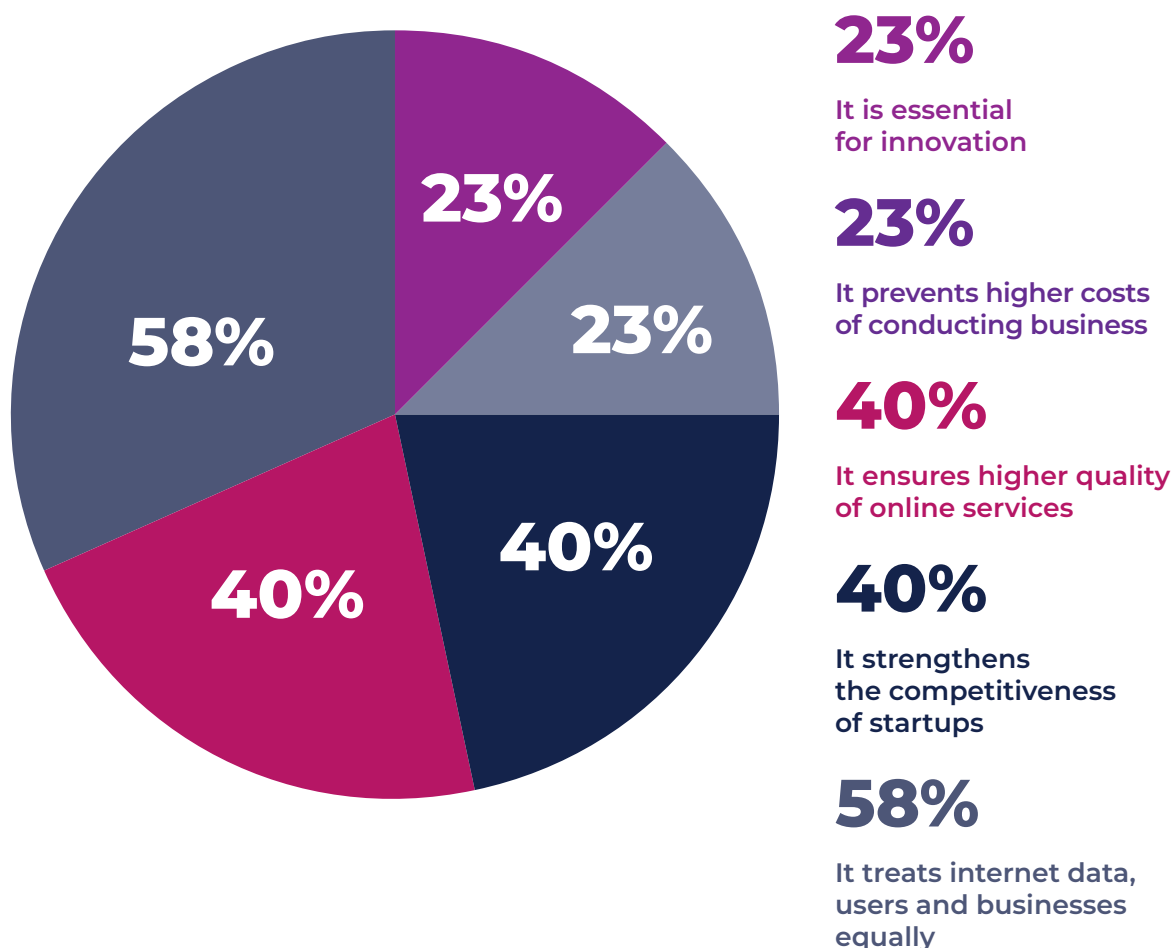
### In your opinion, is it important, in terms of growth and development of startups, for all data to be treated equally on the internet?



Clearly, the surveyed startups have no doubts that equality on the internet is crucial. For 88% it was important, while only 7% did not notice the importance of the issue and 5% were undecided. Here is how the results are distributed by country in terms of importance: Poland - 92%, Romania - 92%, Hungary - 90%, Lithuania - 90%, Croatia - 84%, Bulgaria - 82%.

This point was also confirmed in the answers to the multiple-choice question: “Why is it important in terms of the growth and development of startups, for all data to be treated equally on the internet?” A majority of startups responded that “it treats internet data, users, and business equally” as well as the answers “it strengthens the competitiveness of startups” and “it ensures higher quality of online services”. The fact that “it is essential for innovation” and “it prevents higher costs of conducting business” was noted by 23% respondents each.

## Why is it important, in terms of growth and development of startups, for all data to be treated equally on the internet?



It is also worth knowing which aspects are crucial for different countries. 48% of Bulgarians are in favor of ensuring the quality of online services. 75% of Romanian respondents claimed that equality is the most important factor, with 61% Polish startups also selecting this as the most popular option.

70% of Croatian respondents surveyed and 50% of Lithuanians believed that strengthening the competitiveness of startups is essential. Hungary had two most popular answers, with “it strengthens the competitiveness of startups” and “It treats internet data, users and businesses equally”, attracting 56% each.

Those answers lead to the clear conclusion that startups perceive equal opportunities as an essential factor in order to be able to compete, with the matter of the size of the company and its resources at their disposal being secondary in this regard. The most important thing is that everyone ultimately has the same opportunity to enjoy success.

When it comes to the opinion on “does the current model, where all traffic on the internet is treated equally, require an intervention” most of the surveyed startups, 47%, just didn’t know. This may be due to the complexity of legal issues, which are difficult for the majority of small companies to understand. 18% of respondents admitted that it requires “substantive changes”; 24% said “it requires some changes” and 12% think that “it does not require any changes”.

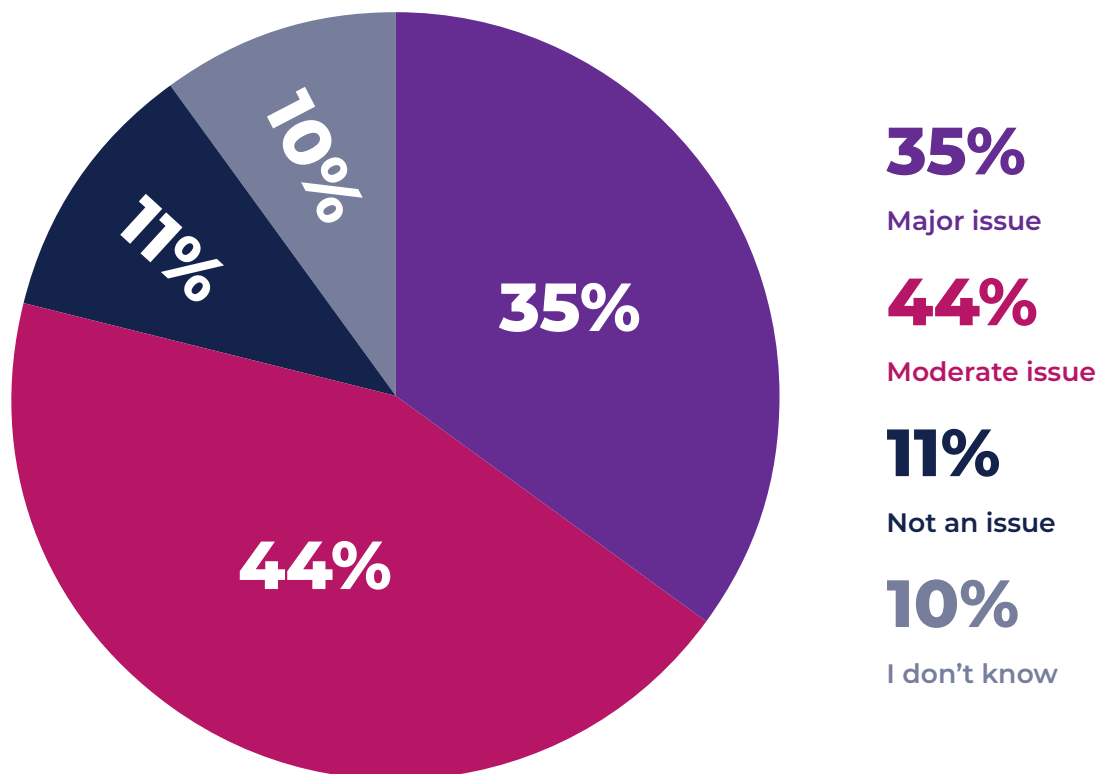
Answers to the next question were distributed fairly evenly. We asked “Should certain companies that develop online content and applications pay additional fees to deliver service/content to internet users?”. 38% of companies said “yes”, 31% chose “no” and 30% opted for “I don’t know”.

### 3. Strength of Startups

We also decided to check how various changes to net neutrality and the internet might not only affect CEE startups but the entire ecosystem.

As a first potential change, we highlighted "Throttling, or slowing down the delivery, of some websites and/or online services". For 44% of respondents, it was a "moderate issue"; 35% selected the option of "major issue", while for 11% it was "not an issue" and 10% didn't decide. This issue emerged as the most important for Hungary, with 55% selecting it.

## Throttling, or slowing down the delivery, of some websites and/or online services



Respondents had very similar opinions on the second potential threat which concerned "Throttling, or slowing down delivery, unless one pays telecom operators extra". For 43% of startups it is a "moderate issue", for 34% it is a "major issue", while for 10% it was "not an issue" and 13% didn't know. Once again, Hungarian startups indicated that this was the most important, with 45% of them choosing this option.

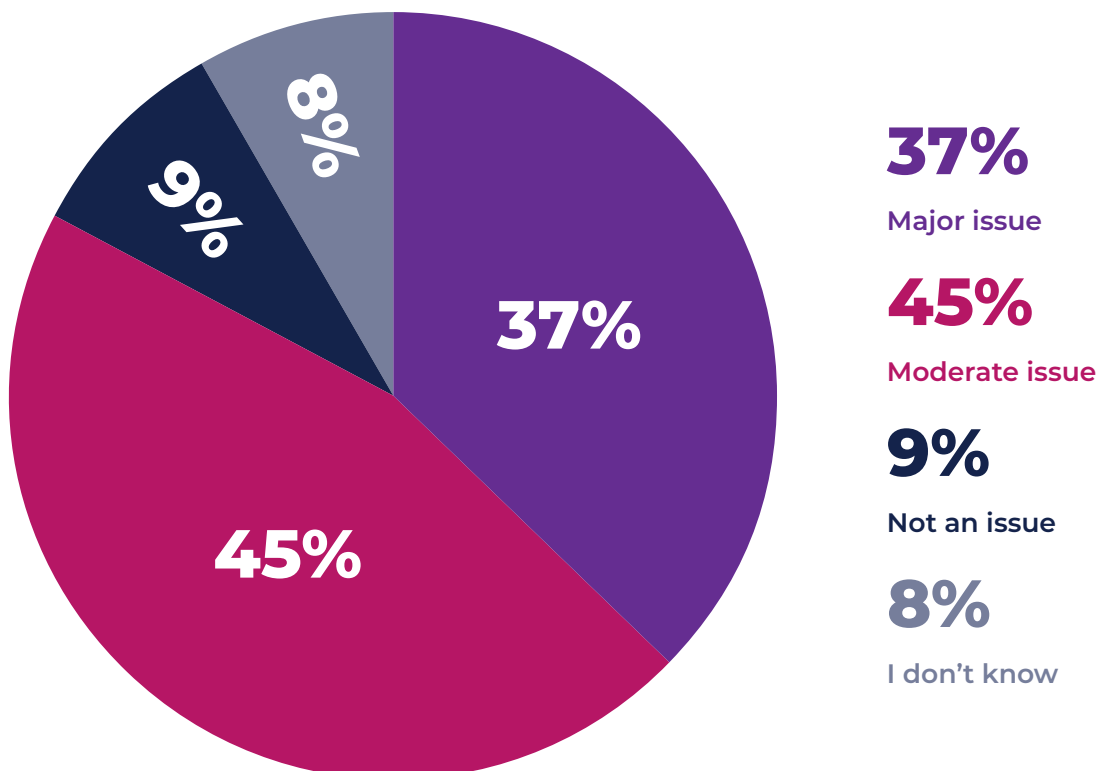


### Did you know?

77% of startups don't like the idea of paying telecom operators extra

Regarding the problem of content, which was previously free of charge and might become paid as a result of charging certain traffic more, most of those surveyed, 45%, saw it as a "moderate issue". 37% thought it was a "major issue" and only 9% didn't see any problem with the issue. Croatia was to the fore here, with 46% recognizing it as an issue for their operations.

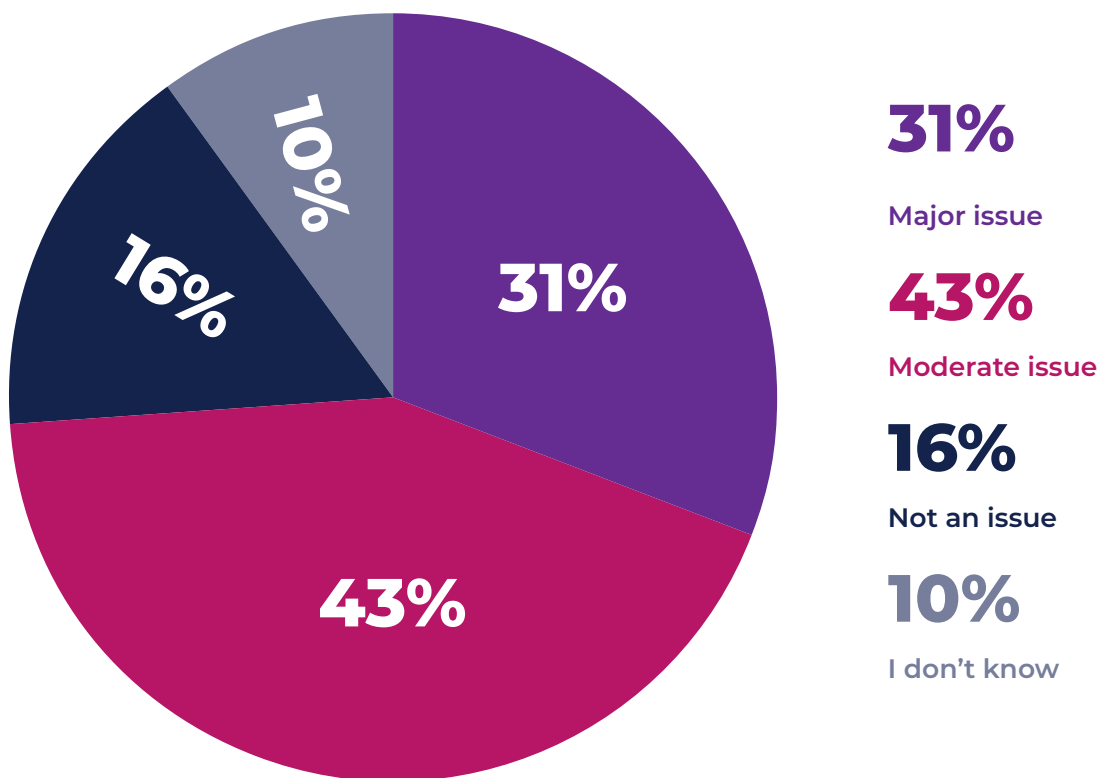
## Previously free of charge content becomes paid / more expensive as a result of charging certain traffic more



The next potential change is “increasing the monthly broadband subscription cost for users”. It seems that this problem is very important for Hungary - 40%. In general, the answers given were as follows: 43% - “moderate issue”, 31% - “major issue”, 16% - “not an issue”, 10% - don’t know.

We once again raised the potential problem of the negative impact on competitiveness due to the need to increase the price of startup services for users. Once again, startups admitted that this could be a real threat for them. 74% of those surveyed consider this matter to be an issue: 43% saw it as a “moderate issue”, and 31% selected “major issue”. In contrast, only 16% thought it was “not an issue” and 10% remain unconvinced. Croatia took the lead with 92%. This demonstrates once again that startups really want to start on a level playing field.

## Increase in the monthly broadband subscription cost for users



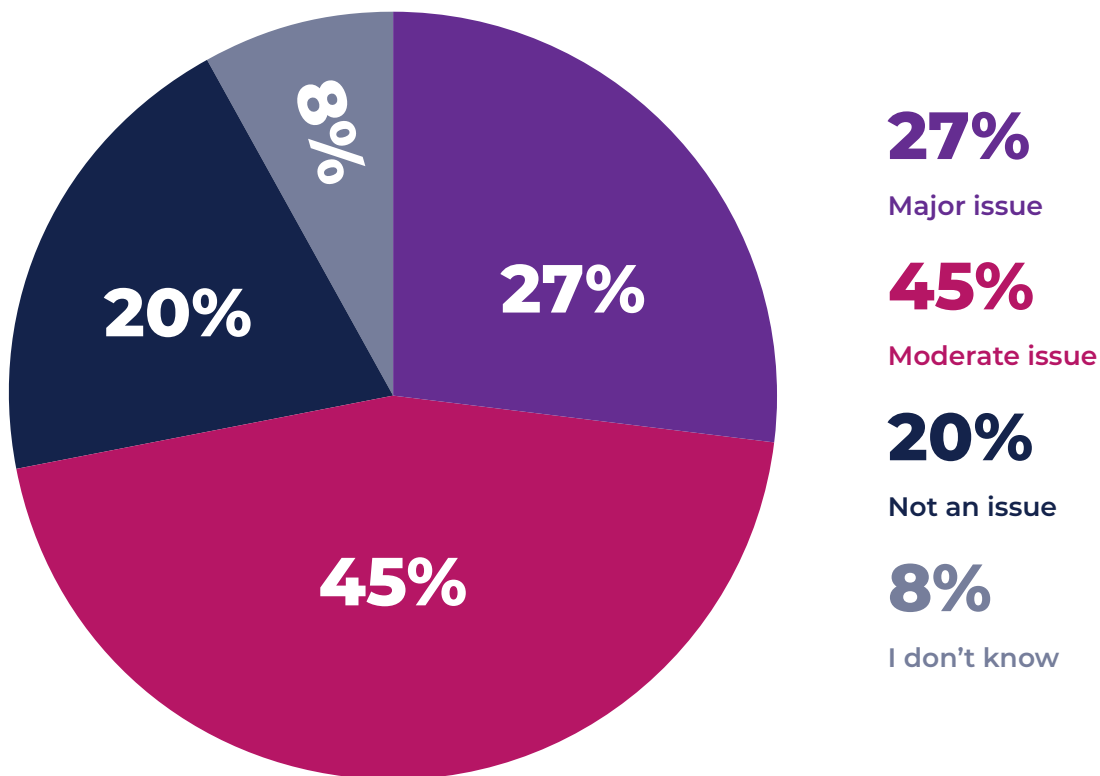
The surveyed startups were also asked about their opinions concerning “Worsening of services quality due to slower delivery speed”. 48% considered this to be a “moderate issue”, 31% chose “major issue”, 12% don’t think it is an issue and 9% don’t know.



When it comes to budgetary constraints for advertising and marketing stemming from potentially higher costs of the internet access the CEE startups which took part in the survey were once again consistent. 79% perceive this potential change as an issue. For 50% it is a “moderate issue” and a “major issue” for 29%. It was only “not an issue” for 13%. Poland is definitely in first place here, with 96% of respondents remarking on the problem.

The issue of the “negative effects on fundraising” turned out to be moderate for 45% of respondents; major for 27% and irrelevant for 20%. Again, Polish startups are the most concerned about the problem, with 52% of respondents considering this issue to be “moderate” and 32% as “major”.

## Negative effects on fundraising



We identified one more threat among the potential changes that might affect business development: “Intentional slowing down of growth (number of users), in order not to surpass the threshold applying additional fee”. 81% of startups consider it an issue (52% “moderate issue”, 29% “major issue”) while 10% opted for „don't know” and 9% „not an issue”).

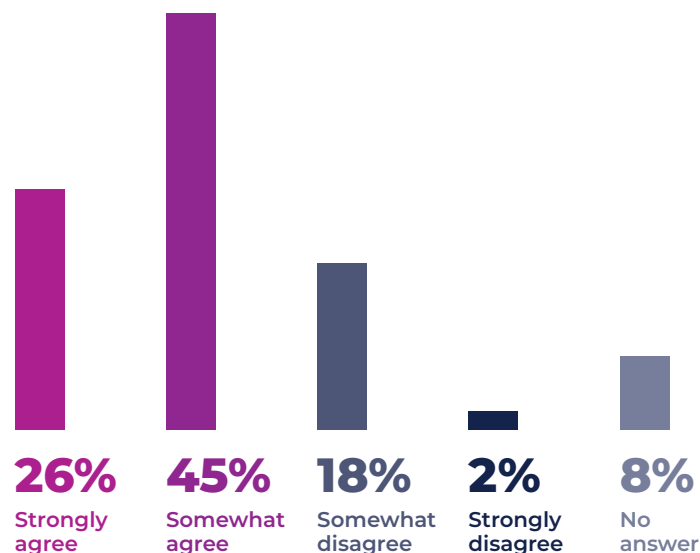
50% of Lithuanian startups were concerned about the intentional slowing down aspect.

## 4. Possible Repercussions

Taking into consideration the potential different consequences of changes affecting the provisions of the Open Internet Regulation, we asked startups how they perceive possible repercussions.

“Increasing broadband and content prices will make it harder to run a startup in an already difficult economic environment” is a threat for 71% of respondents and not a problem for 20%.

### “Increasing broadband and content prices will make it harder to run a startup in an already difficult economic environment”



By country, Croatia is the most concerned about these changes, with 83%. The country which seems to be resistant is Poland as only 56% think it is a real problem. Only 2% strongly disagree.

In terms of the statement “the startup environment in the CEE is doing well and it is able to absorb another change in the digital ecosystem”, 53% of the respondents agreed and 31% were afraid of further adjustment. Romanian startups were the most positive about this statement, 62%, while at the other extreme, only 45% of their Lithuanian counterparts acknowledged it to be true.

64% of startups agreed that “tweaking the net neutrality principle will make it more difficult for startups to reach users with their content/services”. 28% didn’t think it was a problem. Most convinced of the validity of this were Romania, on 69%, and Poland with 68%.

At the end of the survey, we felt that we had to ask about unicorns. With the thesis: “Imposition of a new fee after surpassing a certain number of users will make it harder to develop unicorns” 66% of startups agree and 22% disagree. 12% of respondents don’t know. We also checked how the answers stack up in terms of being familiar with the concept of net neutrality. 69% of those who knew before what net neutrality was and 62% of those who marked “no”, thought that new adjustments might disrupt the long and difficult process of becoming a company worth US \$1 billion. Only 3% of respondents strongly disagreed with this claim.

The violation of the principle of equal access to the Internet for start-ups and smaller players in the technology market poses a real threat to free market principles. There is a risk that in the long run it will lead to the monopolization of the market by large corporations. Such a situation could result in disruption of business sustainability for start-ups and smaller companies.

**Przemysław Jesionowski**

CEO  
IC Solutions

# No Changes Needed to the Net Neutrality Principle

A lower cost base has been, and continues to be, an important comparative advantage of startups in Hungary and in Central and Eastern Europe in general. Any regulatory change that undermines this model would significantly and undoubtedly disadvantage what is a vibrant and active entrepreneurial community.

Moreover, some of the best stories of the Hungarian startup ecosystem were business models built on streaming technologies, i.e. generating large amounts of data online. For instance, we can take the example of Hungarian Ustream, the streaming technology platform acquired by IBM in 2016, which was the largest exit in Hungary at that time. We want an environment that enables more of these stories to succeed, not fewer.

It is therefore my firm belief that the principle of net neutrality is crucial for the promotion of innovation, economic growth, and preserving a free and open internet.

If net neutrality regulations were to be weakened or eliminated, internet service providers (ISPs) could potentially charge higher fees for certain types of internet traffic or give preferential treatment to certain websites or services. The imposition of network fees by dominant telecommunication companies may lead to content being blocked or slowed down, resulting in a two-tiered internet accessible only to those who can afford to pay the fees. This will have a more significant impact on smaller players with limited resources, such as startups, and also on consumers.

Startups often rely heavily on the internet to market their products, communicate with customers, and conduct business transactions. Any additional costs associated with internet access could significantly increase the barrier to entry for new businesses, making it more difficult for startups to compete with larger, established companies.

The mere possibility of a two-tiered internet can not only limit the competitiveness of startups but also deter investment in them, particularly those offering services that compete with established players. Changes in net neutrality regulations would therefore also stifle innovation.

In general, the internet has played a significant role in driving economic growth in recent years. Any changes in net neutrality regulations could potentially slow this growth by creating additional costs and barriers to entry for startups and limiting innovation. Therefore, it is important for policymakers to carefully consider the potential impact of any changes to net neutrality regulations on startups and the broader economy.

**Csongor Biás**  
CEO Startup Hungary



# Business Needs Free Internet

The internet is now a fundamental bastion of freedom of speech, serving as a place for people to obtain information and conduct and promote business. Making changes to the global digital ecosystem and allowing operators to decide what we see and have access to is unacceptable. It is a massive blow to the fundamental values of an internet open to all.

Suppose we reach a situation where companies and organizations with huge budgets can buy preferential access to their content from an ISP. Therefore, network fees will have a negative effect on competition and lead to greater concentration of market power in the hands of a big player. In other words, it would leave the internet in the hands of BigTech and push smaller players - such as startups or niche services - out of the game. This would limit freedom of speech, the growth opportunities of many businesses, and reduce innovation in a broad sense.

Additionally, the predictions made by Gartner, which estimates that more than half of people worldwide will be covered by a commercial or government Internet of Behaviour programme (IoB) by the end of 2025, do not provide reasons for optimism. IoB combines technology, data analytics, and behavioral psychology in an attempt to understand human behavior through data mining. There is a considerable risk that the combination of profiling internet users and restricting free access to content will influence our behavior, the information provided to us (by creating an alternative reality), and emerging trends.

I have always firmly believed that technology and startups can change the world for the better. For this to be possible, engineering and the humanities must live in symbiosis with one another. However, human needs, happiness, and free development must come first. Technology is for humans and not the other way around - people should always be put at the heart of it.

No person is free without free technology, and the Internet is one of them.

**Adam Trojańczyk**  
COO at Inwedo



Equal treatment of website owners and solution providers is crucial for market competition. Internet providers must not favor specific websites or solutions, as this limits competition, hinders innovation, and prevents new initiatives from developing, which would have restricted access to the attention of internet users.

**Daniel Dereniowski**

President of the Management Board of  
Huge TECH Group

## Summary

This document clearly shows the attitudes of startups towards the proposed and potential changes affecting net neutrality. The results suggest that the representatives of CEE startups are monitoring net neutrality regulations and feel threatened by potential changes, despite the lack of details at present. CEE startups are aware of the fact that their businesses and hard-earned success may be negatively impacted by such changes. A significant majority of startups see potential negative effects for fundraising if network fees are imposed. Almost all of the startups confirmed that network fees would make it harder to develop unicorns. Put bluntly, the prevailing mood among startups is rather gloomy.

From the answers we obtained, the idea emerges that as long as all companies are treated evenly, startups will develop boldly and dynamically without the fear that their services will be discriminated against. Equal opportunities for all companies are essential for them to be able to compete.

Unfortunately, as the survey shows, we are now facing a situation where the majority of respondents have the feeling that their businesses would lose out if the law were to be changed and net neutrality disrupted. 71% of respondents concur with the statement that “increasing broadband and content prices will make it harder to run a startup in an already difficult economic environment”. We need startups to develop and, as actors on the startup ecosystem scene, we should do as much as we can to create the requisite environment for them to do so. Equal internet access was a crucial step towards the democratization of entrepreneurship, and we should not be taking any backward steps in this regard.

Once again, as long as the future of net neutrality is unclear, so too is the future of startups and especially those whose businesses are entirely based on internet access. Young, innovative companies are working hard to attract and retain customers and any legislative changes must not deter such potential clients. Meanwhile, 82% of startups perceive as a problem the fact that previously free of charge content could become paid. There is a serious risk that clients who to date have used a particular service for free will be forced to resign due to the new costs imposed by European regulators.

We have also showcased how, according to startups, net neutrality is vital for innovation development. The vast majority of the companies surveyed are convinced that the neutrality of the internet has a crucial impact on the creation and development of novel solutions and that those solutions are essential for economic resilience. The more innovative the region, the stronger its economy will be. We cannot forget the fact that when large companies seek new solutions, they always look towards startups and subscribe to the belief that young innovators can change the world. For example, when we are seeking innovative ideas in the field of alternative energy sources, we look to startups. Furthermore, cutting-edge med-tech solutions most frequently come from startups.

The report provides an excellent opportunity to take a closer look at the potential problems which startups might face if the planned changes are implemented. Since it is still at the consultation stage, all participants in the ecosystem are invited to speak up and underline the fact that CEE startups strongly value equality in the digital ecosystem.

At this point, we would also like to express our appreciation for all those who have helped us to reach these conclusions and present them to a wider audience. This report would never have been completed if not for the hard work of many wonderful people. As Startup Poland, we would also like to sincerely thank all of the individuals, startups, organizations, and other companies who contributed to this report by sharing their tools, knowledge, networks, and time to help us create a one-of-a-kind document that covers such a broad range of net neutrality issues and their impact on CEE startups. We are truly grateful for your support!



## Footnotes

<sup>1</sup> “Net neutrality refers to a debate about the way that Internet Service Providers (ISPs) manage the data or traffic carried on their networks when data is requested by broadband subscribers (known as end-users under EU law) from providers of content, applications or services (CAPs) such as YouTube or Spotify, as well as when traffic is exchanged between end-users. In the EU, the Open Internet Regulation (Regulation (EU) 2015/2120) addresses these topics.” Full definition of Net Neutrality developed by BEREC is available here: [www.berec.europa.eu/en/all-you-need-to-know-about-the-open-internet-rules-in-the-eu-0](http://www.berec.europa.eu/en/all-you-need-to-know-about-the-open-internet-rules-in-the-eu-0)

<sup>2</sup> BEREC [www.berec.europa.eu/en/all-you-need-to-know-about-the-open-internet-rules-in-the-eu-0](http://www.berec.europa.eu/en/all-you-need-to-know-about-the-open-internet-rules-in-the-eu-0)

<sup>3</sup> BEREC is the Body of European Regulators of Electronic Communications established in 2009, which brings together electronic communications market regulators from the EU Member States.

<sup>4</sup> [www.politico.eu/article/commission-present-connectivity-infrastructure-act-eu/](http://www.politico.eu/article/commission-present-connectivity-infrastructure-act-eu/)

<sup>5</sup> [www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/advice/net-neutrality](http://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/advice/net-neutrality)

<sup>6</sup> Dooley, Roger. „Don't Let a Slow Website Kill Your Bottom Line”. Forbes. Archived from the original on 4 March 2017. Retrieved 4 March 2017.

# About Startup Poland Foundation

Startup Poland Foundation (SPF) was established in 2015. The founders were entrepreneurs from fast-growing small and medium-sized technology companies, investors, lawyers and academics.

Today Startup Poland operates as a strong organization, integrating and representing the interests of young, dynamic businesses in Poland and strongly supporting them in their plans to expand into foreign markets.

SPF promotes and recommends activities that best stimulate technological entrepreneurship. It represents the interests of startups in dialogue with Polish public administration, European Union institutions, large companies and academia. It cooperates with sister organizations from other European countries.

Every year the Foundation compiles reports thoroughly exploring the Polish startup market, with a particular focus on specific industries, as well as examining the needs of investors.

The Foundation advocates the development of technology entrepreneurship and the development of startup financing infrastructure.



# STARTUP POLAND

Partner

