

Providers test the limits of access to Internet with new pricing systems

May 6 2009, by Scott Canon

Your days of all-you-can-eat Internet buffet may be coming to an end. Probably not tomorrow, but soon enough, industry analysts say.

Cable giant Time Warner recently toyed with essentially putting meters on its customers' downloads. It abruptly backed off in the face of a revolt that was organized—where else?—on the Internet.

Still, the company shelved rather than killed the plan. Experts say that changes in the way people use the Internet _ and the way some gorge on its endless cache of data—mean current pricing systems could go the way of your dial-up modem.

A metered pricing system has been in effect in Lawrence for four years. While Sunflower Broadband has heard some complaints, for most Web surfers it has kept monthly charges flat. Some users have seen steep cuts in their bills, while relatively few have had to pony up extra bucks to devour gigabytes.

In the end, said the CEO of the Internet service provider in Lawrence, "it's a matter of fairness."

The change won't come easily in a world where consumers have come to take cap-free [Internet use](#) for granted.

In mid-April, Time Warner set aside plans to switch Rochester, N.Y.; Greensboro, N.C.; San Antonio and Austin, Texas, to graduated billing

based on how much a household uses the Internet.

"This is ridiculous," the group Free Press said in an online petition.

"Instead of meeting growing broadband demand, [Time Warner Cable](#) is gouging Internet users."

U.S. Rep. Eric Massa, a New York Democrat whose district includes Rochester, threatened legislation to bar the change.

"It's almost certainly just a matter of time before they attempt to overcharge all of their customers," Massa said in a news release.

Time Warner said it had explored the idea as a way to spare routine Internet users the costs of accommodating a relatively small number of customers whose heavy use was driving up the cost of keeping [Web traffic](#) flowing at a decent clip.

"We looked at it as an equitable way to charge our customers," a company spokesman said. "We got a lot of pushback. As a result, we decided not to proceed right now."

Industry analysts say that although the shift is bound to raise howls from consumers who are accustomed to opening the spigot of data with no worries about cost, in the future volume will count.

"You can raise prices to all consumers to reflect the increase in bandwidth, or you can target a relatively small number of users, less than 5 percent, who use the majority of bandwidth," said Craig Moffett of Sanford C. Bernstein & Co.

The problem, Moffett said, "is that you've got a user community that has been trained to expect unlimited usage."

What drives the change is both how we've come to use the Internet differently than we did just a few years ago, and how we use the Internet differently from one another.

For starters, we download far more today than ever before. Search gurus at Google recently estimated that traffic generated by YouTube alone exceeded all Internet activity in 2000.

Attractions such as Skype, Facebook and Twitter didn't exist a few years ago, and bit by byte, they add to the info traffic beamed to our homes.

But our appetites vary widely. A household that uses the Internet, even constantly, for checking e-mail and casually cruising Web pages consumes an almost unnoticeable amount of bandwidth.

On the other hand, file-sharing programs that let people swap full-length and often high-definition movies send thousands of times as much data over the fiber-optic freeways and neighborhood cable and phone lines. Old-timers will remember when their dial-up AOL account billed them by the hour, monitoring connection time and adjusting charges accordingly. That went away in the late 1990s with the emergence of broadband connections—mostly cable or DSL links that could move in short order just about anything a home Internet surfer needed.

Gradually it seemed to many consumers as if the Internet was slowing down. In truth, it just got busier.

Plumbing makes for a common analogy. A bigger pipe lets more data—Web pages, Netflix movie downloads, songs from iTunes, pirated videos—move in and out more quickly.

"Even with bigger pipes, if everybody in an apartment building showered at the same time, you'd have unhappy people," said Richard Doherty, the

research director for Envisioneering Group, a technology consulting firm. "It's the same thing if a lot of people are downloading movies."

Critics of a la carte Internet pricing say it doesn't account for the speed and the ways in which usage has shifted.

People who constantly worry about going over their monthly limits might be less likely to try new innovations that require more bandwidth, said James Love of the consumer group Knowledge Ecology International.

"We're all doing things now that we weren't doing last year," he said. "We don't want something that's going to make us reluctant to try something new."

Patrick Knorr, the CEO of World Co., the owner of Sunflower Download, notes that even as the price of providing Internet service continued to drop as technology improved, demand for bandwidth went up faster.

So four years ago he imposed new rules for what now governs about 25,000 customers in and around Lawrence, Kan. Instead of the old flat rate of about \$30 a month, customers had a choice. They could stick with existing rates if they held their activity to about 10 gigabytes a month. That's plenty of data to cater to routine Internet use and downloading a few full-length movies a month.

Or they could pay less, about \$18 a month, and skip the movies but expect a quick connection for anything else they wanted. Finally, if they wanted to download movies by the dozens, they could pay about \$50 for what Knorr called "probably the fastest in the country for the price."

The company told customers in advance what their current usage would cost. For most, it meant no change.

After the switch, many customers learned just how much Internet they were using. The company offers grace periods for overages before charging excise fees in \$10 increments.

Common factors showed why some rates were so high: Viruses had made "bots" of their computers, relaying spam on someone else's behalf; someone in the house, most often a teenager, was swapping large numbers of movies; or neighbors had tapped into a wireless router and were piggybacking on the user's service.

"It's sort of like the neighbor was watering his lawn and running his fountain using your connection," Knorr said. "Your water pressure drops, and you're paying his bill."

Comcast, the second-largest Internet service provider in the country, has no plans for metered service, but a spokesman noted that Comcast and most of its competitors impose use limits.

It's just that few Comcast customers are aware that they are barred from transferring more than 250 gigabytes a month—or the equivalent of about 200 standard-definition movies.

"It affects less than 0.1 percent of our customers," said Comcast spokesman Charlie Douglas. "We call them. And for the 25 percent of that group that doesn't change their behavior, we recommend our commercial service" or risk being banned for a year.

The industry also sometimes "throttles" heavy use by covertly slowing connections to households that are gobbling excessive data. Even then, the grandmother who only checks her Hotmail account once in a while might see things slow down because a neighbor is hogging bandwidth to stockpile a movie library.

Knorr said the little-noticed rules and throttling reflect the industry's concern about the cost of unchecked downloads.

"Offering a truly unlimited service is not a sustainable business model."

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