

The Web: Traffic 'toll' contentious

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The surviving Baby Bells -- Verizon, Bell South and AT&T/SBC -- have disclosed that they may someday charge new fees to digital businesses, sites like Google and Yahoo!, that generate substantial traffic on the Internet. The explicit rationale? These firms are taking up too much bandwidth. But telecom experts tell United Press International's The Web that they are worried that such a "toll road" could take a toll on the future growth of the Internet.

"The mere mention of the words 'toll road' sound like government regulation is right behind," Chris Consorte, president and chief executive officer of Integrated Direct LLC, an interactive online ad agency based in New York, told The Web. "The minute we're talking about a bandwidth fee is the minute entrepreneurs begin to second-think great ideas and developing their businesses."

To be sure, the remaining Bell companies -- all that's left of the legacy of legendary inventor Alexander Graham Bell -- do face a difficult situation, other experts said. Historically, the revenues of these telecom companies have been based on the high value -- and high cost -- of a voice phone call. But that revenue stream is rapidly evaporating, due to the emergence of alternative voice calling channels like mobile phones and Voice over Internet Protocol, where "the cost of moving bits around is already low and going lower," said Bruce Russell, executive professor and MIS concentration coordinator at Northeastern University in Boston.

Simultaneously, the Bells still have a large capital investment in their networks -- an investment that is rapidly depreciating. Thus, there is an

implicit need behind the calls for a toll road online by the telecom giants. "They need to find new sources of revenue," Russell told The Web.

The proposal to -- for lack of a better word -- tax major users of the Internet may not be good business policy, moreover, experts said.

"Charging higher rates to large users covers up the fact that these large users mostly communicate small messages to many individuals who have already paid for their Internet connection," said Russell. That raises some business policy questions, including why it should cost more to communicate with a large user than a small user, Russell said.

That could create a chain reaction leading to higher costs of doing business online, experts said.

"Companies like Google and eBay might raise their rates to advertisers and end-users, ostensibly to cover the larger cost, and we will all pay a little more for the things we used to get free, or for a small fee," said Mario Almonte, vice president of the New York-based marketing communications agency Herman Associates. "This sort of thing happens in the real world with roads and bridges all the time. We still have to get where we want to go and have no choice but to dig deeper into our pockets and pay the toll."

But, another expert, Eran Ziv, president of Allot Communications, based in Israel, tells The Web that service must improve if customers are going to start paying more for Internet usage.

"Service providers must change their business model to better address the network content that is now available," said Ziv. "This, in turn, will create a pricing shift that may actually give Internet users a better, faster Internet experience than exists today. The vision of this is to charge people for what they use, based on applications, content, or overall

bandwidth utilization."

That means there will be more call for content and application management in the future, said Ziv.

For consumers, however, there is reason to be optimistic that all these head games by the telecom companies may prove futile. The proposals may fail -- some believe -- because there is another motivating factor, even further hidden from public view, behind the calls for a toll for Internet traffic. Perhaps some want to shut down free Internet telephony.

"Ultimately, I think it will fail," Dave Taylor, producer of the popular business blog "Intuitive Life," (www.intuitive.com/blog), told The Web. "Particularly attempts to block or charge for VoIP usage."

There are technical reasons for this. "Data packets are generic," said Taylor. "If today they're identifiable as VoIP, that's just something that the VoIP companies will learn to mask."

Recently, VoIP Inc. announced that its VoiceOne Communications subsidiary has landed a direct peering relationship with Google for Internet telephony services at multiple locations. The project has been in the planning stages since September 2005, according to a regulatory filing with the Securities and Exchange Commission.

"If the telecommunications carriers try to put up boundaries, the Internet will go around them," Robert Mitchell, national correspondent for trade magazine Computerworld, told The Web. "You can't put the Internet genie back in the bottle."

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