

# Phone company shelves unpopular Internet cap plan

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(AP) -- Time Warner Cable Inc. is testing a new way of charging for Internet use - by the amount of traffic rather than solely based on download speed.

But now that it's expanding its trial into Rochester, N.Y., it's run into a problem: The local phone company refuses to play ball.

Frontier Communications Co., whose DSL broadband service competes with Time Warner Cable's modems, has shelved its own plans to introduce metered billing.

With [Time Warner Cable](#) facing the fury of consumers and threats of legislation, Frontier said this week that it won't sell Internet service with "tiers" of usage, much like the minute allowance of a cell phone plan.

"We have gotten hundreds of calls from Time Warner customers into our call centers," said Ann Burr, the head of Frontier's Rochester unit, in an interview with The Associated Press. "I guess it's been a public relations crisis for Time Warner."

That move bodes poorly for the future of metered Internet billing. Because the idea is unpopular with consumers, cable and phone companies need to match each other's moves in introducing it, or one of them gains a competitive advantage by offering the standard all-you-can-eat service.

Stamford, Conn.-based Frontier had 579,900 Internet subscribers at the end of the year. New York-based Time Warner Cable had 8.7 million, making it the third-largest Internet service provider in the country.

The cable company started testing metered billing in Beaumont, Texas, last year, offering plans with 5 gigabytes to 40 gigabytes of monthly traffic, then charging \$1 extra for each gigabyte over that.

Many ISPs cap their subscribers' monthly traffic usage, but the thresholds are usually much higher - at [Comcast Corp.](#), it's 250 gigabytes. It's also very unusual for ISPs to charge extra when customers go over their limits.

By charging by the gigabyte, the cable company said it hoped to shift the cost of providing Internet service, and the cost of upgrading the network, from those who use the Internet the least to those who use it the most. All ISPs find a small percentage of Internet users consuming most of the bandwidth, usually by downloading or watching movies.

Frontier Chief Executive Maggie Wilderotter outlined an approach very similar to Time Warner Cable's last fall, saying the company would provide tiered usage and charge \$1 to \$2 per gigabyte above 5 gigabytes per month.

Consumer advocates point to a few problems with the metered approach.

For one, not many people know what a gigabyte is, so ISPs will have to educate their customers. (It takes thousands of e-mails and Web pages to reach a gigabyte of usage, but video and software downloads consume much more data. A DVD-quality movie is roughly 1.5 gigabytes.)

Secondly, Internet usage keeps growing at about 30 percent per year. A subscriber with a metered plan could find costs growing every year,

unless they curb usage of new services like online movies and gaming.

Advocacy groups have also suggested that Time Warner Cable wants to meter Internet usage to discourage online video services that compete with cable TV. Time Warner Cable denies this.

Time Warner Cable's Beaumont trial drew little attention. Then, two weeks ago, the company said it would expand the test to additional markets this summer and into the fall, though subscribers in each market would get a grace period before overage charges. Besides Rochester, the new markets are Greensboro, N.C.; San Antonio and Austin, Texas.

The company also expanded the range of plans in those markets, adding a plan with 100 gigabytes per month for \$75 per month, and a cheaper one providing 1 gigabyte per month for \$15. For \$30, the cap is 5 gigabytes per month.

After a flood of calls to his office, U.S. Rep. Eric Massa, D-N.Y., said he is drafting legislation to prevent what he called "job killing broadband Internet downloading caps."

"Limiting Internet usage, which this plan would do, handicaps our ability to compete on the global stage," Massa said last week.

Dave Burstein, editor of the DSL Prime broadband industry newsletter, said the Obama administration is also likely to be tough on metered billing. Traffic limits of 10 gigabytes or 40 gigabytes like the ones Time Warner Cable is testing aren't justified by the cost of providing that data, he said.

"Anybody who thinks that's not an attempt to raise prices and keep competitive video off the network - I have a bridge to sell them, and it goes to Brooklyn," Burstein said.

Frontier hasn't completely abandoned its metered billing plans. Its "terms of service" still states that it considers 5 gigabytes per month to be a "reasonable amount" of usage. Burr said the company will monitor the situation and may consider caps if growing usage leads to an Internet traffic jam.

In Texas, Time Warner Cable's competitive situation is somewhat different. AT&T Inc., the phone company for much of that state, has said it may expand its own tests of metered billing this year beyond a current trial in Reno, Nev. However, it provides substantially higher traffic monthly allowances than Time Warner Cable, which has no plans to back down.

"Consumption-based billing offers customers a choice about how they would like to consume our broadband product," Time Warner Cable spokesman Alex Dudley said. "We think it has strong potential, and we'll see."

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On the Net:

<http://www.frontier.com>

<http://www.timewarnercable.com>

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