

Broadband ISPs test download caps, face resistance from more data-heavy users

29 April 2009, By Victor Godinez

All-you-can-eat buffets lose a lot of their luster when you have to pay by the pound. Will the same hold true for broadband Internet access?

A growing number of [high-speed Internet](#) service providers are trying to convince their customers that they should pay for their service based on how much data they download in a month.

If you just use your DSL, cable modem or fiber-optic Internet service to check [e-mail](#) and browse Web sites, a monthly download limit of a few gigabytes isn't a big deal.

But those download caps are intensely controversial among broadband users who have come to see their Internet connections as a fire hose for [digital entertainment](#).

Downloading or streaming high-definition movies and TV shows, playing video games online, uploading YouTube videos and all sorts of other bandwidth-intensive applications are just starting to flourish.

But if the Internet service providers start pinching their pipes down to the size of drinking straws, can all those cool applications still thrive?

Indeed, many critics argue that the ultimate purpose of the download caps is to kill off those applications.

The ISP that's garnered the most headlines on this front in recent weeks is Time Warner Cable Inc., although others, such as Dallas-based AT&T Inc. and Comcast Corp., are also getting involved.

Time Warner had been planning to test "metered" or "tiered" service in New York and North Carolina this summer, with tests in San Antonio and Austin, Texas, later this year.

For example, at the entry level, customers could

choose a 1-gigabyte-per-month plan with download speeds of 768 kilobits per second for \$15 per month.

Time Warner said its research found that about 30 percent of its customers download less than 1 gigabyte per month.

The top tier would have allowed users to download as much as 100 gigabytes per month at speeds of up to 10 megabits per second for \$75.

Users would have been charged \$1 for each gigabyte of data downloaded beyond the initial 100-gig allotment, with overage charges capped at \$75.

Essentially, you could have an unlimited download plan for \$150 per month.

The outrage that had been simmering on message boards and blogs exploded when those details were announced earlier this month.

One reason techies were so upset is that those offers look terrible when compared with other services.

For example, in areas where Verizon Communications Inc.'s FiOS fiber-optic Internet service is available, users can get 10-megabit-per-second service with unlimited monthly downloads for \$44.99, more than \$100 less than Time Warner's proposed "unlimited" service.

The outcry -- including legislative threats from lawmakers in New York -- was so great that Time Warner quickly backpedaled and said a few days later that it was "shelving the trials while the customer education process continues."

But Time Warner Cable chief executive officer Glenn Britt made it clear that monthly caps are not a dead issue.

"It is clear from the public response over the last two weeks that there is a great deal of misunderstanding about our plans to roll out additional tests on consumption-based billing," he said in a statement.

"While we continue to believe that consumption-based billing may be the best pricing plan for consumers, we want to do everything we can to inform our customers of our plans and have the benefit of their views as part of our testing process."

Time Warner officials say that users simply have to realize that network capacity is finite and it takes time and money to upgrade.

"It's critical to manage the bandwidth," said Gary Underwood, spokesman for the North Texas area.

He said only a small portion of users are responsible for the biggest broadband usage, and it's only fair that they should pay extra.

"We know that the top 25 percent of people are in some cases using 100 times more bandwidth than the bottom 25 percent," he said.

Even Verizon, held up by many as the paragon of high-speed, cap-free broadband service, is keeping its options open.

"Certainly, looking at FiOS users, when somebody gets a FiOS connection, it triples the amount of usage that people have from their old broadband connection in a typical month," said Link Hoewing, vice president of Internet and technology policy with Verizon.

He noted that the speed of the typical broadband connection nearly doubles every 20 months or so, putting heavy demands on even the biggest networks.

"Everyone in the industry has really seen surging trends with Internet usage and bandwidth usage," said Sarah Andreani, a spokeswoman for AT&T, which is testing monthly download caps in Reno, Nev., and Beaumont, Texas.

"We're trying to continue to meet quality and keep

prices affordable."

Some independent technology analysts agree with the arguments.

Dallas Mavericks owner Mark Cuban, who is as plugged in to the digital entertainment and broadband discussions as anyone, wrote recently on his blog that bandwidth has to be managed.

"The concept of 'open Internet,' where you can use any and all bandwidth how you want, when you want, is very, very flawed," he wrote. "If you need or want more bandwidth for the high-end applications that appear, you should pay for them."

But many tech experts dispute the providers' explanation for the caps, arguing that companies that are both cable TV companies and ISPs -- such as Time Warner -- are trying to constrict Internet usage so that customers don't dump their cable TV service and get all their entertainment online.

"Their largest concern is that they're going to become a dumb pipe provider," said Michael Greeson, president of Frisco-based research firm Diffusion Group. "They won't have any service revenue, and they'll just be charging for access to their network."

Although only a small percentage of broadband users would be affected by monthly download limits today, a flood of online applications could soon turn everyone into broadband junkies.

Sanford C. Bernstein analyst Craig Moffett recently calculated that a family on Time Warner's 40-gigabyte plan that streams a little over seven hours of online video per week could end up spending \$200 per month on broadband service.

"To put it mildly, the decision to limit data consumption can be expected to have profound implications for (consumer) behavior," Moffett wrote.

A recent Nielsen Co. survey found that online video viewership jumped 71 percent in February 2009 from February 2008, and the fastest-growing video sites are those that make traditional cable TV

obsolete.

"The growth in the early part of 2009 appears to be centralized among sites that host long-form videos: _____ Note the growth from January among sites like Hulu, NBC Universal, ABC.com, Turner Sports and CBS Entertainment," Nielsen said.

And a coming wave of Internet-connected televisions, video game consoles, Blu-ray movie players and other devices will make it easy for even the most skittish technophobes to enjoy the virtues of anytime/anywhere online videos.

But while the incentive to clamp down on broadband usage with download caps is clear, Greeson said, it's too early to say whether the ISPs will be successful in implementing them.

"It's a mess right now," he said. "This is just the first of the more serious shots fired across the bow."

COMPANIES LOOK AT DOWNLOAD CAPS

Here are the data download caps some broadband providers are implementing:

Time Warner Cable has been gearing up to test download caps in New York, North Carolina and parts of Texas. Customer and legislative complaints led the company to temporarily cancel those pilot programs. However, a previously established test program in Beaumont, Texas, remains in effect.

Dallas-based AT&T is testing download caps in Reno, Nev., and Beaumont. For instance, a 20-gig plan with download speeds of 768 kilobits per second costs \$19.99, with a \$1-per-gigabyte overage fee. At the top end, the 150-gig plan with speeds of up to 18 megabits per second costs \$65, with the same \$1-per-gig overage fee. AT&T notes that the 150-gig plan would allow customers to download 30,000 five-minute MP3 songs.

Comcast instituted a 250-gigabyte monthly download cap for all residential customers in October, which generated little complaint. Comcast noted at the time that median usage by its

residential customers was 2 to 3 gigabytes per month.

SERVICES FACING A SQUEEZE

A growing number of broadband Internet service providers are trying to limit how much data users download in a month, but that could put the squeeze on a growing number of high-bandwidth services.

Netflix now lets users of Microsoft's Xbox 360 video game console, the Roku set-top box and certain Blu-ray movie players stream movies and TV shows (including some in high definition) directly to the TV without having to use a PC as an intermediary.

Sites such as Hulu are promoting their video-streaming options, as well. Hulu, for example, has a lot of newly released TV shows, many of them also available in HD.

Playing video and computer games online doesn't typically use a lot of bandwidth, but soon we could be buying and downloading entire games off the Internet, and those are huge files. And the OnLive game system, now under development, would be online-only.

Adobe recently announced several deals with TV makers, Blu-ray companies and others to put Adobe's popular Flash software on their devices to enable Web applications on the TV.

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