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Phone company: Heavy Internet users to pay more

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Phone company Frontier Communications Co. will probably charge its subscribers a dollar or two per gigabyte of Internet traffic if they go over the monthly allotments the company plans to introduce next year, Frontier's chief executive said Friday.

The company is at the forefront of what CEO Maggie Wilderotter believes is a trend among Internet service providers toward billing for the amount of data subscribers use, rather than all-you-can-eat monthly plans.

Frontier provides service mainly in rural areas of 25 states. Rochester, N.Y. is its largest market.

The company caused confusion and some dismay among customers earlier this year, when it said it would charge for Internet use above 5 gigabytes per month, starting next year.

U.S. Internet users have no experience with tracking their usage. There have been few caps in place on downloads, and the existing caps have been so high that they affected only a tiny fraction of users.

Frontier's planned cap would apply to the total amount of data that users download and upload in a given month. A traffic allowance of 5 gigabytes is enough for thousands of Web pages, or tens of thousands of e-mails, but could be exceeded by the download of three DVD-quality movies.

Wilderotter said Frontier was looking at providing higher monthly limits, perhaps 20 gigabytes per month, in more urban markets like Rochester and Elk Grove, Calif., where usage is higher than rural areas.

The company will also sell plans with higher download caps for higher prices, Wilderotter told The Associated Press, at increments like 10, 20 and 50 gigabytes.

That sort of tiered pricing for Internet usage is being tested in Texas by Time Warner Cable Inc., which is also Frontier's competitor in Rochester.

"All networks are going to have to move to that paradigm in order to stay profitable," Wilderotter said at a conference in New York.

"The business model that we're using today really has our light users subsidizing our heavy users," she said.

Internet usage can vary enormously from household to household. As an example, Wilderotter said 23 of its customers take up 28 percent of the network capacity in a town in West Virginia.

Charging the heavy users more is fairer and makes sure that the company gets a return on investments in capacity upgrades, she said.

The change to usage-based pricing, if it gains momentum, could have implications for companies like Netflix Inc. and Apple Inc. that are selling movie downloads, since those take up a lot of capacity.

Comcast Corp., the country's largest cable company, on Oct. 1 made official a 250 gigabyte monthly limit, far higher than Frontier is contemplating. Previously, Comcast had a secret limit of similar size.

Wilderotter said Comcast's move to set a high limit was likely a result of regulators coming down on the company for interfering with certain types of traffic from its subscribers.

"I think it was more their way to appease being in the doghouse with the Federal Communications Commission," the CEO said.

A Comcast spokeswoman said the company had no comment on Wilderotter's assertion.

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