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Paying For Use Is Fair

by

Deborah Taylor Tate

Most broadband consumers would be astounded that some members of Congress want to block our ability to pay for broadband Internet use in precisely the same way we now pay for other commodities: Pay more if you use more; pay less if you use less.

Despite the success of pay-for-use in wireless communications, Rep. Eric Massa, New York Democrat, introduced legislation that would require the Federal Trade Commission to regulate volume-usage pricing by broadband Internet service providers as if the providers were old legacy monopolies where there was no market competition to check prices and practices.

This comes on the heels of Time Warner's rapid retreat from a pilot test of pay-for-use broadband pricing, bowing to congressional pressure and protests from consumer groups. Studies have indicated the top 25 percent of users have consumed 100 times more bandwidth than the bottom 25 percent. So, what is fair about one-price-fits-all if someone uses 100 times more than you do?

Consumers should be able to take control of their own consumption of broadband just as they have for other electronic commodities, and in some cases, they could reduce



The Free State Foundation
P.O. Box 60680, Potomac, MD 20859
info@freestatefoundation.org
www.freestatefoundation.org

their monthly broadband service. At least consumers should have the option to utilize a metered approach if they want. This type of transparency in billing, along with providing education and outreach to consumers, should be the goal of policymakers and providers alike.

Even where monopolies exist, pricing has generally been based on the notion that customers are charged more if they consume more and less if they use less. Obviously, beyond basic necessity, they could exercise some self-control, and could even save money through metering that measured consumption. This is especially true in an environment where consumers have options for providers of broadband, cell phones and now, in many cases, electricity.

Whether run by local co-ops, governments or profit-making firms, any network has substantial capital costs to build out infrastructure, provide service, expand capacity and meet higher demand, particularly at peak periods. The same network cost issues also apply to Internet service providers. Expanding bandwidth and capacity for the exponential growth of Internet traffic is expensive. Updating security applications to prevent cybercrime are increasingly necessary for government, business and individuals, driving up costs even further. The supply of fiber optic cable and computer servers is not infinite, and we are already facing network constraints. We have all experienced the network being slowed by periods of heavy usage. Broadband providers - just like wireless providers -- should be allowed to use a consumption model without government interference as long as consumers know and understand what they are paying for.

To date, there has been a surprising uniformity in billing for broadband Internet service. But why should a grandmother who checks e-mail once a day or makes an occasional purchase online be charged the same monthly rate as a researcher downloading massive data files or teenagers watching full-length movies every day? Why not provide consumers the freedom to monitor and control their own use -- and to benefit from volume-based rate packages?

That way, low-volume users could perhaps reduce or at least stabilize their rates, and Internet hogs would pay more for their extravagant use of bandwidth. There could also be time-of-day incentives, as there are for cell-phone or electricity usage based on the extra costs imposed by peak demand. Also, as in the wireless universe, why not allow surcharges if you go over your limit or package?

Metering would merely provide even more transparency for both the consumer and the network operator. Interestingly, many who bemoan the purportedly low U.S. penetration of broadband as compared Korea, Japan, Germany and Sweden should be aware those countries actually have utilized metered Internet access.

The industry should be encouraged to offer -- not discouraged from offering -- an array of payment options. From "all you can eat" packages while children are home from college to "suspension of service" -- like newspapers provide vacationers.

Most Americans have come to value this incredible connectivity in our daily lives, from e-commerce to distance learning to access to the latest in telemedicine.

However, if the power company charged exactly the same amount for a small home where residents are gone much of the day as it does for a mansion full of energy-consuming devices, consumers would be up in arms.

There is no need for the government to step in when consumers can make choices regarding the broadband service they receive, the amount they consume and their payment plan. That would be really fair.

**Deborah Taylor Tate is a Distinguished Adjunct Senior Fellow at the Free State Foundation, a free market-oriented think tank in Maryland. She served as a member of the Federal Communications Commission until January 2009. This commentary appeared in the Washington Times on July 10.*