

# BROADBAND FIRMS EYE TIERED PRICING PLAN HIGH-PAYING CUSTOMERS COULD GET FASTER SERVICE

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The bandwidth buffet is closing down.

Cable companies are moving toward charging their Internet subscribers different monthly fees based on connection speeds.

Currently, most companies employ a one-price-fits-all policy for high-speed Internet access, known as broadband. Monthly charges range from \$35 to \$50, but at nearly all companies, all the customers pay the same.

'Bandwidth hogs'

But some customers, often called "bandwidth hogs," love to use their cable modems to download gigabytes of music, video, and graphics-intensive files. This can negatively impact nearby broadband users, because everyone is sharing the same cable.

"If one person in the neighborhood is using up all the bandwidth, then the speeds of the other nearby users will suffer," said Lindsay Schroth, an analyst at the Yankee Group.

The cable companies also need plenty of available bandwidth in order to provide new services they envision.

The solution, the companies believe, is to charge more for the faster speeds preferred by people who download the huge files.

The No. 4 cable operator, Charter Communications, already offers tiered pricing, said Dylan Brooks, senior broadband analyst at Jupiter Media Metrix. He said the company has been attracting subscribers by offering packages as low as \$29.95 a month.

Sarah Eder, a spokeswoman for AT&T Broadband, the nation's largest cable provider, said its cable modem users could be offered different pricing plans by the end of the year.

Cox Communications, the No. 5 provider, also plans to offer tiered pricing based on download speeds.

"Not only would it offer higher speeds for higher costs, but it would offer lower speeds for lower costs," said Laura Oberhelman, a spokeswoman for Cox, which is a corporate relative of Cox News Service. Multi-tiered pricing plans could make broadband service available for as little as \$20 a month, she said.

Network World Fusion, an online newsletter, reported this week that Time Warner Cable, the No. 2 provider, would begin charging an additional fee to users who consistently download more than a specified amount of bits each month.

That would more directly address the problem of hogging bandwidth. However, a Time Warner Cable official said Wednesday that while "everything is under consideration," the company was not actively pursuing a pricing policy based on volume.

With the introduction of variable pricing plans, cable companies are following in the footsteps of telephone digital subscriber line providers that often charge various rates depending on connection speed.

Lower-priced plans

Companies say tiered-pricing plans give them the chance to penetrate a wider swath of the broadband market by reaching value-conscious consumers with lower-priced packages that include slower speeds but the same always-on connection.

These packages also could lure dial-up customers away from services such as America Online. "Tiering is a way to better infiltrate the broadband market," said Brooks. "This is the direction all the companies are headed," he said. "It is the best way to really penetrate this market."

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