US finance sector puts Web pricing in crosshairs

By Kristin Roberts
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WASHINGTON (Reuters) - The U.S. financial sector, a powerful force in Washington, may be gearing up to jump into a Capitol Hill fight over the future of the Internet and stop an effort it says could add billions in costs just to maintain current offerings.

The issue is "net neutrality" -- a battle so far contained between high-speed Internet broadband operators and companies with online product offerings, such as Amazon.com.

Broadband providers such as AT&T Inc., BellSouth Corp. and Verizon Communications want to expand from flat pricing and also sell tiers of service based on the speed, reliability and security of the bandwidth used.

While those providers have said they would not block access to the open Internet, companies that sell products or services online want Congress to adopt stricter safeguards to ensure they are not pushed into a slower lane of the Internet if they do not pay more for dedicated network service.

For the financial services sector, which is expected to spend $117 billion on information technology this year, tiered pricing could add billions more in expenses to maintain online banking services and other Web offerings, according to a memo circulating among financial services lobbyists. Those costs could hit the bottom line or be passed on to customers.

But it's a fight the financial sector almost missed.

"Net neutrality is an issue that (financial services) firms ignore at their peril," Philip Corwin, a partner at Washington law firm Butera & Andrews, wrote in the memo.

"If the industry does not engage quickly, it may find that the matter has been decided without its input and that the fallout will affect the industry's cost structure and customer relations for years to come," he added.
The net neutrality issue is embedded in a debate over legislation aimed at easing the path for phone carriers to get into the video business and compete with cable companies.

Legislation has been proposed in the House and Senate, and is being considered in commerce, but not banking, committees.

A Senate measure would require further study of the issue.

A Republican-led bill moving through the House would preserve the ability to surf on the open Internet, but it does not specifically bar Internet service providers from charging new fees to assure reliable service to business users.

Corwin argues that would give Internet service providers a green light to impose big new fees on financial companies.

But phone companies on Tuesday told Reuters the issue has nothing to do with financial services, and action by Congress could hurt consumers and deter investment in new networks.

"If anything is going to halt necessary investments in next generation networks it will be Congress dictating business models to companies," said AT&T spokeswoman Claudia Jones.

"The finance community should be wary of wolves in sheep's clothing who are attempting to codify the status quo to their own benefit and to the detriment of consumers everywhere."

LATE-STAGE STRATEGY

Many in the financial services sector seem to have awakened late to the issue and are now trying to catch up.

"I think it caught a lot of people off guard, honestly," said one bank lobbyist.

The House is expected to consider its bill next week and the Senate Commerce Committee plans to mark up its legislation next month, but large differences between the bills could prevent any legislation from passing this year.

The Corwin memo urged the financial industry to get the Senate Banking Committee and House Financial Services Committee involved, which could slow the progress of legislation.

It also said the industry should prepare bills and push their introduction to assure the continuation of flat high-speed Internet pricing for online financial services.

While the financial industry has plenty of muscle, it may be too late for that strategy, some lobbyists said.

Instead, they may wait for legislation to get to conference, where House and Senate negotiators work out their differences. In that environment of closed-door bargaining, banks and credit unions might be able to secure the net neutrality language they seek, lobbyists said.

The National Association of Federal Credit Unions, America's Community Bankers, American Bankers Association and Independent Community Bankers of America,
among other financial lobbyists, say they are monitoring the issue.

But telephone carriers rejected the concerns. They said the legislation is about allowing phone companies to offer video and moving to tiered pricing so those who use little bandwidth do not subsidize those who use a lot.

"Net neutrality is not about being neutral, it is about companies that benefit from selling video on the Internet and their potential advertisers looking to have the cost of the bandwidth they use paid by the consumer," said Bill McCloskey, BellSouth spokesman.

(Additional reporting by Jeremy Pelofsky)