Telecoms want their products to travel on a faster Internet

Major site owners oppose 2-tier system

By Hiawatha Bray, Globe Staff | December 13, 2005

AT&T Inc. and BellSouth Corp. are lobbying Capitol Hill for the right to create a two-tiered Internet, where the telecom carriers' own Internet services would be transmitted faster and more efficiently than those of their competitors.

The proposal is certain to provoke a major fight with Google Inc., Yahoo Inc., Time Warner Inc., and Microsoft Corp., the powerful owners of popular Internet sites. The companies fear such a move would give telecommunications companies too much control over a fast-growing part of the Internet.

The battle is largely over video services. Several major telecom companies are working on ways to deliver broadcast-quality television over the Internet. Currently, online video can be slow to download and choppy to watch, even with higher-speed Internet services.

The proposal supported by AT&T and BellSouth would allow telecommunications carriers to offer their own advanced Internet video services to their customers, while rival firms' online video offerings would be transmitted at lower speed and with poorer image quality.

AT&T and other telecoms want to charge consumers a premium fee to connect to the higher-speed Internet. The companies could also charge websites a premium to offer their video to consumers on the higher-speed Internet. That could mean that a company like Yahoo might have to pay AT&T to send high-quality video to AT&T subscribers.

The prospect of a tiered Internet with "regular" and "premium" broadband services is spawning fierce debate as Congress takes up a major overhaul of telecom regulations. The House of Representatives last month held hearings on a preliminary draft by two GOP congressmen, Joe Barton of Texas and Fred Upton of Michigan, that would give the telecom companies the freedom to establish premium broadband services. The telecom bill is due for
action early next year.

A change along these lines would be different from the way the Internet has operated. "The Internet model has been that carriers cannot interfere with the choices that consumers make," said Alan Davidson, Google's Washington policy counsel.

Google is fighting the proposal, along with other large Internet companies including Amazon.com Inc. and eBay Inc. They fear they may have to pay telecoms millions of dollars to gain access to customers who use the premium Internet services. In addition, they argue, many small Internet start-ups would be unable to pay the fees, which could reduce consumer choice.

"Some of the most valuable new services won't be competitive," Davidson said.

The telecom companies said that since they are spending billions of dollars to build new fiber-optic networks that can carry more data, they are entitled to give their own offerings the bulk of Internet bandwidth, and to charge others for higher-speed access.

"When costs are being driven into an equation, they have to be recovered somewhere," said Bill Smith, chief technology officer of BellSouth. "Why do fundamental business economics not apply to the Internet?"

Bill McCluskey, director of media relations for BellSouth, said the premium plan would boost profits and encourage higher-speed broadband network deployment. "The more we are able to make, the faster we will be able to roll out high-speed Internet to 100 percent of our customers," he said.

Verizon Communications Inc., one of the biggest Boston-area Internet service providers, did not return calls seeking comment.

Telecom companies like AT&T, BellSouth, and Verizon use a technology called DSL to provide high-speed Internet access to about 16 million US subscribers -- mostly homes and small businesses. Cable TV companies like Comcast Corp. have invaded the telecoms' main business, telephone service. The telecoms want to strike back by offering Internet-based television. They want to offer all the programs now available on cable, as well as movie and game trailers, and full-length films.

But standard Internet service is ill-suited to TV distribution. Video signals have to arrive in a steady stream, but all Internet messages are made up of tiny data packets that travel over the network, and are reassembled at their destinations. Often these packets arrive out of order, or are delayed by a few seconds. This doesn't matter with e-mail or Web pages, but would ruin a TV broadcast or degrade the quality of an Internet phone call.

The solution is to tag the TV or telephone packets with codes that give them a higher priority on the network. These packets would be delivered more quickly, ensuring a sharp picture and clear sound. The telecoms must build additional network capacity to handle these large, tagged files.

Most content providers want equal access to the premium, higher-speed bandwidth, while telecom carriers want the right to treat this premium pipeline as a private Internet. In addition to exclusive voice and video services, telecom carriers could also use it to offer their
own Internet services like search and e-mail, delivering them more quickly and with richer features than rival services that could only use the "regular" Internet.

This could mean big trouble for today's major online information providers. Google doesn't object to broadband providers' efforts to charge consumers more for faster service but wants all content providers to get equal access.

"The consumer's paying for 20 megabits coming into their home," Davidson said. "They should be able to use that 20 megabits to use whatever services they want."

Davidson has an ally in US Representative Edward J. Markey, Democrat of Malden. "I don't understand why we would tinker with the model that has been so wildly successful," Markey said.

Markey said he's engaged in "intense private negotiations" with telecom companies and congressional colleagues in search of a compromise.

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