# There Might be Light at the End of the Circuit

**By Hunter Newby**

New heights are being reached in the business of the Internet and the views from up top are beginning to look a lot like real business decisions and not "me too" endless Internet for all. The public access gates of Utopia are closing and the EZ-Pass lanes are being installed. Welcome to the metered Internet. You can use as much as you want, as long as you pay for it.

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Rogers Cable in Canada is implementing a Limited Internet Access service system-wide. Limited as opposed to Unlimited is a manipulation of how much the users get for their money. The news flash is that the customers are now getting a lot less for the same amount they're paying today. It is almost like Internet inflation. The value of your dollar is less and therefore you get less for what you buy.

The truth is that dollars (US and Canadian) are being devalued every day, but the real financial crisis in this situation is unsustainable public Internet access business models under the current revenue-to-cost structure. Costs have been going up with more and more usage and new applications, namely video, over the web and Internet are causing unforeseen and unbudgeted expense for ISPs. Some tried to stop it with blocking and even legislation, but they failed. The only way out is to match higher costs with higher prices.

There seems to be no way out for ISPs that are literally stuck in the middle between end users and the content they seek. Take for example Tiscali in the UK and the BBC iPlayer saga that is unfolding. Tiscali and the other ISPs clearly asked the BBC to pay for the necessary network upgrades to support the new video application over their networks. The BBC laughed. ISPs aren't laughing. Now with the Rogers move there may be some light at the end of the circuit – for some ISPs anyway.

Rogers is a cable company and it actually owns last mile network and subscribers. This is distinctly different from most "middle-man" ISPs. A model without end user customers tethered to the network for some defined term lacks stickiness. It is very easy for wholesale Internet access network buyers to switch providers, thus keeping those kinds of ISPs in a never ending race to the bottom of the price pool.

MSOs and ILECs have the benefit of a true "access" position and therefore solid product in the grand scheme. Since customers now are mostly addicted to the web and Internet for daily routines and in many cases business reasons, Rogers and others like them can now begin to institute monetary plateaus. Given that the ILECs are or will be doing the same thing, customers will be left with few options, so they must ultimately pay more.

The new found revenue will help these ISPs economically manage their way out of an upside down predicament. When customers exceed their "limit" they will receive an online notice and then the meter starts. If they stop using the access service the ISP benefits by not having to bear the additional expense of the traffic from other ISPs for transit. If the customers do exceed the limit, their incurred fees most certainly will be enough to cover the ISP's cost plus a margin of profit. This means that these types of ISP's are and will become good investments whereas ISP's in the middle with no last mile or directly hosted content on-net will be marginalized out of existence over time.

Not to say that this kind of new rate plan caps speed. That limitation has always existed either by the customer plan, or simply the physical limit of the network and router port itself. The limits of physics will play a role in the ability of HFC networks to grow and support the down/upload demands of their customers in the future, but that issue hasn't hit them just yet. It will come soon though. That's when the ILEC/RBOC fiber to the home will really pay off. There's no better differentiator than physics! No one can argue with that.

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