

CUT Letter to the Editor

As Moderator of the Campaign for Unmetered Telecommunications in the United Kingdom, I read 'The Flat-Rate Fallacy' with disbelief. CUT has spent the past three years fighting and winning the battle for unmetered (flat-rate) telecommunications with assistance from AOL UK, OFTEL, The London Times and many other organisations and individuals. As a result, the United Kingdom now enjoys sustainable unmetered Internet access 24 hours a day, seven days a week from a variety of Internet service providers for the reasonable cost of £13 to £15 per month.

The article's authors err in asserting that flat-rate pricing is 'often economic nonsense,' particularly with respect to communications. Messrs. Kreuzsch and Luby need not just take our word for it though. They should heed the words of Andrew Odlyzko, Head of the Mathematics and Cryptography Department at AT&T's Shannon Laboratories, who argues that the histories of communication technologies, including ordinary mail, the telegraph, the telephone and the Internet, all demonstrate the same pattern of improving quality, increasing usage, falling costs and simplified pricing, preferably flat-rate. [See <http://www.research.att.com/~amo/> – Recent Publications – 'Internet pricing and the history of communications'].

Telewest, a UK cable company, clearly recognizes the value of flat-rate pricing with its recent announcement of a package of cable TV channels, unmetered local and long-distance calls in the UK and unlimited, unmetered Internet access for £25 per month. BT, which vowed several years ago that it would never offer unmetered Internet access, now offers it *and* unmetered voice calls evenings and weekends with favorable results for itself. The trend is clearly towards flat-rate pricing in telecommunications.

Metered rather than flat-rate pricing makes good sense in encouraging efficient usage of valuable, finite resources such as electricity, natural gas, petrol, and water. For these situations, the flat-rate fallacy applies. For telecommunications, the flat-rate fallacy is a fallacy!

The next important step in the development of the Internet will be to migrate people to broadband Internet access. DSL, by its very nature always-on, is priced at a flat rate, even by Germany's Deutsche Telekom, parent company to T-Online, which phased out flat-rate pricing earlier this year for dial-up Internet access.

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