New data pricing from Verizon, AT&T may complicate family life

Sinead Carew, Reuters

(Reuters) - Arguments around U.S. family dinner tables may soon go from who talked too much on the phone this month to who used up the family's Internet service.

Thanks to new metered pricing plans for Internet access unveiled by top U.S. cellular providers Verizon Wireless and AT&T Inc families will be able to share a single data allowance for multiple devices. A drawback is the higher price of data in these plans.

The companies say the new plans are designed to help consumers save money and simplify their lives. Consumer advocates worry that they will instead make managing the family wireless plan more complicated than ever.

"I think what you'll see is a set of consumers that overbuy and you'll see consumers that don't buy enough and get charged overage," said John Breyault, National Consumers League vice president of public policy. Breyault added that consumers "are not that great at estimating their usage."

Mark Stair, Chief Executive of High 5 Software, a Seattle-based business software supplier, is a Verizon Wireless customer but is holding off on moving his family of five to the new plan because it would increase his monthly bill by about $80 to $280.

Once it becomes necessary for all his children to have smartphones, Stair said he will likely move to Verizon's 6 gigabytes plan and tell everyone to stay within 1 gigabyte each.

"Maybe anyone above 1 gigabyte has to do extra chores or pick up dog doodoo for a month," said Stair.

REPLACING WI-FI WITH CELLULAR

Verizon and AT&T are hoping the shared data plans encourage customers to add devices like the Apple Inc iPad to the cellular network because the new plans eliminate the need for multiple data subscriptions. Right now, many consumers forgo tablets like the iPad that feature cellular links and instead opt for cheaper ones that have only Wi-Fi, a short-range technology used in many homes, so they can avoid paying another monthly data fee on top of their smartphone bill.

But the downside of the new plans is that the fees charged per gigabyte are much higher. Some Verizon Wireless customers could end up paying five times as much

as they do now for data service. Under the new shared data plan, one gigabyte of data will cost $50 per month and can be shared among up to 10 devices. The company charged $50 for five gigabytes of data under its old plan, which did not allow for shared data.

AT&T's new plan, which will be available in late August, quadruples the price for one gigabyte to $40 from $10.

While the ability to share gigabytes among multiple devices could save money for some - particularly in families where some people use less data and talk more on the phone - the higher per gigabyte price will upset others.

"For a significant number of subscribers it's going to be unacceptable," said CCS Insight analyst John Jackson. "Its hard to imagine the average consumer saying this is the thing I've been waiting for."

VOICE PRICE IS LESS IMPORTANT

Verizon and AT&T are offering unlimited text messaging and voice calls as a way to lure consumers to adopt the new shared data plans. The trouble is that many people are making fewer phone calls these days.

Katherine Finnegan, a mother of three based on Omaha, Nebraska, said her teenage children communicate a lot with services like Twitter and Facebook. As a result, she is sticking with her Sprint Nextel service, which limits voice usage but allows for unlimited data.

"Data would be the thing we'd be looking for the best deal on," said Finnegan, who signed up her family for unlimited texting services a while ago after she received a few big bills because her children went over their usage limits.

With unlimited text and voice becoming standard in the shared plan, CCS Insight's Jackson said disputes over big bills will center more on Internet usage.

"The argument around the dinner table will shift from who hogged up all the texts or the minutes to who hogged all the gigabytes," Jackson said.

To help parents, both AT&T and Verizon Wireless can send alerts warning them that the family is nearing its monthly data limit. Parents who pay an extra monthly fee to Verizon Wireless can set data allowances per device and have the option to block data from certain phones once the limit is reached.

AT&T's shared plan will not immediately allow parents to set specific data limits for individual devices in August but it will eventually offer this service.

Both companies also have online calculators aimed at helping customers predict their data needs. For example, AT&T says 30 minutes of daily video streaming would use 1.76 gigabytes of your monthly allowance, or 4.5 gigabytes if it's high definition video.

EXPLODING USAGE

There's a simple reason behind Verizon's and AT&T's move to higher data prices: consumers are sharply increasing their usage of wireless data services.

AT&T Chief Executive Randall Stephenson recently told an investor conference that he expects mobile data usage to increase by 75 percent in each of the next five years.

In the meantime analysts expect home Internet providers--whether it be cable or telephone companies -- to move toward metered pricing away from flat monthly fees for unlimited usage.

If this happens there may come a point where some heavy users of data services end up having both their cellular and home Internet allowance run out before the end of the month.

"It is a legitimate cause for concern," said CCS Insight's Jackson, adding that people will likely have to spend a much higher portion of their earnings on Internet services in future.

(Additional reporting By Yinka Adegoke; Editing by Peter Lauria and Andrew Hay)

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