

## AT&T Ends All-You-Can-Eat

### Flooded With Web Data, No. 2 Wireless Carrier Puts Cap on Heaviest Users



An AT&T store in New York. AT&T said it will no longer let customers use unlimited data without penalty.

AT&T Inc. pulled the plug on its all-you-can-eat plan for smartphone customers, telling subscribers they will see much slower speeds if they exceed a new monthly usage cap.

The new limit, which applies to some 17 million subscribers, means users of the No. 2 U.S. carrier have little choice but to start paying more as they download more video, stream more music and use more apps.

The shift came as the company separately warned some users of its most basic phones that they soon may not be able to make or receive calls if they don't upgrade to devices that run on faster networks—devices that it is offering free.

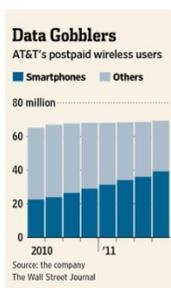
Together, the moves underscore how AT&T—still smarting from the government's decision to block its takeover of T-Mobile USA—is looking to squeeze money out of a user base that is no longer growing quickly by pushing expensive data plans and sophisticated devices. The company says it is also looking to rein in the heaviest users to improve service for all subscribers.

Carriers, such as AT&T and Verizon Wireless, have long chafed at having to spend billions of dollars to build and maintain networks only to watch Internet companies like Google Inc. and device makers like Apple Inc. collect most of the profits for using them. The pressure on carriers has grown more acute with the rise in use of smartphones like

the iPhone, essentially mini computers that make mobile Internet use easy and put a heavy toll on networks.

AT&T moved toward cashing in on rising wireless Internet traffic in 2010, when it became the first major U.S. carrier to stop offering unlimited data plans to new subscribers. Instead it pushed them into contracts that charged higher prices for greater data use. In January, it raised the prices of those tiered plans by as much as 33%.

Now, AT&T is telling the subscribers who were grandfathered into \$30-a-month unlimited plans that their Internet download speeds will be cut back if they use more than three gigabytes of data a month—enough to stream about 10 hours of high-definition video, the carrier says.



AT&T spokesman Mark Siegel said the new guidelines were needed to clear up confusion among unlimited customers over when their download speeds would be slowed. Mr. Siegel wouldn't say how significantly speeds would be reduced.

"It was a gigantic difference," said Matt Spaccarelli, 39, a dump truck driver from Simi Valley, Calif., who sued AT&T in Ventura Superior Court last month for slowing his speeds on his iPhone 4. "Downloading a video would take two or three times longer."

Mr. Spaccarelli, an AT&T customer since 2008 who likes to watch episodes of "The Office" on his smartphone, was awarded \$850 in the case. Using a program on his phone, he determined AT&T had slowed his download speeds to 0.26 megabits per second from 5 megabits per second.

"Either it's unlimited or it isn't, and a throttled plan is not unlimited no matter what you call it," he said in an interview Thursday.

Some saw AT&T's new policy as more transparent and generous than its previous policy, under which it slowed Internet use for the top 5% of unlimited data users in individual markets. That vague limit often resulted in users seeing their Web-surfing slowed after they had only used around two gigabytes of data.

AT&T's blanket new rules, however, mean there will be little difference between the carrier's \$30 "unlimited" plan, which puts limits on usage over three gigabytes, and its \$30 tiered plan, which charges more for usage over three gigabytes.

While AT&T is trying to make more money as more Internet traffic takes place on mobile devices, it is also trying to manage capacity on its network by inhibiting the heaviest users.

The carrier also is spending billions of dollars to build out a next-generation broadband network, using a technology called LTE, that can handle more wireless data traffic. Subscribers to that service, now in the process of coming online, will be allowed to use up to five gigabytes of data a month under their unlimited plans before being throttled back.

The limits also apply to each device on unlimited family plans.

The new policy could give AT&T's iPhone customers a reason to shift to [Sprint Nextel Corp.](#), which still sells unlimited plans. But limits are becoming the norm in an increasingly competitive marketplace.

Verizon Wireless got rid of unlimited plans for new smartphone subscribers last summer. Customers grandfathered into such plans can see their speeds throttled back if they are among the top 5% of users in areas where cell sites are congested, a spokeswoman said. She declined to say if the carrier had any plans to change its policy. Sprint doesn't impose any limitations on throughput for its unlimited customers.

Low-end carrier [MetroPCS Communications Inc.](#), which sells all-inclusive data and voice plans to customers who pay month to month, said Thursday it is considering a move to tiered pricing to boost revenue.

AT&T and other carriers have been pushing Congress and the Federal Communications Commission to release more licenses to use wireless airwaves, or spectrum, to help stave off a capacity crunch as mobile Internet traffic grows. They made some progress last month, when Congress agreed to let the FCC auction off airwaves held by television broadcasters.

But that auction may not happen for a few years, and deploying the spectrum will take even longer.

The data limits aren't the only moves the Dallas-based giant is taking to manage its network. In recent weeks, the carrier has begun sending out notices to some customers still using cellphones on its older, 2G cellular network to swap out their devices for newer ones that can run on 3G networks.

"Your current, older-model 2G phone might not be able to make or receive calls and you may experience degradation of your wireless service in certain areas," AT&T cautioned

in the letter. Mr. Siegel, the spokesman, said the carrier hoped to use some of the 2G spectrum for new technologies.

The carrier sent the notices to customers in the New York metropolitan area, where it has struggled to keep up with the traffic.

Notices may be sent to other customers as well, Mr. Siegel said. He noted the program was voluntary and affected a small number of subscribers and most 2G phones would continue to work. AT&T is offering the users one of four free phones to replace their current devices.