Free Internet providers boost UK access

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19 February 1999

A proliferation of free Internet access availability over the past six months has had a significant impact on Internet usage in the United Kingdom.

With local telephone calls charged on a per minute basis rather than a flat fee, as in most other countries, there was already fierce competition among Internet Service Providers (ISPs) to keep monthly subscription costs down in order to attract new users.

This reached a new intensity in September last year when the electrical retailer Dixons launched what it claimed was Britain's first free on-line service. This included Internet access, free e-mail, and 15Mb of web space. Comparable service from established ISPs costs between £5 and £15 per month.

Dixons said it hoped to make money out of its Freeserve offer through advertising, sponsorship and on-line shopping. Technical support calls were also initially charged at £1 per minute, generating substantial income from those new to the Internet--Freeserve's target audience. Freeserve is provided by telecommunications partner Energis, using its Planet Online subsidiary. Energis receives between 0.5p and 0.75p per minute in telephone revenues since all calls to Freeserve are routed via its fibre-optic cable network.

Of the estimated 8 million users in Britain, 900,000 access the Internet through Dixons' service. Freeserve has now overtaken America Online as the biggest ISP in the UK.

The Dixons' move has prompted a head-on challenge by the supermarket chain Tesco, which had previously launched the cheapest subscription-based service available last July but attracted only 17,000 customers. This month the company launched its own free service that can be downloaded from its web site, or purchased on CD for 50p at Tesco stores. Tesconet, as the service is called, comes with five free mail boxes, 10Mb of web space and technical support calls at 50p per minute, which has forced Freeserve to cut their own support call charges in half. Tesco has long seen the significance of the new medium, being the first to offer on-line food shopping at its London-based stores. Though limited, initial efforts are generating more than £12 million a year, equivalent to one large superstore.

The service is being offered to all 10 million Tesco Clubcard holders, and if only 10 percent sign up it will surpass Dixons.

Once the preserve of university Information Technology departments, the Internet is today well and truly everywhere. Although still regarded as a new industry, the "traditional" ISP is now being challenged from the most unexpected quarters. Arsenal Football Club has joined the battle for Internet customers, announcing its own free service for fans. The club has teamed up with ICL--the information technology services company--to offer fans a full branded Internet site. It will offer five e-mail addresses per subscriber and a 24-hour help line. The club expects between 25,000 and 50,000 fans to sign up for the service in the first year.

There has been a mixed response from established providers, with companies such as AOL declaring no intention to change their own pricing policy.

Mike Turner, managing director of AOL-owned CompuServe said, "There is a valid role for a free basic level service," but went on to draw a parallel to access for newspapers. "In most cases a free paper is complemented by a quality purchase. What impact would a free paper launching have on a national broadsheet?"

Other ISPs have seen the dangers to their business of the growing trend towards free access. Force9 has set up its own free service, FreeOnline, offering unlimited web space, five free mail boxes, unlimited aliases and technical support at a lower cost than that of Freeserve and Tesconet.

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One of the newest providers, LineOne, which is backed by British Telecom, United News Media and News International, has announced that it will scrap its monthly subscription fee. Some 6 million readers of the *Express*, the *Sun* and the *Sunday Times* will be given free compact discs containing software to surf the Internet. LineOne hope to compete with other free providers for a growing audience by the provision of unique on-line content, allowing readers to access many of the publications of the two media groups behind the company.

British Telecom has decided to scrap the fees on their "Click" service. This was among the first attempts to move away from monthly subscription charges with users instead paying an extra 1p per minute on top of their local telephone call charge for access. The service is now to be replaced by the new "FreeClick".

At one level, the development of free access to the Internet is to be welcomed. Indications are that it has certainly led to a growth in home use of the medium. There are, however, a number of drawbacks.

Most free services have a number of technical limitations. For example, FreeOnline prohibits the use of FTP file transfers, or access to e-mail unless the user has dialled in through their network, making it difficult and expensive to access an account when travelling outside the UK.

The provision of free Internet access is not a philanthropic act on the part of these companies, but is motivated by a desire to exploit the commercial possibilities of the new medium.

FreeOnline say they "reserve the right to add a banner to outgoing e-mail messages and/or your web site". Stating that there are no plans to do this at present, they continue, "Modifications to the service may be applied at the discretion of FreeOnline. Notification of such modifications will be made by whatever means FreeOnline deems necessary."

Users could therefore find themselves becoming an unwitting conduit for all kinds of advertising. Moreover, the companies reserve the right to change the level of provision at any time and users may therefore find themselves suddenly unable to access their mail or other services, or faced with paying a fee.

In addition, all these services make substantial sums of money from consumers' telephone charges, either for technical support calls or on-line time itself. Furthermore, even with the proliferation of "free access" the greatest barriers to increased Internet usage in the UK remain the high telephone charges and the slow speed of information transfer.

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