



## *Lompoc City Council Agenda Item*

**City Council Meeting Date:** January 16, 2007

**TO:** Gary P. Keefe, City Administrator

**FROM:** John Greenly, Wireless Services Administrator

**SUBJECT: WIRELESS INTERNET UTILITY SERVICE RATE REDUCTION AND  
MODIFICATION OF PACKAGING POLICY**

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### **RECOMMENDATION:**

It is recommended that the Lompoc City Council adopt the following pricing and packaging policy for LompocNet Internet service effective on any given subscriber's first regular billing date after Council approval.

1. **Hotspot plan:** \$9.99 per month for unlimited, self-supported Internet access for one user at a time, subject to standard LompocNet terms of service. This plan would be available as an ongoing monthly subscription and as a single one-month purchase.
2. **Family plan:** \$15.99 per month for unlimited Internet access for up to three users at a time, technical support via telephone or email, and rental of one city-owned wireless bridge, subject to standard LompocNet terms of service.
3. **Daily plan:** This plan would remain unchanged at \$4.99 for one day (24 hours) of self-supported Internet access for one user at a time, subject to the standard LompocNet terms of service.

### **BACKGROUND:**

LompocNet began regular commercial service on 7 September 2006 using a pricing structure that was approved by the City Council in March 2005. That structure called for a subscription price of \$19.99 per month for the service, plus \$4.99 per month for optional city-provided equipment. A daily rate of \$4.99 was also approved but has not yet been implemented.

This pricing structure was based on primary research carried out in May through July of 2003, and re-validated in January 2005. The research indicated that there was a sizable market opportunity at those price points, particularly if service could be offered substantially everywhere within the City of Lompoc.

At the time, this pricing structure was significantly less expensive than similar service from other providers, who did not offer universally available broadband service in Lompoc.

Since then, the competitive landscape has changed. Both Verizon and Comcast have upgraded and extended their plant, and lowered their prices. Most Lompoc residents can buy Verizon DSL service starting at \$19.99 per month currently, although promotional price points have been as low as \$14.99. Or, they can buy cable modem service from Comcast for \$33.00, with an increase after six months to \$42.95 if they are already a Comcast subscriber, or \$56.95 for standalone service.

Lompoc residents and businesses have much greater availability of broadband service at a lower price than they had when this initiative was launched four years ago. This new competition has generated substantial benefits to the City as a whole, however it also necessitates a competitive response from LompocNet, in terms of packaging and pricing.

After analysing the operating results and customer feedback from our first four months of service, we have found that our subscribers broadly fall into two groups: people who want to use LompocNet as a fixed, primary Internet service in their home or business, and those who see it as a secondary and/or portable service to supplement their existing service. We've also found that most subscribers do not use the email accounts we include with their subscription, because there are free email services available that provide features that are as good as, or better than, what we offer.

The staff recommendation will offer more competitive rates for basic Internet service; eliminate charges for features, services and equipment that subscribers do not want; and provide more focused features, services and equipment to those subscribers who want it.

Other terms, conditions and policies would remain the same. Changes would be effective on any given subscriber's first regular billing date after Council approval.

Current subscribers would be notified in advance of the change. Subscribers to the \$19.99 basic price plan would have their rate cut to \$9.99 and be moved to the Hotspot plan, while subscribers who currently have the \$24.98 plan (which includes basic service plus the rental of a wireless bridge) would have their rate cut to \$15.99 and be moved to the Family plan. These changes will take effect on any given subscriber's first regular billing date following implementation of the new policy and will not be pro-rated. Subscribers who wish to change their plan or cancel service will be allowed to do so without restriction according to current policies and procedures.

### **SUMMARY:**

We believe that this new pricing structure will offer a better value to Lompoc residents and businesses, and provide them with a range of options for Internet service that is

better than that which is available in nearly any other community of any size in California. It will also improve LompocNet's competitive position in the marketplace, and continue to provide an incentive for other organizations to improve the plant, service levels and pricing that they offer to Lompoc residents and businesses.

These changes will also have a positive impact on LompocNet's business case. Because we would be eliminating email service, which has not been popular, and because some services, such as technical support, would only be offered to subscribers who need and want it, LompocNet's operating costs will be reduced and those savings will be passed along to our subscribers. Lower prices and more focused packages will attract additional users and ultimately generate more total revenue than the current pricing and service structure.

**RESPECTFULLY SUBMITTED:**

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John Greenly,  
Wireless Services Administrator

**APPROVED FOR SUBMISSION TO CITY COUNCIL:**

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Gary P. Keefe  
City Administrator