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[Home](#) > Netflix CEO Reed Hastings shares his thoughts on NBN, data quotas and VPNs in Australia

<http://www.gizmodo.com.au/2015/03/netflix-ceo-reed-hastings-on-the-nbn-piracy-and-launching-in-australia/> [1]

My takeouts :

1. "With NBN, Australia has jumped to be one of the leaders in the world in internet infrastructure" - this is an early call. Australia is still a long way behind and might just catchup as the rest of the world moves on to Gigabit networking
2. "There's no reason for data caps. We want to make the internet unmetered. Period. The capped model is antiquated: we want to make it about speed" - this might make sense for Netflix but won't it encourage carriers to get high end users off their network. It seems Netflix sees the internet just like health care - low end users should subsidise high end users. But wait they are still trying to get rid of Obamacare in America
3. "Piracy is really the problem around the world. The VPN scenario is someone who wants to pay and can't quite pay. The basic solution is for Netflix to get global and have its content be the same all around the world so there's no incentive to [use a VPN].? At least we can agree on something.

Keywords:

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Comments

[Gary, price and the cost are](#) [7]

Submitted by Graham Shepherd on Thu, 19 Mar 2015 - 12:02am GMT



Gary, price and the cost are two different things. Generally entirely unrelated. Cost is what you can't avoid, price is what you can achieve, the difference is profit (or loss). It's not clear to me that what Telstra charges are in anyway representative of actual costs, particularly given their extraordinarily high gross margins and overheads. Peak hour volumes determine dimensioning of networks but costs actually rise in steps - a large step for a major infrastructure build, eg, a cable,

and then smaller steps for lighting up a fibre and adding wavelengths. Likewise routers, DSLAMS etc. In HFC the DOCSIS upgrade costs are actually quite low - the biggest steps to achieve real speeds are deeper fibre as you know and these are speed related not necessarily volume related.

Monthly pricing by volume might also be seen as inequitable. Every month most consumers use significantly less than their quota. Vodafone's initiative to rollover unused volume is a welcome introduction to the Australian market and perhaps reveals something more of costs and competitive pricing.

As Telstra gets more and more into content it will have the same motivation as others to eliminate metering of their own or affiliated content and the relative cost to them will be acceptable in their business case.

I suspect that Australia's access pricing structure is based on history (infrastructure monopoly) and opportunity.

Effective competition in access infrastructure, as you have often said yourself, would achieve the best outcome in the long term (coupled with an effective USO).

Graham Shepherd

This is a bit of politically [8]

Submitted by Graham Shepherd on Wed, 18 Mar 2015 - 09:58pm GMT



1. This is a bit of politically correct hyperbole about NBN. In its present configuration both structurally and technically it will never achieve 1Gb/s for consumers.
2. I suspect that the real problem for data caps in Australia is backhaul. Australian backhaul is being addressed but backhaul to the US and Europe is still far too expensive. Otherwise I agree with Hastings that there is otherwise no real need for data caps.
3. Ubiquity of availability and equitable low pricing is a far better way of addressing piracy than the draconian laws now being put forward in Australia and by the TPPA and TAFTA. Low pricing has mostly to do with cutting out the middle men. Carve a Suez Canal through them and you have solved most of the problem.

Graham Shepherd

Australian backhaul costs [9]

Submitted by Gary McLaren on Wed, 18 Mar 2015 - 11:00pm GMT



Graham your comment on backhaul is interesting. Costs to the US for Australian major ISPs with scale are now pretty low - approx. \$10 per Mbps per month. Costs around metropolitan Australia are lower again - regional Australia is another matter because of limited competition to NBN Co's regional Pols.

Telstra and NBN Co charge VC costs - \$17 to \$30 per Mbps. So all up costs per Mbps are around \$30 to \$50 per Mbps. So someone who downloads 200Gbyte (roughly equivalent to 1Mbps for a month assuming some time for sleeping!) costs the ISPs about the same - \$30 to \$50 for a 200Gb plan

So this is a significant cost still that can't be absorbed or subsidised by the low end user.

As you can see the main cost going forward will not be domestic and international backhaul but the VC charges of Telstra and NBN Co. NBN Co's will drop over time as volume increases.

But a price signal is nevertheless important - no one has given me an argument why low volume users should subsidise high users? I get it in healthcare for good social and economic reasons - a healthy population is good for all - but not aware of any other business model that is sustainable on this basis.

Cost [10]

Submitted by Gary McLaren on Thu, 19 Mar 2015 - 12:25am GMT



Well put - but the important thing is that Australia's ISPs have a cost they can't avoid related to network usage. This is going to be a smoother curve (rather than discrete upgrades) in the NBN world due to CVC charges. Telstra's pricing will need to fit into this model - regardless of their content plays. NBN Co will have discrete cost jumps as usage increases - they are small compared to fibre investment but still need to be managed. We all seem to agree that higher speeds should have higher prices - why not higher usage. Usage is a good enough proxy for peak hour dimensioning - just seems natural that higher users should pay rather than be subsidised by lower users.

What are your thoughts on mobile caps? Should they also be dismantled?

In theory effective [11]

Submitted by Graham Shepherd on Thu, 19 Mar 2015 - 01:12am GMT



In theory effective competition would sort this out. Unfortunately, in Australia and in this globalising world, competition is just a theory and nothing more. For some it is a panacea and for others a religion. ACCC plays a key role but it is severely under-resourced and politically influenced.

Trust and rust also play a big part. Telstra hangs on to most of its consumer customers not by price or quality or service but simply because of an ethereal trust factor which might be more likened (lichen?) to rust. It's enterprise customers actually get good package deals but it's poor SME market share shows that discerning customers find somewhere else to go.

One trust factor which Vodafone has identified is that customers have been paying for unused volumes. It goes to the heart of trust. If I put my money in the bank I don't expect the unspent amount to disappear at the end of each month.

I buy a data pack towards the end of the month from Telstra just to get through the month but again I leave a large amount unused and I actually have to take a specific action to turn it off before the end of the month to avoid getting hit again.

I am sure that Telstra isn't doing this deliberately just ignorantly. Ignorant of the irritation and the growing distrust. The rust starts to shake off.

Overall I think that the market should deal with it but a better resourced and more engaged ACCC might help. I just find it interesting that in their defence companies always resort to talking about their costs when these issues come up and not about their customers. Witness David Thodey and the other telcos arguing about the costs of data retention and not about their customers' privacy.

Graham Shepherd

Source URL: https://telsoc.org/blog/gary_mclaren/2015-03-18/netflix_ceo_reed_hastings_shares_his_thoughts_nbn_data_quotas_vpns

Links

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<http://www.gizmodo.com.au/2015/03/netflix-ceo-reed-hastings-on-the-nbn-piracy-and-launching-in-australia/> %20y%20takeouts%20:%201.%20%20"With%20NBN,%20Australia%20has%20jumped%20to%20be%20one%20of%20the%20leaders%20in%20the%20world%20in%20internet%20infrastructure";%20-%20this%20is%20an%20early%20call.%20Australia%20is%20still%20a%20long%20way%20behind%20and%20might%20just%20catchup%20as%20the%20rest%20of%20the%20world%20moves%20on%20to%20Gigabit%20networking%202.%20?There?s%20no%20reason%20for%20data%20caps.%20We%20want%20to%20make%20the%20internet%20unmetered.%20Period.%20The%20capped%20model%20is%20antiquated:%20we%20want%20to%20make%20it%20about%20speed";%20-%20this%20might%20make%20sense%20for%20Netflix%20but%20won?t%20it%20encourage%20carriers%20to%20get%20high%20end%20users%20off%20their%20network.%20It%20seems%20Netflix%20sees%20the%20internet%20just%20like%20health%20care%20-

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%20incentive%20to%20[use%20a%20VPN].?%20At%20last%20we%20can%20agree%20on%20something.

[2] https://telsoc.org/keywords/net_neutrality

[3] <https://telsoc.org/keywords/netflix>

[4] <https://telsoc.org/keywords/nbn>

[5] <https://telsoc.org/keywords/vpn>

[6] <https://telsoc.org/keywords/piracy>

[7] <https://telsoc.org/comment/697#comment-697>

[8] <https://telsoc.org/comment/695#comment-695>

[9] <https://telsoc.org/comment/696#comment-696>

[10] <https://telsoc.org/comment/698#comment-698>

[11] <https://telsoc.org/comment/699#comment-699>