

What are we going to do about Netflix?

➤ *2020 review of retail broadband pricing*

The ACCC is forcing Google and Facebook to negotiate with Australian news publishers for content. Is there a parallel with streaming services like Netflix and Australian internet service providers (ISPs)? I don't think so.

Foxtel paid millions to Telstra to distribute its subscription television service over Telstra's HFC cable. The model used to apply in the USA where cable television companies paid networks to carry their content. Not any more. For example, Foxtel now streams over broadband and broadcasts via satellite distribution systems.

Streaming video is an "over the top service" that "free rides" on the networks that carry it. With about 60% of traffic streaming video, there are pressures on the NBN to drop CVC charges by ISPs with unlimited plans because their margins are being squeezed. That would be a mistake. My "[Hobson's Choice](#)" analysis of the NBN's July 2014 pricing options paper found that AVC charges would double if CVC (usage) fees were abolished.

There are two other options.

First, streaming services can be charged or throttled as there is no "net neutrality" policy in Australia.

In the USA, the ability of ISPs to stop traffic (e.g. BitTorrent) or offer a "fast lane" on their broadband at a price has flip-flopped with changes in the policy on net neutrality. In October last year, courts ruled that the FCCC can classify ISPs as information services (not common carriers) not subject to net neutrality rules; which is how the current FCCC chair wants it.

The ACCC argues that we do not need net neutrality rules because, unlike the USA, there is competition and so each ISP is at liberty to charge, say, Netflix for carriage. Of course, nobody wants to that unless they all do it. So, it won't happen. And it's not a role that should be foisted on the NBN.

In fact, ISPs have been going in the reverse direction with "zero-rating" (not counting bytes of traffic). For example, when Netflix announced its arrival in Australia in 2015 it [said](#) it had a special deal with iiNet to exempt its traffic from iiNet's broadband data caps.

This month the European Court of Justice [concluded](#) that it was unlawful in the EU to slow down traffic that was not zero rated once a data cap was used. This was the case with wireless networks that zero rated some mobile apps like Facebook. Guess what - nothing is

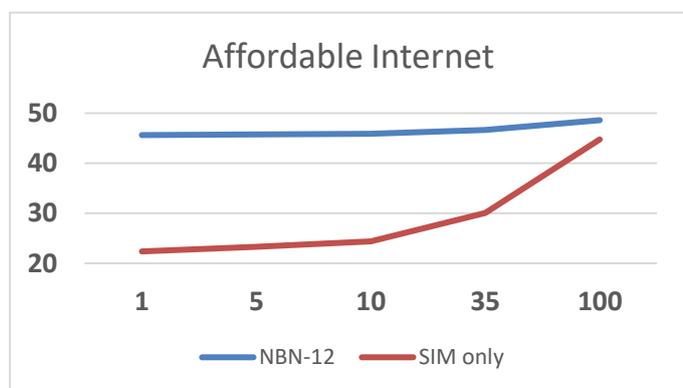
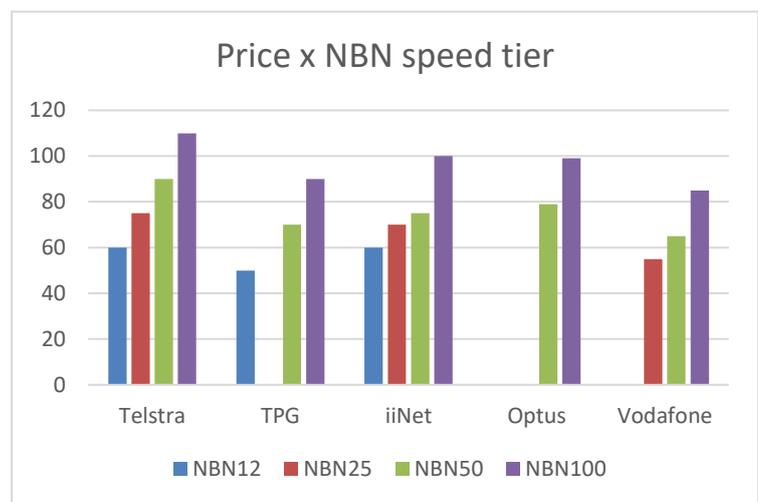
free. A [study](#) of mobile carriers in Europe found that the price of data grew where zero-rating was used and fell where it was not.

Second, ultimately users will pay and they should be charged by the ISPs. This does not happen where users enjoy unlimited data plans.

Over the years, my annual reviews of retail broadband pricing in Australia have shown ISPs moving like lemmings towards unlimited plans. They are becoming the “dumb pipes” that they dread becoming.

I said last year would be my [last review](#). But I could not resist a look at retail broadband plans in September 2020 for Telstra, TPG, Optus, iiNet and Vodafone. The highlights are:

- The only capped plan above the 12Mbps NBN tier is Telstra’s 25Mbps plan at \$75 pm for 500GB pm (up from 200GB a year ago)
- Other plans are unlimited data. Guess what – nothing is free. I have shown in previous reviews that that consumers pay a hefty premium for budget certainty.
- The implicit price of data in the 12Mbps plans is 5cents/GB with a fixed fee of \$38pm
- Telstra scorned 12Mbps but that is now what it now offers on its Starter plan aimed at migrating users from its NBN voice-only plan.
- Optus offers only 50Mbps or greater on the NBN; but also guarantees above 50Mbps on its 5G plans “so we think the price versus the speed is really unmatched” (Matt Williams, Optus).
- None of the wireless, SIM only, plans are unlimited. The best fit across these plans is \$22 plus 23cents/GB. They are very competitive with NBN 12 tier plans.



Newspaper publishers have lost

classified advertising to digital platforms and they are right to be aggrieved that Google is free-riding on their journalism while making lots of revenue. The ISPs have only themselves to blame for their squeezed margins because they chose to be dumb.

John de Ridder