

**TERENA Networking Conference 2000  
Pioneering Tomorrow's Internet**

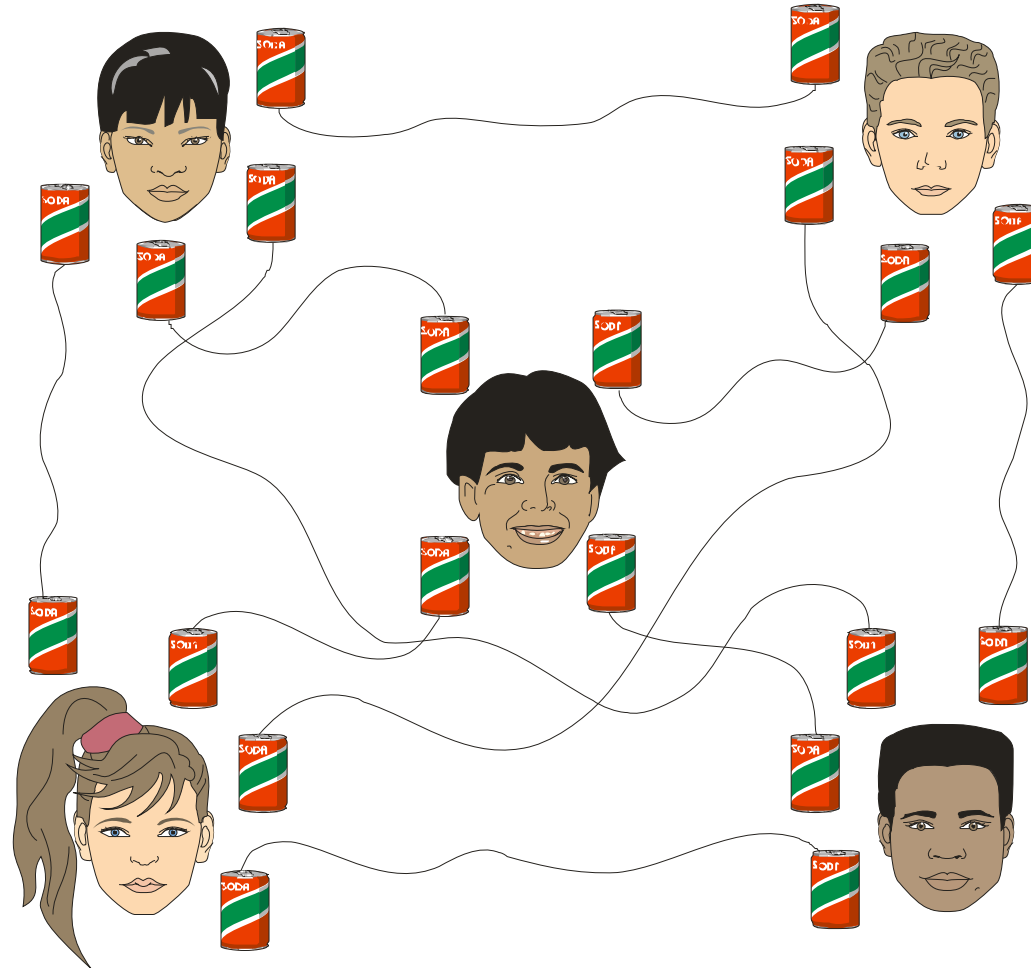
**Session 7B - Charging Models for NRNs**

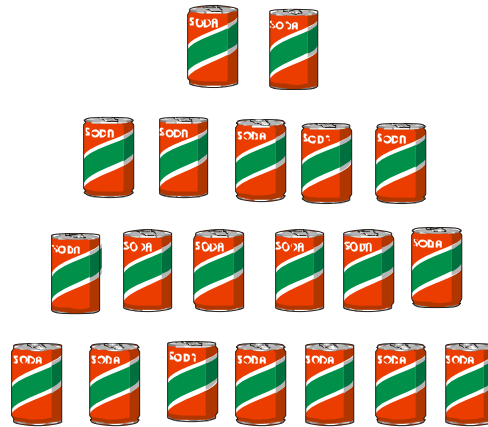
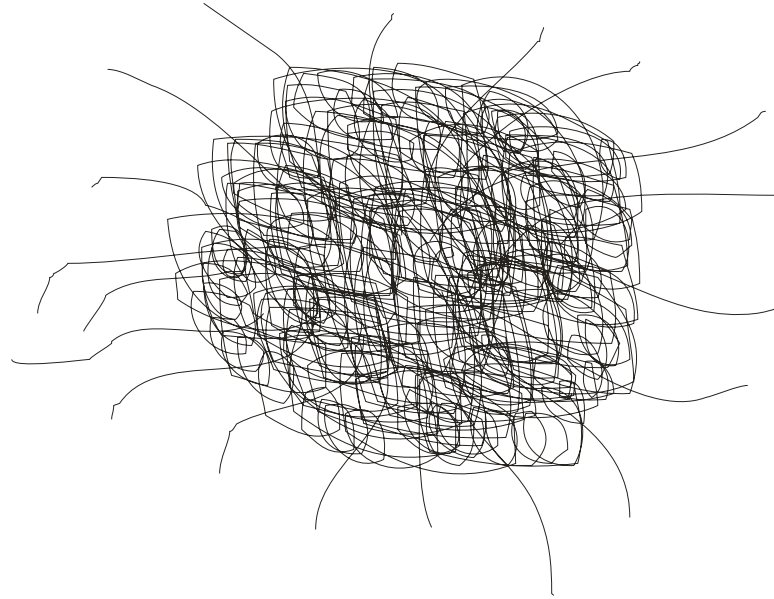
**PRICING NETWORKS**

**DRH Davies**

**<http://www.dante.net>**

# HOW DO YOU PRICE IT?





£

¥

**PRICING IS BORING!**

\$

€

# PRICING NETWORKS

## OBJECT OF PRICING MODELS

- **Fairness - Somebody Else's Problem**
- **Cohesion**
- **Stability**
- **Efficiency**

# **PRICING NETWORKS POLICY ISSUES**

- **The Centre & The Periphery**
- **Geographic Scope**
- **Bloody Mindedness**

**TABLE 1 - Connectivity Costs Development**

	Average Price	Price Range
1996 EuropaNET	200 Euros/ Mbit/ yr	200 Euros/ Mbit/ yr
1997 TEN-34	150 Euros/ Mbit/ yr	100-200 Euros/ Mbit/ yr
1998 TEN-155	30 Euros/ Mbit/ yr	20-200 Euros/ Mbit/ yr

**TABLE 2 - YEAR 1 AND YEAR 2 CONNECTIVITY COSTS FOR TEN-155**



<b><u>GROUP A</u></b>	<b><u>155 MBps</u></b>	
	<b>Year 1</b>	<b>Year 2</b>
<b>Average</b>	<b>14.7 K Euros</b>	<b>5.57 K Euros</b>
<b>Range</b>	<b>13.2 – 16.9 K Euros</b>	<b>2.65 – 11.34 K Euros</b>
<b>Price per MBps per year at 155 MBps</b>		
<b><u>GROUP B</u></b>	<b><u>155 MBps</u></b>	
	<b>Year 1</b>	<b>Year 2</b>
<b>Average</b>	<b>34.3 K Euros</b>	<b>11.67 K Euros</b>
<b>Range</b>	<b>29.9 – 41.4 K Euros</b>	<b>2.99 – 29.99 K Euros</b>
<b>Price per MBps per year at 155 MBps</b>		
<b><u>GROUP C</u></b>	<b><u>34 MBps</u></b>	
	<b>Year 1</b>	<b>Year 2</b>
<b>Average</b>	<b>62.5 K Euros</b>	<b>30.46 K Euros</b>
<b>Range</b>	<b>53.7 – 70.8 K Euros</b>	<b>15.88 – 62.28 K Euros</b>
<b>Price per MBps per year at 34 MBps</b>		

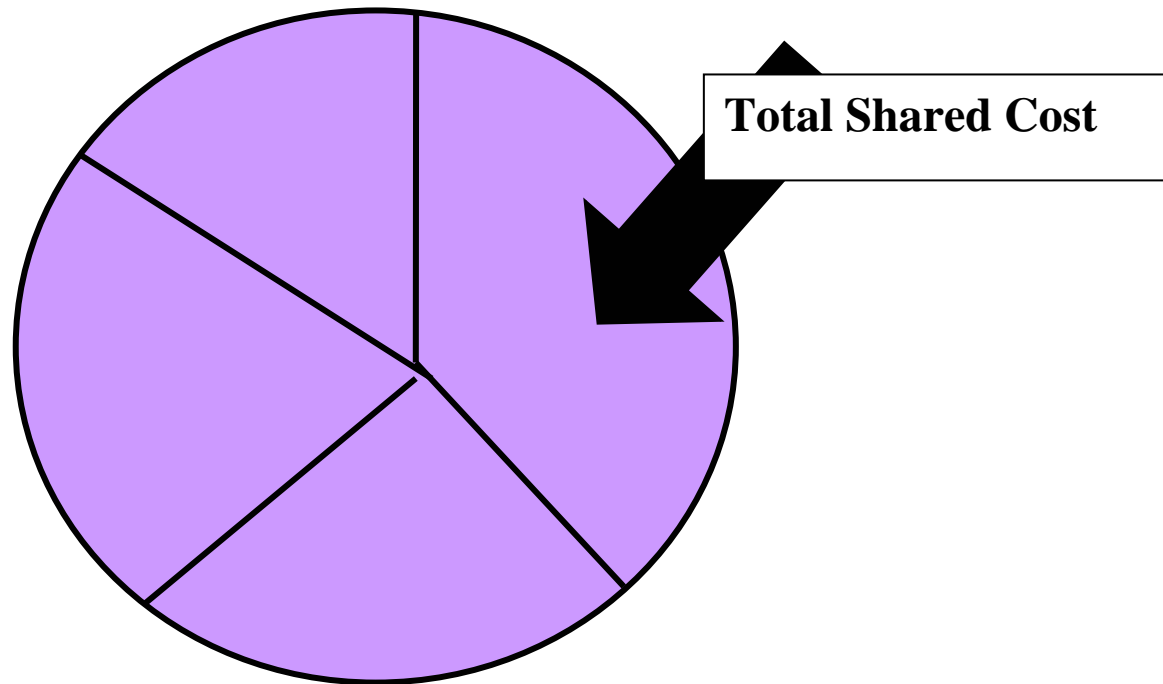
# PRICING NETWORKS

- **Pricing by Value**
- **Pricing by Cost**
- **What do you mean by Cost?**

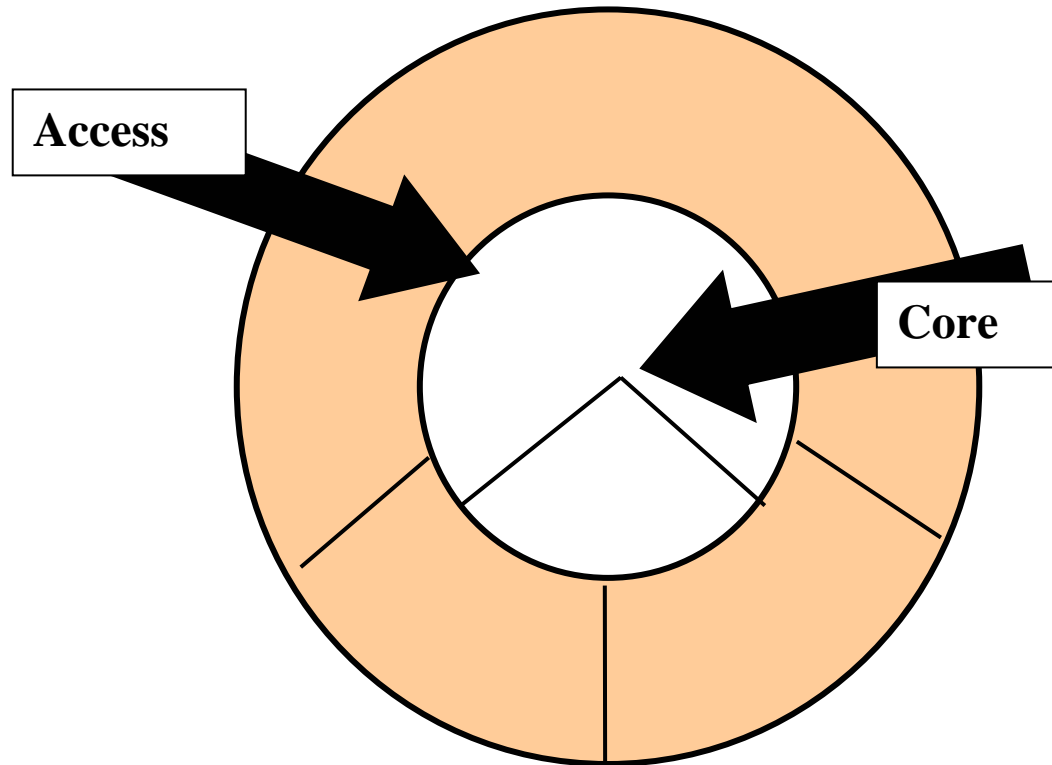
# PRICING NETWORKS REALITY TODAY

- **Two-part Pricing**
  - + **Geography Independent**
  - + **Geography Dependent**
- **60% of Costs Geography Independent**

**Figure 1: - TEN-155 Year 1 Cost Sharing**

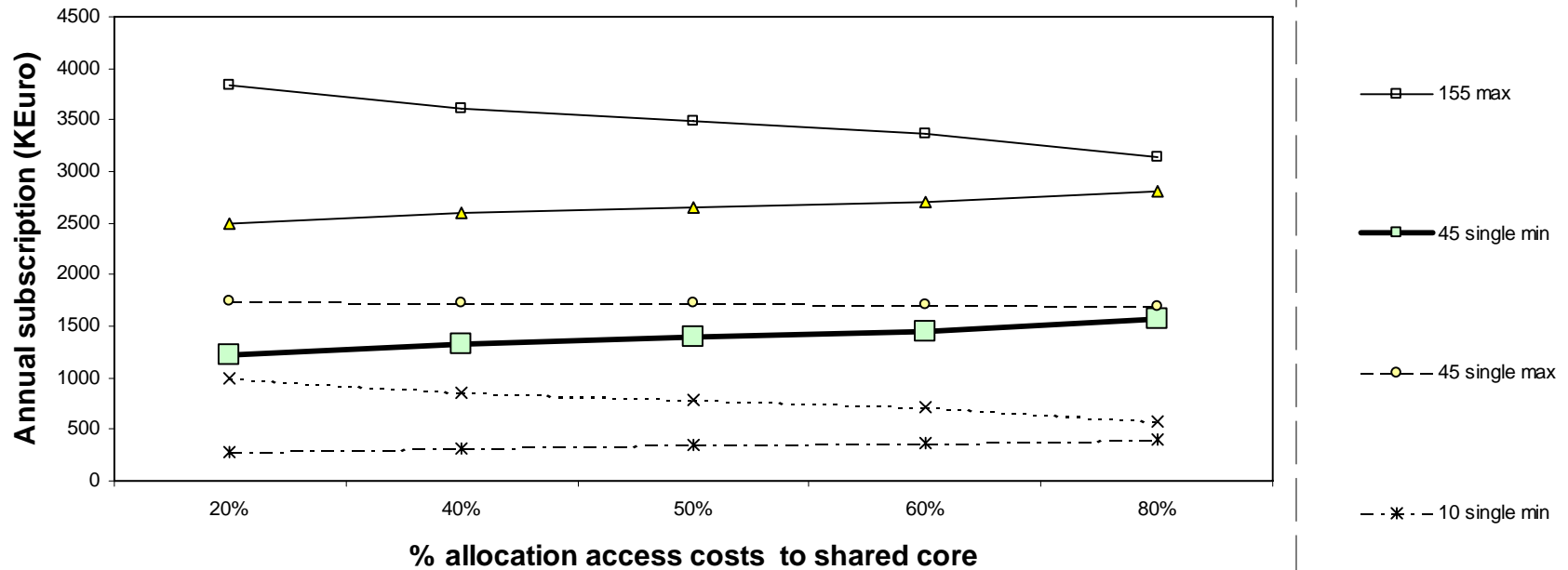


**Figure 2: - TEN-155 Year 2 Cost Sharing**



# Figure 3 – TEN 155 Price Divergence Year 2

## Annual subscription vs allocation of access costs to shared core costs



10 single max

# PRICING NETWORKS

- **Do we need to price at all? - the Internet is FREE!**

# PRICING NETWORKS REALITY TOMORROW?

- **Nirvana**
- **Lots of Cocoa Tins**
- **Pricing “The New Religious War”**