Comcast's shakedown of Netflix pays off for consumers

By **Peter Smith**

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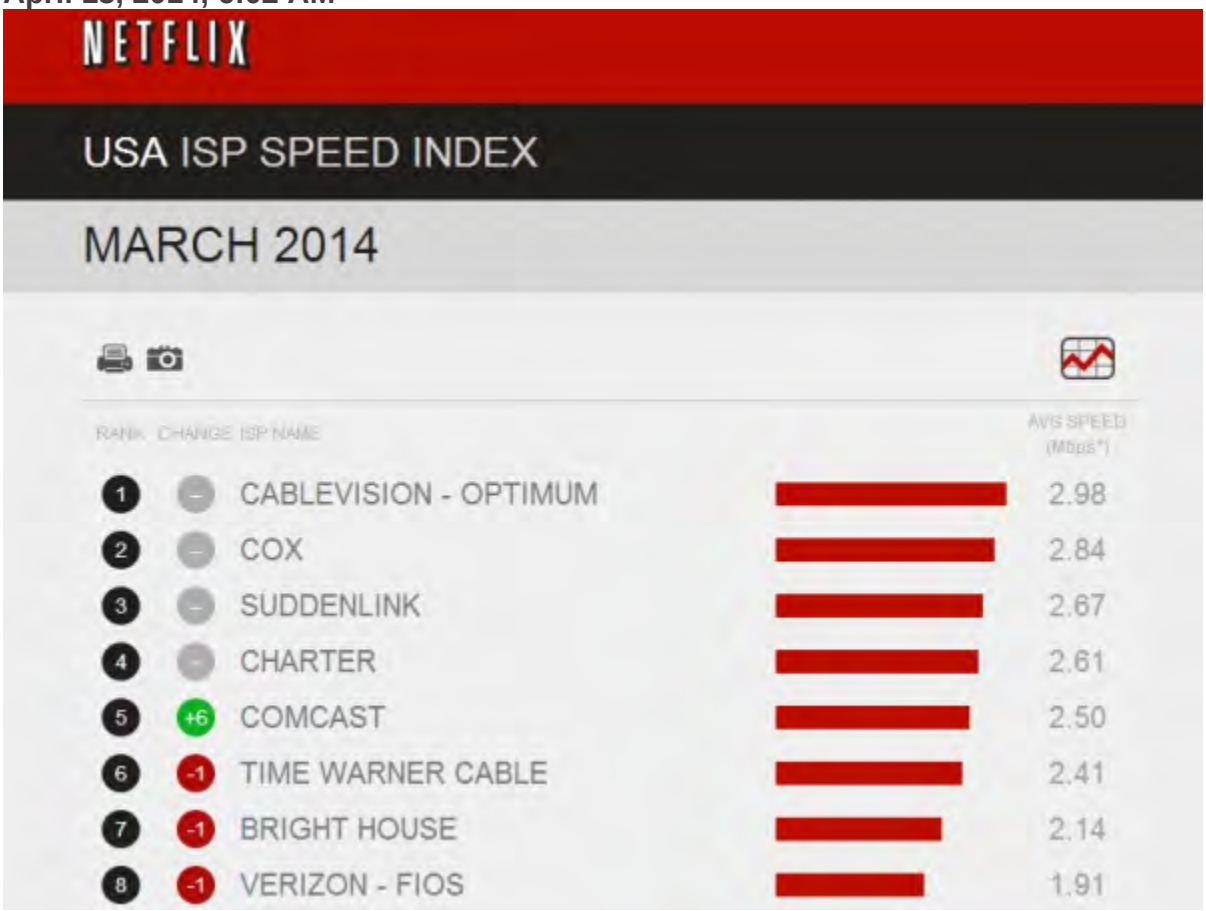

Source: Netflix

You might remember back in February when it was announced that Netflix had come to an agreement to pay Comcast (which at that time had not yet won the prestigious "Worst Company in America" award — congrats, guys!) for the privilege of connecting directly to Comcast's servers for an undisclosed sum.

The official announcement at the time said:

"Comcast Corporation (Nasdaq: CMCSA, CMCSK) and Netflix, Inc. (Nasdaq: NFLX) today announced a mutually beneficial interconnection agreement that will provide Comcast's U.S. broadband customers with a high-quality Netflix video experience for years to come.

Working collaboratively over many months, the companies have established a more direct connection between Netflix and Comcast, similar to other networks, that's already delivering an even better user experience to consumers, while also allowing for future growth in Netflix traffic. Netflix receives no preferential network treatment under the multi-year agreement, terms of which are not being disclosed.

That didn't sound bad...mutually beneficial and all that. But it wasn't long before Netflix's Reed Hastings wrote a blog post calling for strong net neutrality and talking about exactly the kind of issues Netflix had to pay to solve. The implication is that the big cable companies can essentially hold a service like Netflix hostage until a check is cut. For a somewhat less biased look at the deal, check out What The Netflix-Comcast Deal Really Means In Plain English at Business Insider.

Anyway that's old news, but now we're seeing the benefit to Netflix customers who use Comcast. In their monthly ISP Speed post Netflix points out that the average stream speed for customers on Comcast has improved 65% since the deal was put into place. Put another way, Comcast jumped up 6 places in the rankings, putting it in 5th place.

I'm not sure if this is good news or not. Comcast refused to work with Netflix until they were paid off. The results are presumably happier Comcast/Netflix customers. But you have to wonder what Cablevision-Optimum is thinking (they're #1 on the index) at this point. Maybe they should start choking down the connection between their customers and Netflix until they get a pay-off, too? Netflix has already said they'll be paying more "tolls" (their term) to other ISPs (see Netflix says it will pay "tolls" to more ISPs, not just Comcast at Ars Technica); at some point you know they're going to start passing on these costs to consumers.

I almost wonder if consumers would've been better off in the long term if these paid peering arrangements hadn't resulted in such a big improvement. Of course talk is cheap for me; I don't currently use Comcast.

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