

Simple IX Cost Analysis

Martin Hannigan

23 February 2010

NANOG 48

Austin, TX USA

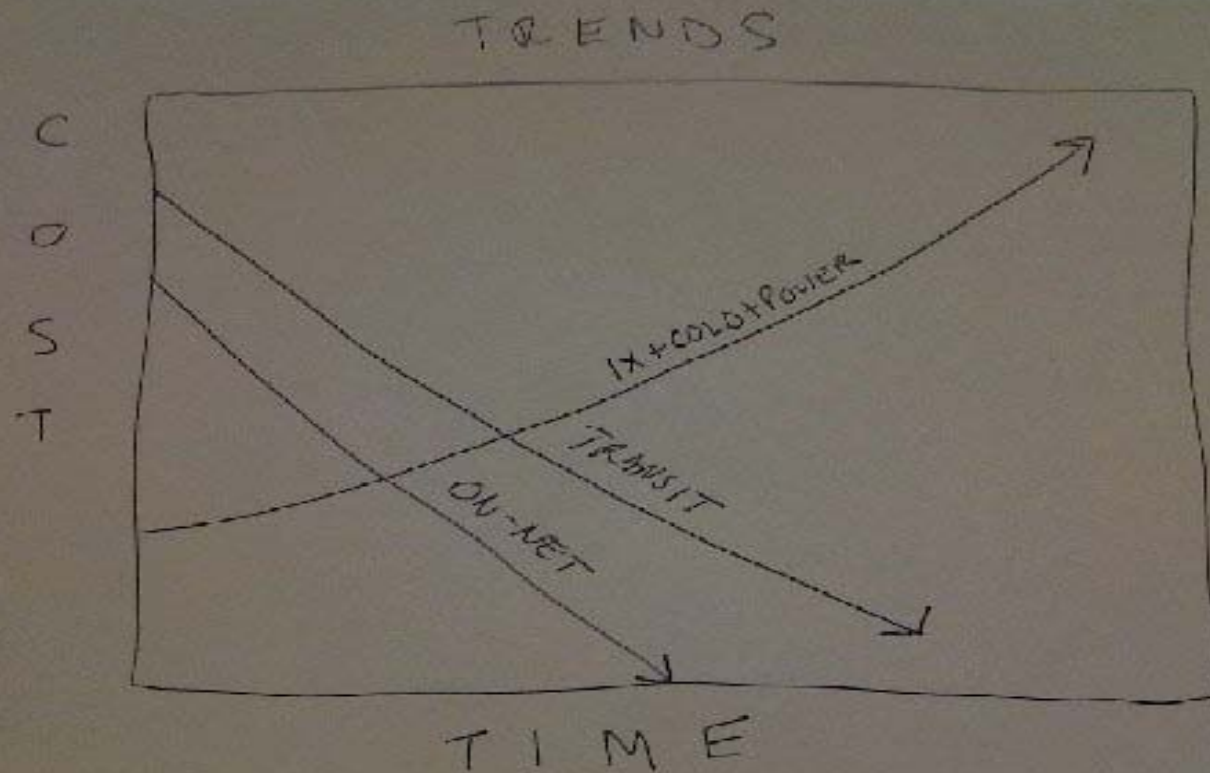
Assumptions

- You are participating in “any” IX
- You collocate there
- You still need transit
- You want to have decision criteria that is not just performance based
- **Numbers should help make the decision for you**

Why bother?

- Combined IX+Colo costs are RISING
- Transit costs are FALLING
- The intersection of costs create pressures
 - Colo/IX costs are going up 5% to 15% per year
 - Transit costs have been free falling
- Companies survive based on profits; cost containment is a key component
- Your CEO and CFO will think that you are smart

"X" Marks the Spot



Accounting

- Accountants are not Network Engineers
- Good Network Engineers understand basic accounting and finance principals
 - Capital Expenditures
 - Operational Expenditures
 - Depreciation
 - Cost of Capital
- **Network decisions should generally be financially motivated**

Let's play Global Thermonuclear War

- Assume transit is \$10 Mb/s
 - Your offload 200 Mb/s to the IX on a 1 Gb/s port
 - **\$22.43 bit cost vs. \$10.00**
 - **Annihilation/Loss**
- Assume transit is \$10 Mb/s
 - Your offload 700 Mb/s to the IX on a 1 Gb/s port
 - **\$6.41 bit cost vs. \$10.00**
 - **Survivability/Win**

Simple Approach

- Gather your hardware costs
- Figure out your non capex MRC
- Rollup capex, find a depreciable amount and add to the MRC column
- Divide costs by bits
- Analyze
 - Not really that simple, but kind of
 - Does bridge the bean to bits gap

Summary

- Analyze your costs
- Educate yourself in some simple accounting concepts
- Arm yourself with facts when dealing with vendors
- Pre-empt bad decision-making by bean counters and others
- **Cost is not the only criteria, but they certainly matter and frequently make the difference**

Questions?

About the Presenter
Martin Hannigan
martin@theicelandguy.com
+16178216079

NO NDA WAS HARMED IN THE MAKING OF THIS
PRESENTATION

Thanks

- Will Hargrave
- Ryan Donnelly
- Aaron Hughes
- Keith O'Neill
- Greg Hankins
- NANOG Program Committee