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Major cable companies are getting worried they could face stiffer competition from online video, thanks to a new government proposal. The Federal Communications Commission is working on a plan to give online TV services all of the same regulatory perks that cable companies get. Putting online companies on equal footing with cable providers like Comcast could usher in a new wave of competition in the TV industry—potentially meaning more choices and lower prices for consumers.

The FCC is mulling the change just as online video is making major strides toward becoming a mainstream alternative to the established TV providers. HBO plans to offer online-only subscriptions next year, and CBS launched its own digital service earlier this month. But the cable companies are opposed to the plan and are lobbying the FCC to reverse course. The cable companies also have an ace up their sleeves: They control the Internet access that the new video competitors depend on.

WHAT IS THE FCC'S PLAN? The FCC's proposal, which is still in its initial stages, would classify certain online video services in the same category as cable and satellite TV providers ("multichannel video programming distributors," in the legal terminology). The change would make it easier for the online companies to offer popular channels. Under the plan, the online services would have the same right as cable companies to negotiate fairly for access to broadcast networks such as Fox and CBS. TV providers that also own cable channels (such as Comcast) wouldn't be allowed to block their online rivals from carrying those channels.

The proposal would apply only to online services that offer multiple streams of pre-scheduled programming. So the rules wouldn't cover Netflix and Hulu, which allow subscribers to watch videos whenever they want. But it would apply to services that are in the works from Sony, Dish Network, and Verizon. The controversial website Aereo, which shut down earlier this year after a loss at the Supreme Court, could also make a comeback. Aides to FCC Chairman Tom Wheeler are still drafting the proposal. The commission will have to vote to seek public comments before finalizing any regulatory changes.

WHAT DOES IT MEAN FOR YOU? Regardless of whether the FCC takes action, the online services from Dish and others are expected to be available soon on mobile devices, computers, and Internet-connected TVs. Watching the services will probably be very similar to watching cable or satellite TV today; consumers will flip between video streams just like flipping between regular TV channels.

The agency's proposal would help the online services gain cheaper access to more channels of shows, sports, and movies. More consumers may ultimately decide to "cut the cord" from their cable company and rely solely on the online options. But if the FCC

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doesn't expand its definition of a video provider, it could be tough for those new online services to compete with the established pay-TV giants. Don't expect any dirt-cheap TV options. The channel owners such as Disney and Viacom will still charge providers (online or cable) hefty fees to carry their channels. But a new surge of competition could ultimately drive prices lower. Cable companies serve particular geographic areas and usually don't compete against each other. But the online options will likely be available to anyone in the country with a sufficient Internet connection.

It may also become easier for consumers to mix-and-match packages from various companies instead of having to sign up for one massive bundle of cable channels that they mostly don't watch. The FCC hasn't taken any formal action yet, but officials are starting to tout the potential benefits that could come from treating online video the same as cable. In a **speech** earlier this month, Jon Sallet, the agency's general counsel, argued that the proposal could boost competition in the TV industry and drive Internet providers to build faster and bigger networks. "Of course, the commission doesn't root for one business model over another," Sallet said. "But it does—and it should—look to see if any of its rules should be updated to facilitate the innovation that is occurring in the marketplace."

WHY CABLE COMPANIES DON'T LIKE IT The cable giants aren't yet launching an all-out blitz against the FCC's proposal, but they don't like what they've seen so far. Earlier this month, top lawyers from the National Cable & Telecommunications Association, which represents Comcast and other cable providers, met with FCC officials to urge them to drop the proposal. Expanding the definition of a video provider to include online services would misinterpret the law and "raise a host of practical and regulatory concerns," the cable lawyers said, according to a **public filing** disclosing the meeting.

If the FCC does decide to give online companies the same regulatory advantages as cable providers, then the agency should also impose the slew of regulatory burdens that come with that classification, the lawyers argued. That would mean the online services would have to air emergency alerts, offer closed captioning, carry certain local stations, and comply with equal hiring rules. The FCC will have to make a number of other decisions, such as whether a service has to be available 24/7 to qualify and whether to include services based in other countries.

BUT WHY CABLE WILL PROBABLY BE FINE Paul Gallant, a telecom policy analyst for Guggenheim Partners, said the FCC's proposal poses "at least some risk" to the existing pay-TV providers. But Comcast isn't going out of business anytime soon. All of these new online services depend on customers subscribing to high-speed Internet—which is usually provided by a cable company. Online video is sometimes referred to as an "over-the-top" service because its data goes over another company's broadband network. That gives the cable providers a lot of power over their new competitors.

The FCC is also crafting net-neutrality rules to prevent Internet providers from blocking or slowing down any online services. The cable companies aren't likely to cut off access to online video, but Gallant said he expects they will impose higher fees on customers who use large amounts of data. Streaming a few hours of high-definition video every day could cause a consumer to blow past monthly data limits. So while the cable companies would prefer to protect their current business model, they might be able to make up for any loss in their pay-TV units by charging more for Internet service. Consumer groups fear that cable providers will use data caps to punish consumers who choose online video competitors. The FCC doesn't currently have any strict rules on usage-based Internet pricing, but a battle over the issue could loom in the future. – ***National Journal***

No matter what the biggest Internet providers say, the average American knows that getting a competitive Internet connection can be difficult — if not impossible, at times. In many apartment buildings, exclusive deals force residents to buy Internet from one provider, and one alone. And the nation's top telecom regulator has himself argued that

the broadband industry is dominated by a duopoly at higher-speed tiers. New entrants such as Google Fiber have come seemingly out of nowhere to shake up this dynamic in some markets, prompting a race among Internet service providers (ISPs) to upgrade speeds and expand access to the fastest, cheapest fiber around. But a big question is how long this push can last. Will the majority of America be served by Google Fiber when all is said and done? If not, can Google compel other providers to build out their fiber offerings — and what will that take, exactly?

I've explained before why Google Fiber is starting with smaller and mid-size cities — and why it isn't likely to show up in New York or Washington anytime soon. Negotiating permission to string fiber optic cable along telephone poles or to dig up city streets is tremendously costly, to say nothing of actually doing the labor. Those barriers effectively limit how far Google might be able to go with Fiber. But Google may not need to put Fiber everywhere to produce lasting changes in the way Americans get their Internet — just in enough places, perhaps. We've seen this play out most competitively in Austin, where Google Fiber and AT&T have gone head-to-head and even inspired locally owned providers to start offering data speeds of 1 gigabit per second. That's about 100 times the national average. Since then, Google has said it will consider unveiling gigabit fiber in as many as 34 other places across the country. AT&T has matched that — and more — by eyeing 100 cities and towns.

Who stands to win in this contest is actually less important than who stands to lose — and it's not Google, according to Blair Levin, a former FCC official who authored the nation's guidebook on broadband. That's because while broadband is an increasingly important part of AT&T's business, for Google, Fiber is simply a side project compared with search and advertising. "It's like [Google co-founder Larry Page] and [AT&T chief executive Randall Stephenson] are playing a game of chicken," Levin said, "and the two cars are coming together and all of a sudden Randall realizes Larry isn't in the car — because it's a self-driving car." By controlling the vehicle remotely, Page has gotten the jump on Stephenson without putting himself at risk. But by announcing that it's looking at 100 new cities, Levin said, AT&T has already shown it's on the counterattack. Whether Google announces its expanding to three new communities or 30, AT&T will be able to upstage that figure by announcing a higher one.

Now here's where it gets really interesting and/or confusing: *Maybe this is all part of Google's plan*. There are two ways to think of what Google's really up to, Levin said. The first way is to say that Google wants other businesses (like AT&T) to take on most of the responsibility for building out new fiber and creating a more competitive broadband market. The second way is to say that Google really does intend to be everywhere with Fiber and wants to become a real player in the ISP space. "Theory One only works if people think Google's operating under Theory Two," Levin said. "Theory Two only works if people think they're operating under Theory One." Here's what that means, in plain English: If AT&T is convinced that Google Fiber wants to be everywhere (Theory Two), then it'll be incentivized to flood the zone itself (and validate Theory One). If AT&T thinks Google wants AT&T to do all the heavy lifting (Theory One), then Google will have distracted its rival while it lays the groundwork for a much larger surprise attack (Theory Two). Of course, now that AT&T is poised to unveil fiber in many more cities than Google Fiber has hinted at, AT&T may have insulated itself from said surprise attack. Google declined to comment. AT&T said that amid its rollout of gigabit fiber in places like Austin, sales and customer satisfaction "have consistently exceeded our expectations." – ***Washington Post***

Google Inc. 's YouTube is working on a paid-subscription business model, a big change from the advertising-only approach that turned it into the world's largest online video website, according to a top executive at the Internet giant. The change is being led by Susan Wojcicki, a veteran Google executive who spent years on the advertising side of the company. She took over YouTube earlier this year and has been looking for ways to

generate more revenue and profit from the video site, which Google acquired for $1.65 billion in 2006.

A paid, ad-free subscription version of YouTube, in addition to the existing ad-supported offering, would give users more choice and work well in a world where viewers are increasingly watching videos through apps on mobile devices, Ms. Wojcicki said during the Code Mobile conference in Half Moon Bay, Calif., late Monday. "It's near term," Ms. Wojcicki said. "There are going to be cases where people are going to say, 'I don't want to see the ads.'" There are lots of mobile apps where users can choose to be exposed to ads, or choose to pay to avoid that, she added. "That's actually a pretty interesting model because it's giving users choice," she said. "We're thinking about how to give users options."

Ms. Wojcicki is mulling subscriptions as other paid online video services from companies such as Netflix Inc., Hulu and Amazon.com Inc. gain more viewers. Some of these services show ads too, but some, like Netflix, do not. About a year ago, YouTube allowed content providers to create their own subscription-based channels on the video site. The channels let video creators charge a fee to watch their content. While the paid channel initiative got off to a slow start, Google expanded it in October 2013, opening it to more content partners and additional countries. But YouTube has never offered a paid-subscription option that excluded ads. "We rolled out the ability for an individual channel to do a subscription," Ms. Wojcicki said. "We've also been thinking about other ways that it might make sense for us. If you look at media over time most of them have both ads and subscriptions."

YouTube is starting to approach content partners about being part of subscription versions of the video service that will focus on specific types of content, such as news, according to a person familiar with the situation. That would come in addition to the main ad-supported approach YouTube has taken to date, which will remain in place, the person added. YouTube's expected music subscription service is an example of this. There will always be music available on YouTube for free, with ads, the person familiar with the situation said. But there will be a subscription version that will not include ads and may offer additional features, the person added. YouTube has yet to release the music service, but Ms. Wojcicki said Monday that she remains "optimistic about seeing it soon." She wouldn't say whether it will be available this year. – ***Wall Street Journal***