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HBO, Showtime, and Sony Corp. are jumping into online television. But instead of putting their Web traffic on the public Internet's main thoroughfare, they want to be in a separate lane that would ensure their content gets special treatment.

Those companies have talked to major broadband providers such as Comcast Corp. about having their Web TV services treated as "managed" services, according to people familiar with the discussions. In effect, that would move them away from the congestion of the Internet, which they fear will only get worse as more people opt to stream movies and TV shows on the Web. The other benefit: A separate lane would be exempt from monthly data-usage thresholds operators enforce for public Internet traffic, saving customers from the surcharges that can kick in if they binge on too many episodes of "Game of Thrones" or "Homeland." Such arrangements would tap into a gray area of the debate over "net neutrality," the principle that all traffic on the Internet should be treated equally.

The Federal Communications Commission's recently approved net-neutrality rules, which go into effect in a few months, bar broadband providers from accepting payment from companies to favor their traffic. And the rules say the FCC "expressly reserves the authority to take action" if it finds that specialized services are "being used to evade the open Internet rules."

But the agency has maintained that cable and phone companies can offer certain specially managed services—digital phone and video-on-demand, for example—that run on a dedicated slice of bandwidth in the cable pipe that is separate from the portion reserved for public Internet access. Operators do that so that consumers don't experience dropped calls or buffering of shows. Everything else a consumer does online, however—shop on Amazon, search on Google, or stream TV shows and movies—happens on the public Internet. Now, the media companies want to get the managed-services treatment, too. It isn't clear whether they would be willing to pay specifically for that arrangement or if it would be part of a wider negotiation with broadband companies.

2020 ***York Daily Record*** **Gov. Wolf says manufacturing tax credit could boost Pennsylvania jobs, industry**	What would be in it for the broadband providers? Possibly the chance to package Web-TV services with broadband plans, giving them a cut of Web-TV subscription revenue for a new market of "cord-cutters" as well as a tool to entice customers to sign up for more expensive Internet packages. So far, most broadband providers have pushed back on the idea of treating online TV products from other companies as managed services, people familiar with the discussions say. Some cable executives say such managed-services arrangements could require setting up special infrastructure that would cost them hundreds of millions of dollars for a single online video company. One top cable executive, however, said it could be done more economically and the idea of offering HBO as a managed service is attractive, because it could help provide customers a "richer experience and deliver a service where you are ensuring quality." Regulatory risk has also been a factor. Comcast indicated in conversations with Sony and HBO that it wasn't willing to do anything for any one content provider that it couldn't offer to every other company, so it doesn't run afoul of net-neutrality rules, the people said. At least one emerging online TV player, Dish Network Corp.'s Sling TV, believes the managed-service arrangement would be a negative overall. "It's a bad thing for consumers and a bad thing for innovation," said Roger Lynch, Sling TV's chief executive, adding that big companies like Dish could afford to cut special deals like this but small companies can't. It makes a mockery of net neutrality, he said, adding that Sling would strike such a deal only "under duress," if other companies did first. The discussions with cable operators revolve around what happens to Web traffic on the "last mile"—the portion of cable operators' networks that stretches to consumers' homes. (This is separate from the debates over "peering" payments related to how content companies hand off their traffic to broadband providers.) The media companies' assessment is that this last mile of public Internet pipe, as it exists today, won't be able to handle the surge in bandwidth use for all the online-video services, also called "over the top" TV, hitting the market. The result when too many homes in a local area are trying to access heavy-bandwidth content at the same time is a frustrating experience for consumers, with buffering and hiccupping of programming. HBO, Sony and CBS Corp.'s Showtime all are rolling out bandwidth-intensive online TV services. Also in the Web TV mix are CBS, Viacom Inc.'s Nickelodeon and Comcast's NBCUniversal. They are aiming mainly at cord-cutters and "cord-nevers," the roughly 10 million broadband households without pay- television connections. Apple Inc., which is planning its own online TV services, showed interest in the managed-service arrangement last year, but talks with Comcast broke down. Streaming giant Netflix Inc., which accounts for nearly 35% of North American downstream Internet traffic during peak evening hours, according to Sandvine, was among the most vocal proponents of tough net-neutrality rules. The company hasn't asked broadband providers for treatment as a managed service or exemption from data-usage thresholds, according to a spokeswoman. Netflix recently struck a deal with an Australian operator that exempts the service from data caps, but said it did the deal so its customers there wouldn't be disadvantaged compared to those of rival services. Media companies say the costs of guaranteeing problem-free streaming for users are rising. Last October, when Time Warner CEO Jeff Bewkes announced the HBO service, he warned the growth of online streaming means "there's going to be a strain" on the broadband system that delivers it. "There's going to need to be an evolution of financial support to pay for and continue to maintain the ability of the broadband infrastructure to [handle] digitally delivered programming," he said. The new online video entrants also want to protect their users from monthly data-usage caps. For now, those thresholds seem high: Comcast has been testing a data plan of 300 gigabytes per month, even though the cable giant has said that Internet customers' median monthly usage is 20 to 25 gigabytes per month. (Streaming 10 high-definition, two-hour movies in a month would put you over 25 gigabytes in a month, according to

Comcast's data calculator.) But one industry executive said high-definition shows and movies can add up fast, especially if different family members are streaming simultaneously for hours per day. "If you watch a bunch of HBO and your top is a 300 gigabyte cap, you could get through that pretty quick," the executive said. – ***Wall Street Journal***

Republicans' dissatisfaction with the Federal Communications Commission's net-neutrality order erupted this week in a trio of heady congressional hearings and an all-day conference hosted by the conservative Free State Foundation. But for all the sound and fury, there's no agreement on what exactly to do about it. House Majority Whip Steve Scalise said that responding to the FCC decision is a priority. "We are bringing forward legislation that would reshape what the FCC could do in relation to these kind of regulations," Scalise said at the Free State Foundation event. But he acknowledged that there isn't a unified plan. "There's not a consensus on how to handle it," he said. "Right now, it's still in the early stages before we know exactly what kind of legislative reaction we want to have."

At its core, the dispute over net neutrality combines conservatives' aversion to government regulation with their opposition to anything connected to President Obama, who endorsed strict net-neutrality principles last year. The three hearings this week that took over FCC Chairman Tom Wheeler's calendar were a platform for GOP anger, as was the Free State Foundation conference, which also featured another of the FCC's leading congressional critics—Rep. Greg Walden, chairman of the House Energy and Commerce Communications and Technology Subcommittee.

The Republican plan of attack is two-pronged. GOP lawmakers and commissioners are targeting the content of the FCC order, which they argue will increase the regulatory burden on Internet providers to the point of discouraging investment. At the same time, they're honing in on procedural issues at the FCC, criticizing the commission for not publishing the text of its orders ahead of time and questioning the link between the chairman and the White House.

Legislatively, the most attractive option available to opponents of the FCC is passing a bipartisan bill that rolls back the net-neutrality plan. A group of Senate Republicans led by Commerce Committee Chairman John Thune is trying to get Democrats on board legislation that would preserve the general principles of net neutrality but undo the regulatory mechanism the FCC wants to use to enforce them. In the House, Walden and Energy and Commerce Chairman Fred Upton are pushing for a similar measure.

Walden went into more detail during his Thursday morning speech. "The bill prohibits blocking, throttling, and paid prioritization, and requires that ISPs be transparent in their network management practices and prices," he said. "We cover both fixed and mobile broadband, and we provide enforcement mechanisms that allow the FCC to address complaints from consumers as well as raise investigations of its own accord."

A Wednesday hearing offered a glimmer of hope for supporters of a bipartisan bill when Sen. Bill Nelson indicated he'd be willing to negotiate with Republicans in the Commerce Committee, where he's the top Democrat. "I remain open to true bipartisan congressional action provided that such action fully protects consumers, does not undercut the FCC's role, and leaves the agency with flexible, forward-looking authority to respond to changes in the dynamic broadband marketplace," Nelson said at a Wednesday hearing.

Meanwhile, some Republicans are taking a more aggressive approach to the rules. A group of 21 GOP representatives in February called for a vote to repeal the rules under the Congressional Review Act. (Voting on a resolution of disapproval only needs a simple majority in both houses, but it's still subject to a presidential veto.) And earlier this month, Rep. Marsha Blackburn introduced a bill that would overturn the FCC's open-Internet order entirely. In a more procedural move, House Republicans are considering reauthorizing the FCC under new, more restrictive conditions. "It's been 25 years since Congress last passed legislation reauthorizing the agency, and it's nearly impossible to articulate the ways in which the technological world has changed," Walden said Thursday. "It is time to take a hard look at exactly how the FCC is spending the ratepayers' money, as well as how much they are spending."

After his speech, Walden went straight to a Communications and Technology Subcommittee hearing about FCC reauthorization, where he ran into strong pushback from Democratic members. Energy and Commerce Committee ranking member Frank Pallone said he had "yet to hear a convincing explanation for why this legislation is a good idea."

Even if Congress doesn't come up with a strong reply to the FCC's rules, the order could face tough challenges in court. Now that the complete text of the order is public—all 400 pages of it—cable and telecom giants are gearing up for lawsuits that they hope will hobble the agency's ability to assert its authority over the Internet.

"Ultimately I don't think it's going to go through," Scalise said of the net-neutrality order. "I think it's going to be challenged in the courts and it's going to be pushed back." – ***National Journal;* more in *Los Angeles Times***

Canada moved Thursday to give households greater freedom to choose the television channels they want as part of their cable package, making it one of the biggest jurisdictions in the developed world to compel some form of a-la-carte TV offering. The change, unveiled by Canada's broadcast regulator and set to come into force next year, brings an end to a hotly contested fight by cable firms that sought to keep the status quo, and marks a victory for consumers who will no longer have to pay for bundles of channels.

U.S. consumer advocates said they are watching developments in Canada closely given their push for a pick-and-pay system in the U.S. has failed to gain traction. "Canada could serve as a real-world example of whether pick-and-pay can really work," said John Bergmayer, senior attorney at Washington-based Public Knowledge, a nonprofit group that lobbies for affordable communications.

The move by Canada comes at a time when broadcasters and cable- and satellite-TV providers in the U.S. and Canada are scrambling to deal with the competitive threat posed by Internet-based TV, through streaming services such as Netflix Inc., and the emergence of potential new players such as Apple Inc. Canada's biggest cable-TV distributors—BCE Inc.,Rogers Communications Inc. and Shaw Communications Inc.—have in recent months released their own online-streaming services to compete with Netflix but have restricted access to date to their own subscribers.

In its decision, following nearly 18 months of consultations and hearings, the CRTC said its ruling is based on the need "to take positive steps to bring about greater choice and flexibility in the Canadian television system," adding Canadian cable providers have failed to show willingness to "move to more flexible packaging options on their own." CRTC officials said they were unaware of any other jurisdiction that compelled cable providers to offer a pick-and-pay offerings to consumers.

Canada's biggest cable company by subscribers, Shaw, said in a statement it supported the CRTC's commitment to maximize choice for Canadians, and it believes the regulator has struck a "bold yet balanced" framework. Rogers said it already offers dozens of services on a pick-and-pay format and the ruling gives the cable company more certainty over its offering to customers. BCE declined to comment. CRTC data indicates revenue for Canadian cable- and satellite-TV providers has climbed at an average annual rate of 5.9% over the five-year period ended Dec. 31, 2013. In 2013, cable and satellite firms recorded sales of 8.99 billion Canadian dollars ($7.07 billion) in 2013.

	The new regime will be implemented in two stages. Starting in March 2016, Canadians can purchase a basic cable package, priced at a maximum C$25 a month and made up of local stations and the main U.S. networks. With that basic package, cable firms have the option of offering subscribers more channels either through smaller, bundled packages or on a pick-and-pay basis. By December 2016, cable firms are compelled to make the pick-and-pay option available. – ***Wall Street Journal***

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