

The Goose With the Golden Eggs

A little greed is actually good; it spurs technology deployments. A lot of greed spurs regulators and competitors to fight back.

By Steven S. Ross / *Broadband Communities*

Technology is inexorable. There's always a faster chip or a more vivid display or faster network equipment just around the corner. Why do some technologies fail and others succeed? Often, technology deployment benefits from a favorable umbrella unfurled by monopoly actors or from the unforeseen effects of government regulation.

In plain English: Some folks use the rules to gain extra revenue for which they don't have to work very hard. That creates targets that are irresistible to other folks who can offer a technology that might not be quite as good or quite as efficient but will still earn a good profit by undercutting an artificially high price.

Understand the game, and you can make a good guess about the eventual winners – even if the people playing the game see only immediate, short-term advantages. All this is of critical importance to network builders, especially those competing with the largest players.

The latest example: The FCC's proposed rule to bring competition to set-top boxes. The FCC estimates that 99 percent of the nation's 65 million "multichannel video programming distributor" subscribers lease set-top boxes from their cable operators for, on average, \$231 a year. Total payments come to about \$20 billion a year. Since 1994, the FCC says, the cost of cable set-top boxes has risen 185 percent while the cost of computers, televisions and mobile phones has dropped by 90 percent.

Consumers whose TVs are less than five years old can buy CableCARDS instead, but providers often discourage their use, even when a consumer knows enough to ask. An earlier FCC attempt to "unlock the box" failed because the FCC tried to specify alternative delivery technologies. Now, the proposed rule would just require providers to detail three information streams using any published, transparent format that conforms to specifications set by an independent, open standards body:

- *Service discovery:* What programming is available, such as the channel listing and video-on-demand lineup, and what is on those channels.
- *Entitlements:* What a device is allowed to do with content, such as recording.
- *Content delivery:* The video programming itself.

Content providers could use any standard copy protection, household content blocking and privacy schemes as well. Consumers could keep paying for their leased boxes if they wished, but bills would be more transparent about the charges.

Smaller video providers may come out ahead. They can begin serving video to customers with less up-front spending on boxes. They do lose a large potential revenue stream, but they also lose the risk that cord cutters would forgo the boxes anyway in just a few years.

AN AEREO RERUN

Retransmission fees forced on video providers are another tempting target. Aereo tried unsuccessfully to get around the fees (about \$6 billion a year, or \$100 a year for typical subscribers) by offering to rent dime-sized remote antennas (and connections to them) to end users. In 2014, the Supreme Court ruled 6 to 3 that this was simply another way to provide a "public performance" of the content and was thus copyright infringement.

But with retransmission fees expected to grow to more than \$10 billion by 2020, TiVo, which bought Aereo's patents, is trying again with its BOLT device. This time, the antenna is on the user's premises – clearly allowable – and connected to a TiVo DVR, program guide and wireline network access to streaming services such as Netflix and Amazon Prime. TiVo pushes the envelope by providing ad skipping and 4K video.

Easily a quarter of today's video subscribers should be able to receive over-the-air signals with an at-home or shared multiple-dwelling-unit building antenna, and many broadcast and premium channel suppliers are now selling stand-alone programming by the month.

The continuing muddle at the federal level on outlandish charges for new fiber providers' access to utility poles has spurred state and local statutes of varying quality and fairness.

Similarly, advertisers who run ever-more-blaring pop-up video ads online have driven consumers to download ad blockers and thus ruined opportunities for mom-and-pop retailers who run unobtrusive, small, on-page static ads.

The lesson: Don't kill a goose that lays golden eggs, or you lose the goose *and* the eggs. ❖

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