FCC chief proposes opening the pay-TV industry to tech firms

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Federal Communications Commission Chairman Tom Wheeler wants to open the pay-TV industry to technology companies.

Wheeler this week proposed expanding the definition of a pay-TV distributor to include companies that transmit TV programming via the Internet. The move should give tech companies access to some of the most popular channels in television.

The proposal was designed to inject more competition into an industry long dominated by a handful of cable and satellite TV giants.

"Consumers have long complained about how their cable service forces them to buy channels they never watch," Wheeler said in a blog post announcing his plan to modify the FCC's definition of a multichannel video provider. "The move of video onto the Internet can do something about that frustration - but first Internet video services need access to the programs."

Under the proposed rule change, which must be approved by the full commission, companies that seek to distribute packages of TV channels over the Internet would be included in an expanded definition of a "multichannel video programming distributor." That would level the playing field, making Internet companies equal to satellite television, cable and programming provided via telephone companies.

Wheeler said his goal was to modernize FCC rules that were adopted in the early 1990s - long before the Internet was a viable distribution outlet. The FCC's rules were adopted to carry out Congress' desire to prevent cable companies from using their clout to freeze out what was then a new technology: satellite TV.

However, some analysts were skeptical that Wheeler's move would translate into lower-cost pay-TV subscriptions.

"Symbolically, it is important that the FCC is recognizing that the world has changed and that these new providers should be able to operate on an equal footing with legacy distributors," said Jim Nail, a principal analyst with Forrester Research. "But the practical effect might not be far-reaching."

The reason: Content companies, such as CBS Corp., NBCUniversal and the Walt Disney Co., control the terms of the distribution of their channels. That includes the prices that distributors, including DirecTV and Dish Networks Corp., pay to carry those channels.

"Will the content providers have any incentive to give new distributors any better terms than they now give the current distributors?" Nail said. "At the end of the day you might be paying the same ridiculous amount for a package of TV channels."

But several groups cheered Wheeler's proposal.

"A technology-neutral definition of an MVPD is long overdue and will enhance consumer choice," the Writers Guild of America, West, said. "With the largest MVPDs attempting to consolidate their control of content distribution through mergers, this game-changing proposal to allow new competitors is absolutely necessary."

Three startup companies asked the FCC to be included in the definition of a multi-channel distributor. They are SkyAngel, which describes itself as a "faith and family values" broadcaster; FilmOn Networks, a streaming service in Beverly Hills; and Aereo Inc., the tech start-up that distributed broadcast TV signals over the Internet until the U.S. Supreme Court ruled the transmissions violated the broadcasters' copyright.

A rule change could also help tech giants, including Google Inc. and Apple Inc., to offer a package of television channels to consumers.

However, the rule change was not intended to help on-demand services, such as Netflix Inc. or Amazon.com Inc. But it should boost the efforts of several large companies - including Dish Networks, Verizon Communications Inc. and Sony Corp. - that have been preparing to roll out packages of TV channels that would be streamed to consumers via the Internet.

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