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## Google Considering Three New Cities for High-Speed Web Service

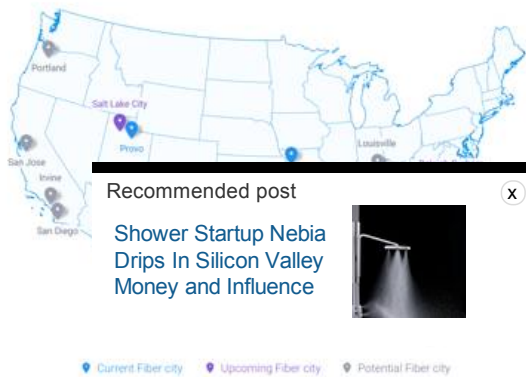
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By ALISTAIR BARR and CAT ZAKRZEWSKI



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Google Fiber announced on Thursday it would explore three new cities for its high-speed Internet service, bringing the total of potential Fiber cities to six. — Google Fiber

One goal of Google Inc. [GOOGL +1.91%]'s Alphabet re-organization is to give its newer businesses more independence on where and how to invest.

Exhibit A (or should it be "F"? ) might be Google Fiber, the company's fast Internet service, which offers speeds of one gigabit per second, about 100 times as fast as the average broadband service in the U.S.

Google Fiber said Thursday that it's considering expanding service to three new cities: San Diego, Louisville, Ky.; and Irvine, Calif.

That would add to the three areas where Google Fiber already provides service — Kansas City, Austin, Texas, and Provo, Utah — and nine others where it is planning service or exploring the idea.

"We've seen that this planning process is helpful, both for Google Fiber and city officials —working together, we can take a massive infrastructure project and break it into

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manageable pieces," Google wrote in a blog post.

Google said it chose the three new candidates because political leaders in those areas want to expand Internet access. Google cited Code Louisville, a program that helps train software developers and connect them with open positions. In Irvine, Google said collaborative workplaces are fostering entrepreneurial culture. The company also noted San Diego has a growing startup scene.

Google Fiber is expensive; analysts estimate it costs more than \$500 per home. The company has to dig up roads to bury fiber-optic cable, or string it to utility poles, then hire marketers to woo customers. Every time Fiber unveils a new city, Wall Street analysts groan and estimate the hit to Google's profit margins.

The new corporate structure should make that guesswork a little easier. The renamed Alphabet will report the results of Google's main search-and-advertising businesses separately from its collection of new projects including Fiber, Nest and Life Sciences. That seems to have made some analysts less anxious about Fiber's expenses.

"Alphabet allows Google to treat these newer companies as startups and invest heavily without penalizing the core business," said Neil Doshi, an analyst at Mizuho Securities USA Inc.

Mr. Doshi estimates that Google's search business has operating-profit margins north of 60%, while the whole company as it is current structured generates roughly 40% margins. He estimates that spending on the newer ventures accounts for about half the difference.

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