

the two solitudes journal

Exploring the convergence and collision of traditional and new media

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Spirited net neutrality town hall at nextMEDIA brings issues to the forefront



Being scheduled against Bev Oda's speech in Banff, the closing session at nextMEDIA entitled "To the Victor Go the Spoils - A Town Hall Meeting on Network Neutrality", certainly faced stiff competition, but the fact that only a handful of people showed up for this important discussion highlights that net neutrality isn't well understood – nor are its potential implications for broadcasters and producers.

The presence or absence of net neutrality, or how a hybrid model emerges, is of paramount importance for media companies that transmit, by streaming or downloading, any rich media content over the Internet.

While broadcasters are struggling to find ad-based / other monetization models to cover their existing online distribution costs, looming on the horizon is the possibility that these distribution costs could soar or, barring that, that the content-acquisition cost for consumers could skyrocket.

All internet traffic is broken into many tiny segments known as packets. In the early days of the net, for the most part, all packets were "created equal" and received the same level of prioritization as they traveled from source to destination. That's changed, and ISPs (Internet Service Providers) have begun to prioritize some traffic over other traffic – at their own arbitrary discretion. The premise of net neutrality is to preserve / restore the equality of all Internet traffic, but

existing network infrastructure and ISP billing models are being challenged by the explosion of Internet-based video consumption – and something's got to give.

Media consultant Jason Roks says that, without net neutrality, the ability of Canadian media companies to do Internet-based content distribution is threatened. "It's the independent producer who has the most to lose," said Roks, an outspoken advocate for net neutrality.



Net neutrality does not come without a price. To cope with increasing network bandwidth usage, ISPs need to continue to upgrade their networks – and that costs a lot of money. ISPs, understandably, won't spend on network upgrades without a return on investment. Someone's got to pay the piper and it's either the consumer or the content distributor (or a combination of the two) that needs to foot the bill.

Some ISPs are said to be considering "fee for carriage", a reverse version of the fee for carriage recently requested (and denied) by conventional broadcasters. In this scenario, ISPs might levy charges against media companies like Google or Canadian broadband TV networks for the distribution of their content. Where payment agreements aren't reached, the ISPs could slow down (or block completely) the content from media

companies that don't pony up or, as an alternative, only deliver that content to those consumers who pay a premium.

Matt Thompson, campaign strategist for the savetheinternet.com coalition, argues that any additional charges are unwarranted. He says that consumers are already paying money to their ISPs in order to receive the content, and the video sites are already paying their access providers to upload the content to the Internet. True, but are they paying enough to cover the escalating costs?

Michael Hennessey, VP, wireless, broadband and content policy at TELUS joined the fray, providing a welcome and much-needed ISP's perspective. Hennessey says that such surcharges by Canadian ISPs are unlikely. Canadian carriers, he says, don't have the clout to face-off against the likes of Google in a battle for fees. So, if the ISPs can't realistically make the providers pay, who's left to pay the bill? The consumer.

Consumers who use large amounts of bandwidth (for example, to view your media content) could be forced to pay



Photos by Megan Cole, megancole.org

for a higher-tier package. Metered Internet access, similar to most utilities (like electric, gas, water), is a possibility, too. It would use a pay-for-

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My CBC

The CBC shouldn't compete with commercial broadcasters and it shouldn't be dependent upon winning revenue-generating blockbusters like football and hockey in order to survive. If TSN wants to broadcast the CFL and The Grey Cup – let them. If Rogers Sportsnet, The Score or TSN want to bring us hockey on TV – let them.

We need the CBC to bring us the programming that others won't.

There's an increasingly large void in Canadian programming as private broadcasters increasingly turn to cheaper foreign (i.e. U.S.) content. We need the CBC to fill that void.

Instead, the CBC made a disastrous foray into the world of foreign content itself last summer with the short-lived airing of the equally short-lived ABC reality show *The One: Making a Music Star*. The rationale behind this was that this would form the spring-board for a Canadian version of the program. If there was any doubt that the CBC was adrift, this move, which would have seen *The National* bouncing around the schedule (in parts of Canada), was clear confirmation. National news programming is quintessentially a part of a nation's identity in the free world – and CBC clearly lost sight of the importance of this.

Bumping the news for hockey or the Olympics is, arguably, acceptable, but doing so for an American reality show is completely beyond the pale. Furthermore, the CBC is not providing a service to Canadians by bringing U.S. reality programming into our living rooms – we've enough of that happening already. And the plan to introduce Canadian reality programming to the network is an act of desperation – reality programming is, relatively speaking, cheap to produce. Does it add value to our lives? Is it reflective of our national fabric? Will it have an enduring value as a legacy for future generations? The answer, I think, to all of these questions is a resounding "no".

While the CRTC contemplates the role of Canadian private broadcasters, and,

possibly re-considers the 1999 move away from mandatory Canadian content spending conditions-of-license, one thing is clear: we are witnessing the end of television as we know it. We are moving into an on-demand world. In fact, I call 2007 "the year of on-demand". The concept of network-scheduled programming is going to increasingly give way to self-



programming. While some on-demand delivery channels will fall under the jurisdiction of the CRTC, many won't, and government-mandated Canadian content requirements will become increasingly ineffectual soon.

Which brings us back to the CBC. The mandate of the CBC should be to produce content that is uniquely and distinctly Canadian – the content that no one else is producing. [In French Canada, this is less of an issue as French-language broadcasters commission and air much more original domestic content than is the case in English Canada]. That mandate must be clear, reasoned, viable, and in the interest of Canada and Canadians.

The economics of producing Canadian content are a challenge. Consumers today truly have a world of content from which to choose. Canadian content must compete against global content sources.

There's no question that good Canadian content exists that is on a par

with the best of the rest of the world, but it's becoming increasingly difficult to make money producing this. The Canadian market is small, and without foreign sales, it's very difficult to make a profit in the Canadian content business. Of course, the CBC's mandate isn't to make a profit and the CBC shouldn't be measured like a conventional business, but, like any business, the CBC can't operate at a loss. The CBC needs serious funding to pursue that mandate.

The government – and Canadians – need to decide whether uniquely Canadian programming is important to us.

Adequate funding must be a priority if we are to preserve our national identity by way of high-quality Canadian television production. Repeated funding cuts have stripped the CBC of the wherewithal it needs to fulfill this mandate. Restoring proper funding is the only way to ensure that we have a viable, relevant public broadcaster.

The CBC proposed to the CRTC that it shut down most of its over-the-air transmitters rather than undertake the expensive conversion to digital transmission (or, even more expensive, operate simultaneous analogue and digital transmission facilities). In today's world, transmitters are an unnecessary expense that are of benefit to few at an enormous cost. CBC research shows that few in rural areas use the over-the-air signals, as satellite usage in these areas is very high. Perhaps surprisingly, CBC's submission to the CRTC states that most over-the-air television reception occurs in urban areas. As a result, the CBC proposes that only these areas would continue to be serviced by over-the-air transmission.

However, these are the very areas that are already best-served by alternate distribution mechanisms including cable, satellite, and, increasingly, IPTV from telephone companies. High-speed Internet, too, is

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Net neutrality... or a neutered net? (continued)

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what-you-use model. And, as we used to see with long distance calling, and are beginning to see with electricity consumption, time-of-use billing rates may apply with discounts for off-peak usage.

Roks sees metering as a very real possibility, but points out that this scenario is potentially devastating to new media content distribution. "Who's going to watch [Internet TV service] Joost when it costs \$15 a day?" he wonders.

This also gives ISPs an opportunity to give preferential pricing to their own competing services. Consumers who buy content from the ISP directly might not be charged for the bandwidth consumed. We've seen this already in the wireless world where data charges aren't incurred on content purchased through the carriers' walled gardens but are incurred if purchased 'off deck'. And Canadian data charges are amongst the highest in the world.

In the interim, until the payment puzzle is sorted out, ISPs have other ways of coping with what they deem to be excessive network demand. They've instituted 'caps' – limits on the amount of data a consumer can download in a month. Exceed those caps and you're cut off. As well, ISPs are engaging, to various degrees, in a technique known as traffic shaping.

With traffic shaping, different types or sources of traffic are given different priorities, and third-party video content may be given a lower level of service than browser or e-mail traffic. One of the most common complaints amongst video-hungry consumers is the reduced prioritization given to torrent traffic. Torrents allow consumers to download video content and save it on their computers or other devices for subsequent viewing. Unlike real-time streaming, the consumer isn't watching the video as it is received. Therefore, slowing down this type of traffic doesn't degrade the viewing experience – it just means it takes a lot longer to get the content.

Arguably, there's good reason for ISPs

to use traffic shaping. It helps prevent massive video consumption by some consumers from degrading the overall Internet experience for all users. Down the road, this may not matter as Internet backbone speeds and speeds to the home become so fast that the networks can accommodate all the demand imposed upon them – but, again, that costs money. Lots of money.

But the net neutrality question isn't based merely on capacity issues. The major Canadian ISPs also have other corporate interests to consider. Rogers, Shaw, Videotron, TELUS and Bell Canada are all BDUs as well as ISPs. Additionally, they all have interests in media content ventures and telephony operations. The proliferation of Internet-based movie, television and telephone services threaten to undermine other profitable interests of these companies, giving them an incentive to prioritize their own services and Internet-based content offerings over those of their competitors.

Responding to this argument, TELUS's Hennessey, drawing on his deep background in regulatory policy, explained that there's a difference between the ways Internet services are governed in Canada versus the U.S. In the U.S, he explained, Internet services are treated as an information service rather than a telecommunications service, as they are in Canada. Under the New Media Exemption Order, the CRTC does not regulate ISPs but, says Hennessey, the CRTC can still intervene where they see examples of anti-competitive behaviour.

Hennessey says that much of the talk about net neutrality is based on anecdotal rhetoric and paranoia rather than fact, but he does acknowledge that net neutrality advocates have a right to be concerned. In order to have effective dialogue on the subject, he urges the net neutrality advocates to articulate the real issues at a more granular level. Perhaps the nextMEDIA town hall was the first step toward that process.

For more information on net neutrality, see <http://neutrality.ca>.

TV numbers highlight growing chasm

Statistics Canada's recently-released television broadcasting numbers for 2006 don't present any surprises but they do highlight the growing chasm between conventional and specialty TV.



The overall industry revenue growth (8.2%) isn't surprising – our economy continues to be strong, there are

still few TV-related alternatives in which Canadian companies can spend their ad dollars, and consumers have lots of discretionary dollars to spend.

Conventional TV revenue, most of which comes from advertising, is flat. This could worsen if the economy sours. Given that we are in a growing economy, and considering inflation, just maintaining existing revenue levels year-over-year means that conventional broadcasters are effectively losing ground.

And, while revenue may be flat, costs continue to escalate... and that's reflected in a huge (62.5%) drop in profits for conventional TV. This segment continues to be in jeopardy in the long run and the recent decision to allow conventional broadcasters to sell more ad time is merely putting a bandage on a deep wound.

Ad revenues will grow, no doubt, as the inventory increases, but there's a limit to how far broadcasters can push the increased ad time before they further alienate viewers and/or dilute the value of ad spots as they become lost, buried within longer ad pods.

For the growing number of PVR/DVR users, too, more ads just mean a little more time spent fast-forwarding through the ad pod – having more ads still won't bring this audience back to watching commercials.

Subscription revenues, which tend to be associated more with niche services,

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ICE 2007 attracts international crowd



ICE 2007 featured 30 sessions and an international roster of 115 speakers from Canada, the United States, the Netherlands, Australia and the United Kingdom. As one speaker put it, it was an “insanely voluminous, diverse and exciting lineup”

The theme for ICE 2007 was “You”. Why “You”? Well, Time Magazine named ‘You’ as its Person of the Year for 2006 and ‘You’ is now at the centre of the media universe – not just as a consumer of content, but as a creator, too.

ICE 2007 explored the new and changing roles and relationships within the emerging ecosystems, with specific emphasis on Gaming, Mobility and Social Media.

ICE helped deliver a better understanding of who “You” really is, and how media

companies must adapt to engage the consumer in this “brave new world that has such people in it”.

The conference keynote address, *Think Outside the Cube!*, was delivered by Robert J. Sawyer, noted futurist, Hugo - and Nebula-awarding winning science fiction author, and a graduate of Ryerson University’s Radio and Television Arts Program.

Rob melded his roots in traditional media with his vision of the future to create a fascinating look at a future where business, media, entertainment, and technology meet head on.

New to the conference this year was a market component, highlighted by two pitch competitions (sponsored by CHUM and TELUS). New partnering

tools made it easy for delegates to arrange one-on-one meetings with each other and with some of the ICE speakers.

In *Bridezilla: How They Wiggled Out the World in Six Days*, Tony Chapman, Founder and CEO of Capital C Communications, told the behind-the-scenes story of the ‘bride wig out’ Internet and mass-media phenomenon he created.

A sampling of the program topics included girls in gaming, mobile entertainment, understanding the consumer, alternate channels for media content delivery, mobile gaming, the power — and perils — of word of mouth advertising, kid’s gaming, citizen journalism, finding financing in the 2.0 world, mobile social networks, the monetization of



blogs and podcasts, advertising on interactive platforms, cross-platform media development, and the future of the Internet.

ICE (Interactive Content Exchange) was the successor to 2006’s sold-out iSUMMIT conference, the inaugural conference presented by Ontario’s New Media Business Alliance (NMBA). But NMBA is no more! The organization’s new identity and branding were unveiled during the conference by Ian Kelso, NMBA president. The new name of the organization is “Interactive Ontario Industry Association”, but it will operate as “Interactive Ontario” and, as a short form, just “IO”. ICE 2007 was bigger and better than last year, with about a 33% increase in attendance.

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rose 11.3%. In good economic times, we’d expect to see continued growth in this form of discretionary expenditure, but these subscription

dollars could be significantly impacted when we hit the next economic downturn. Regardless, though, this growth points to stronger consumer desire for specialized content.

While conventional TV still draws more dollars than the other segments, the gap is narrowing. It’s simply better value for advertisers to spend their dollars on targeted audiences, such as are delivered by specialty channels, than advertising to a broad, mixed-demographic audience. That’s a trend that will continue and it dovetails with the highly-targeted advertising opportunities that alternate delivery channels such as the Internet and mobile broadcasting can deliver.

The big gains found in the report are in on-demand (or near-on-demand) services, and that reflects the fact that consumers want to control what they watch and when they watch it. Linear programming, the staple of conventional TV, is on the wane.

Overall, what we see with this year’s report is a continuing trend towards specialization and consumer programming, and those trends will increase significantly in the coming years when the consumer will have more choices — as will the advertisers. Yes, TV is alive and well... it’s just not going to be TV in the traditional sense.

The emerging alternative distribution channels, particularly in Canada, are still immature and haven’t captured much of the market *yet* — but we should expect that to change. Broadband TV and downloadable content will have a growing impact in the years to come.

The TV industry overall will likely continue to be a healthy business, but, over time, it will resemble less and less what we know it as today and we’ll have to redefine what we consider the TV industry to be — and reexamine how Stats Canada and others measure its success (and which players and delivery channels they need to measure).

Passport, please

People flying from Canada to the U.S. need a passport. Sometime next year, you'll need one for any form of travel (land, sea or air).

What is a passport, really? Well, if it is a *bona fide* document, it's essentially an assurance by one government to another that the bearer is a citizen of that country and it is, theoretically, an irrefutable description of the person that can be used by another government to ensure that the bearer is who they say they are.



I've had a number of conversations about geo-fencing on the Internet. What's geo-fencing? It's the practice of limiting access to sites and

services based on the supposed location from which a person is accessing the Internet. I say 'supposed' because geo-fencing is a flawed technology that relies on often inaccurate or easily manipulated information. Even when it works properly and is not circumvented, geo-fencing only identifies from where the access attempt is being made – it tells nothing about who is attempting the access.

Geo-fencing will block a Canadian travelling in Helsinki from accessing sites that he could readily access were he in Canada. The most common usage I've seen for geo-fencing is to protect media access from other countries. Canadian-based Internet users, for example, can't stream Studio 60 from nbc.com. Likewise, American-based users can't watch Studio 60 at ctv.ca.

And if someone circumvents the system and does get the content from the wrong side of the virtual border – so what? The consequences are insignificant in the great scheme of things. The fundamental difference will only be in what advertising they see (which has minor

related financial impact, as do streaming costs).

But what about content / data that has more serious implications? This got me thinking about electronic passports. Will the day come when we need one to establish our identity in cyberspace? Will someone surfing the web who wants to go to, for example, an American site, need to present some sort of electronic equivalent of a passport each time they cross the virtual border? I know it sounds a bit farfetched, but stranger things have already come out some governments – including the current U.S. administration.

Wouldn't some governments love to control – and track – all access (domestic and foreign) to their portion of the Internet?

We tend to think of the Internet as being without boundaries, or at least we do in the free world. In the current – and probably perpetual – climate of global terrorism, though, is it really inconceivable that a government might create virtual border crossings to control (and track) cross-border cyber travel -- both inbound and outbound?

And, at least to some extent, maybe that's not such a bad thing. If it makes sense to prevent undesirables from physically entering a country, does it not, perhaps, make similar sense, in this era of hyper-computerization, to prevent them from electronically crossing the border, too?

The upside of everyone having an irrefutable and infallible identification mechanism could be the end to the tens or hundreds of unique user identifiers and passwords we tend to have today. That one credential would serve as your identifier for every site you ever visit.

The scary downside of this, of course, for the honest and law-abiding citizen, is the huge loss of privacy. I wonder, though, if that may someday be considered the inevitable price of 'freedom'?

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readily-available in these areas and provides an increasingly-viable alternate distribution mechanism. So... in fact, the CBC

should take things a step further and be allowed to discontinue *all* over-the-air transmission – it simply doesn't make sense for CBC (or other networks) to spend massive amounts of money maintaining or upgrading the physical plant for the exclusive benefit of a small minority of the viewing audience. While eliminating any transmission capability will certainly arouse the ire of a vocal minority, the reality is that over-the-air transmission is no longer necessary given that all Canadians who receive these signals can also receive the content via alternate means. [Note, though, that at the present time, satellite services don't carry all local stations (this, too, is part of the puzzle the CRTC is trying to sort out).]

Lastly, we need to consider whether the CBC is making the best possible use of its funds and revenue opportunities. While CBC TV has long been subsidized by advertising, CBC radio programming remains commercial-free and generates no revenue in return.

The inequity between these two worlds seems illogical – why, on the one hand, is CBC television programming subsidized by advertising content (like most broadcast television) yet on the other CBC radio programming is delivered commercial-free and subscription-fee-free to consumers (unlike virtually all other radio content)?

Yes, the CBC needs more government funding to survive and deliver on its mandate, but it must also act with fiscal responsibility and must pursue other available revenue opportunities that don't conflict with that mandate.

two solitudes consulting
Revolutionary thinking for a converging media world

It's time for our networks to catch up on catch-up TV

Once in a while, my DVR (Digital Video Recorder) lets me down. Sometimes it misses recording a show because the hard disk is full. Sometimes recordings mysteriously don't occur. And sometimes the content expires before I get around to watching it or flagging it to be retained until I explicitly erase it.

Such was the case with two shows I wanted to see. I lost part one of a two-part *A Touch of Frost* episode, and I lost the second part of a two-part episode of *Studio 60 on the Sunset Strip* [sadly, now cancelled].

What's a poor TV viewer to do? Of course, this question arises for non-DVR owners, too, and to an even greater extent.

Depending on the show and the broadcaster, different 'recovery' options exist. Historically, the only way to watch a missed episode was to wait for summer repeats. That approach isn't very satisfying if the program is a serial drama where the storyline of subsequent episodes builds upon prior episodes. And there's no guarantee that 'summer re-runs' will even occur – take *Studio 60* as an example. It's been cancelled, so there's little chance of reruns.

But today, we've got new alternatives, and I used two of these in executing my 'recovery strategy'.

In the case of *Studio 60*, my timing was good. At the time, CTV was carrying *Studio 60* on its broadband station, including past episode availability to provide 'catch up' capabilities. Off I went to CTV's website and watched the episode I missed. This is an option that has been available for a while to viewers of U.S. network programming – but only if they were accessing the Internet with a U.S. IP address (that's the unique identifier that is used when you connect your computer to the Internet). Canadians have only recently, and on a limited basis, begun to have access to U.S. prime-time programming over the Internet through our domestic networks like Global, CHUM and CTV. This is a great step forward for Canadian viewers – and we need more of it!

In the case of *A Touch of Frost*, which I

normally record from TV Ontario (TVO), I had to pursue other means. TVO doesn't provide broadband television so I couldn't do the same sort of catch up that I did with *Studio 60* thanks to CTV.

Alas, I was driven underground... BitTorrent to the rescue. If you're not



familiar with BitTorrent take a quick look at the Wikipedia entry (<http://en.wikipedia.org/wiki/BitTorrent>). A quick search of various torrent sites allowed me to find a torrent for this lost program – as I knew it would. Virtually any imaginable TV or movie content is out there – 'free' for the illegal taking.

After a couple of failed attempts (this is still sometimes a challenging technology to use) and a slow download process (possibly due to traffic shaping by my ISP leading to inferior performance), I had the missing episode on my hard disk. [See below for my rationalization for committing this illegal act!] I copied the file to the Media Center PC that is connected to my big-screen TV and watched it on my TV. [Interestingly, both my wife and I felt that the image from the torrent was of superior quality to the up-converted standard definition (SD) broadcast we normally receive from TVO via cable.]

These two different approaches to catching up have one significant difference: one is legal, one is not. By watching *Studio 60* on CTV's broadband site, I was operating entirely within the law. The content owner's rights were respected. By downloading *A Touch of Frost* via BitTorrent, I was committing an illegal act. The copyright of the content owner was not being respected.

I am a law abiding citizen, and I am very respectful of copyright laws. But in this instance, I wasn't. Do I feel guilty about it? No. I financially support TV Ontario and TV Ontario pays the content owner for the right to broadcast that content. Somehow, I missed the opportunity to record (or view live) this specific episode during the broadcast window of opportunity.

In my rationalization, the content owner was paid for me to see that content and, although I missed the broadcast and had to obtain the content through unorthodox and unlawful means, the bottom line remains that payment, at a macro level, was made to the content owner for me to see that show. I would not download content for which I could not provide a similar rationalization – but a lot of people do.

In both cases, I availed myself of new technology alternatives to solve my problem. One happened to be legal, the other, not. In the end, though, the fact that I had no legal option to catch the missed episode of *Frost* (short of renting a DVD, if it is even available) underscores the fact that we've still got a long way to go. Technology has changed. The expectations of viewers for alternate viewing and catch-up opportunities have changed. 'Appointment TV' is on the wane. Content on-demand is waxing.

In one case (*Studio 60*), the broadcaster had taken steps that provided a solution that addressed my needs and expectations. In the other, (*Frost*), the broadcaster hadn't. Now I well understand that TV Ontario is a public broadcaster and CTV is a private one. TVO has limited resources, especially when contrasted with the likes of CTV, but it really is time for all networks to recognize that the viewing paradigm has changed, as have consumer demands.

All content needs to be available through alternate channels if we are to meet the consumers' expectations. The old world order for content distribution isn't going away, but there's a new world order coming to the forefront and if TV is to continue to be a compelling experience it has to deliver the flexibility and 'on-demand' nature that other content delivery mechanisms provide.

Internet takes centre stage at BWTVF Future of Television town hall

This year's town hall at the Banff World Television Festival (BWTVF), centred on a new version of the BWTVF Green Paper on the Future of Television in Canada. While last year the Internet may have been a party crasher at the town hall, this year it was the unacknowledged guest of honour. The 2006 paper presented a cautious and, I felt, overly-comfortable picture of the future. This year's paper, thankfully, goes a bit further in painting a picture of a troubled industry. And the assembled panelists generally agreed.

The town hall posited three questions: i) will the Canadian TV industry collapse in the face of broadband, Internet and other unregulated platforms?, ii) will these changes create a zero-sum game for the Canadian broadcasters, program suppliers and distributors or can they all benefit by exploiting new opportunities? and iii) what kind of policy and regulation best addresses issues posed by this brave new world? While I recognize that the intent of these questions is to frame the discussion, I think that the first two questions are inherently flawed.

The first question is incomplete unless we take a look at what the "Canadian TV industry" means, and, going a step further, examine what "TV" means in today's world. The *traditional* industry is no doubt in some danger of collapse, but already today the industry is demonstrating that it is not bounded by traditional definitions of the term "TV industry". Likewise, what we have traditionally thought of as TV no longer encompasses the broad range of content available to today's consumers.

The second question assumes, worst case, that there's redistribution of existing funds and, in the best case, an increase to be realized through new opportunities. This overlooks the very real possibility that there's a net loss of revenue to be suffered by Canadian players. As consumers turn increasingly to global sites, wherein subscription and ad dollars don't flow back into Canada, there's little doubt, in my opinion, that there will be a reduction in

overall revenue flowing to Canadian media companies over time.

Norm Bolen, Executive VP of Content at Alliance Atlantis Communications, touched on all three questions early in the session when he said bluntly "there's no guarantee that [the Canadian TV industry] won't collapse" and that the industry is "protected by regulation as well as geographic boundaries... [but] those things are all under threat." "We need to pay attention to that. Some of these threats are potentially killers of our business models". Bolen says that the industry is particularly vulnerable due to our dependency on U.S. content



and "that's a model that we can't necessarily control".

Michael Hennessey, VP, wireless, broadband and content policy at TELUS declared that "20% of the industry is toast", referring to specialty channels that "have never really developed a tight niche or deep audience loyalty". As people spend more time online, he says, a large number of linear channels at the bottom of the pecking order are going to fall off". Depending on what we do (or don't do) that "20% could become 30-35%".

Mario Mota, Senior Director of Broadcast Relations and Research for the CFTPA concurred that the industry is endangered, saying "Canadian broadcasters have an addiction to foreign programming... that's what the economic model is and we have to move away from that and ... somehow get them on rehab because we need to really start focusing on creating our own stuff

that we can exploit across the different platforms, and until we do that, I think we're really heading down a road that could be dangerous." Mota is right – Canadian programmers have become too reliant on U.S. content – to their own peril.

All three of these panelists touched on the major challenges that face our industry: remaining relevant in a marketplace that lacks the traditional boundaries.

For producers, the question is whether to focus on content that has wide appeal in foreign markets or to tap into the Canadian consumer's desire / need for locally-relevant content. On the flip side, our funding structure, upon which producers are very dependant, does not necessarily lead to content that has global appeal, although some of content does.

Broadcasters must decide whether they wish to fight a losing battle by trying to be the Canadian destination of choice for foreign content that is available elsewhere through a multitude of delivery channels or to focus on differentiated Canadian content – with no guarantees of attracting an audience. As Val Creighton, President of the Canadian Television Fund, said "you can't force anybody to watch something they don't want to watch." A tough choice.

Our multi-platform distributors (BDU, ISP and wireless), Bell, Rogers and TELUS, meanwhile, are best positioned to prosper going forward. These companies, unlike BDUs and ISPs that lack a wireless counterpart, have all the bases covered. Other than relying on limited over-the-air (OTA) broadcasts or public / third-party wireless access where available, Canadian consumers can't receive content without it flowing through one of those channels (cable / satellite, Internet and wireless). With an inevitable continuing increase in Internet-based content consumption, the multi-channel operators still get the traffic.

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TELUS's Hennessey said "The game is changing. Some people like the Ted Rogers of the world are going to win big time because they keep placing bets". Referring to TELUS, he said that TELUS is positioned such that they can "take hits". "If [peer-to-peer Internet TV service] Joost takes away some business... we'll pick it up on the broadband, we'll pick it up on the wireless."

Relegated to a mere footnote in 2006, peer-to-peer (P2P) gets the respect it deserves in the 2007 paper. With all the attention [Internet TV service] Joost is getting of late, it's no surprise. But like so many other Internet services that are popular with Canadians such as Google, YouTube and Facebook, Joost is a foreign entity. Even if Joost sells ad space to Canadian advertisers to be displayed to Canadian viewers, the dollars end up leaving Canada.

This year's paper identifies video-on-demand (VOD) as a serious threat, too, whereas last year the paper downplayed its importance and potential impact. While the 2006 paper said that "the end of linear television is hardly nigh" the 2007 paper identified that U.S. studios have done direct deals with cable companies in the last year, by-passing the broadcaster in the process, and raising questions about the impact on Canadian broadcasters. On top of that, the paper points out that broadband streaming is taking off – and in some cases Canadian broadcasters aren't getting the rights for our market.

With cable companies and telcos becoming aggregators, delivering the content in an on-demand fashion, and broadband streaming and online sales (e.g. iTunes and legal torrent-based distribution) becoming formidable competitors to conventional distribution, the future role of the Canadian broadcaster becomes less of a certainty.

With Canadian content, our networks play a large role today in determining what's available and what shows make it – but that's hardly the case with U.S. content. While CTV can be credited with making *Corner Gas* a success, they weren't really responsible for putting *Gray's Anatomy* or *CSI* on our radar.

Because of simultaneous substitution, many Canadians discover these U.S. blockbusters by way of Canadian networks, but the broad accessibility of U.S. signals means that these shows would be found, anyway.

If BDUs do direct deals for these shows with the U.S. networks or production companies, as is becoming the case, the role and relevance of Canadian networks carrying U.S. content becomes diminished.

With respect to the policy question, a lot of shots were taken at our funding system and its inability, today, to deal with the new world in which we find ourselves.

TELUS's Hennessey said "the problem is that too many Canadian companies... have been trained into the kind of cultural welfare system we have in this country and have to go through so many hoops to raise so little money that they've never really been trained to do what the Americans are doing".

CTF's Creighton said that we need to develop a funding environment where "we're not restricted by a number of screws that tighten down the environment and restrict [the] relationship between the creators, the producers and the broadcasters." "Canadian talent exists and we can take it boldly to the world in these new ways... and get our stories out there."

While some look to the government, through tax shelters and other vehicles, to solve the problem, Norm Bolen pinpointed the real problem. "We need a strategy", he said. "Incentives are not a strategy – incentives are a tactic."

Bolen goes on to say that he's doubtful that industry and government will come together to develop a common strategy for Canadian media development. "We don't even have a process to get to a strategy".

Bolen's right. At the moment, the Canadian TV industry (whatever that really means) does not know where it's going on a holistic basis and has no plan in place to define a direction or determine how to get where it wants to go.

If that doesn't change before BWTVF 2008, it may well be too late.

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A new world order... all because of 'you'

The new media / interactive media world has matured to the point where it is now having a significant impact on the established media-world ecosystems. Indeed, long-established ecosystems are threatened, and long-established players must change how they do business – if they are to do business at all in the coming years.

New ecosystems are developing, with redefined roles for the distributors (mobile carriers, cable and satellite distributors), the networks and record labels (traditionally, the content aggregators), the content producers, advertisers... and the consumer. Content aggregation, once a task performed solely by the gatekeepers and the networks, is now a role unto itself, with companies from outside the traditional media value chain claiming major stakes in that world (for example, Google).

New challenges and new opportunities exist for everyone, including the huge media conglomerates, small niche players, and the individual.

Traditionally, content that reached a level of consumer accessibility was only a small subset of all content created – and gatekeepers, whether they be networks, mobile carriers, record labels, gaming console companies and the big game distributors – determined what content received exposure. Garage bands had few ways of finding an audience. Individuals had few means with which to share their thoughts.

Gatekeepers have acted as the filter mechanism that determined what content ultimately reached the consumer. These gatekeepers include record labels (who determine what music to produce and distribute to radio stations and retail outlets), networks (who determine what programs make it onto TV schedules), mobile carriers (who determine what content is available on their 'walled-garden' decks), game console companies and big game publishers (who determine what content will be created for their consoles), and even government agencies (like Canada's CRTC, that determine which channels (and, indirectly, content) fill the 'air waves').

The role of the gatekeeper has, in part, been that of a filter that, for better or

worse, determined what content was available to the consumer. But new distribution mechanisms are opening up an unprecedented array of content to the consumer, by-passing these traditional filter mechanisms.

However, having a world of content at their fingertips in and of itself does little for the consumer. Without some form of filtering, the choices are overwhelming and perhaps even paralyzing. Thus, new filter mechanisms have emerged to put order to the chaos – and, increasingly, do so at an individual level.



These filters range from the highly personal (recommendations from trusted friends) to the quasi-personal (recommendations from within real or virtual communities) to the contextual (the Amazon-type approach that says "if you like this book, you may also be interested in this book" and are based, in part, on the buying patterns of others).

Lastly, new ways to self-filter are changing the world, too. We can now view, and selectively apply, product and content reviews from complete strangers, not just in newsgroups or magazines, but also right there on retailers' web-pages.

Accessibility to the consumer, too, was traditionally limited to a macro-level approach. Advertisers could target demographic groups that ranged from the very-broad (say Oprah's audience, or the fans of *Desperate Housewives*) to the only-somewhat broad (the audience of a gardening, car or cooking show).

The relative scarcity of spectrum on radio or within conventional radio and

television distribution mechanisms limited the degree to which niche audiences could be served with content and, thereby, limited how niche audiences could be addressed by advertisers. Because there are no spectrum limitations, niche publishing has been way ahead of other media.

But that is changing, and other media are catching up – and advertisers have embraced opportunities that now exist to address smaller audiences, with well-defined demographic groups, and, increasingly, we'll see advertising cater to 'the audience of one'.

Mobile carriers and BDUs (Broadcast Distribution Undertakings – in layman's terms, cable, satellite and, now telephone IPTV operators) must accept the fact that they live in a different world now. Mobile carriers no longer have exclusive control over content. BDUs are no longer the only alternative to over-the-air content delivery.

Content producers must address multiple distribution platforms that require varying forms of content, must vie for attention of the consumer, and must compete with user-generated content. Paid content must compete with free content.

If inexpensive or free content tells a compelling story, consumers have demonstrated that Hollywood-style production quality, with its inherent high price tag, isn't an over-arching criterion when it comes to consumer content selection.

Time Magazine's Person of the Year for 2006 – 'You' – is now at the centre of these new ecosystems. An unprecedented world of choice in all forms of media content, from radio and TV and recorded music to print and gaming, has empowered the individual in ways never before possible or imagined.

Today, the consumer is in the driver's seat. He/she is no longer limited to content selected for them by others. 'Big media' hype is increasingly less effective and plays a diminished role in content acquisition decisions. The times they are a-changing, indeed.

Targeted advertising

Advertising has always been used as a way to offset the true cost of many services and provide a profitable business model. This has unquestionably benefited the consumer, and that's arguably truer today than ever before, given the increasing demand (and expectation) for 'free' or low-cost content, information and services.

As is the case with the announcement that Sprint Nextel is selling advertising embedded in the mobile 'deck', we sometimes see advertising spring up where it wasn't before. Downward pressure on pricing usually means that companies need to find alternate revenue streams – and advertising has always been the stream of choice.

In the U.S., and many other geographies, there is far-greater competition amongst mobile carriers than there is in Canada. Our less-competitive market means we haven't seen the same degree of downward pressure on pricing, but the evolution of mobile devices into much more than just telephones will drive significant increase in data traffic, and, at the same time, in consumer demand for cheaper data plans.

The increase in traffic drives up operator's costs – and advertising-based subsidization of services is a logical route for them to pursue to maintain profit margins. So, as is the case with Sprint Nextel, we may see our carriers turn to advertising sales to continue to provide consumers with what they want at an affordable price point. And, today, effective advertising is targeted advertising.

A wealth of data can be (or is) collected about computer-based users of the Internet, online television viewers, or those using mobile devices to access the Internet or other mobile services. This data enables much more accurate targeting of advertising than was ever before possible. More and more, we will see a shift away from broad demographic profiling of consumers toward much more specific consumer profiles that dynamically evolve to reflect their individual actions (for example, searching the Internet for car dealers could cause automobile advertising to be prominent in the ad content they receive from sources unrelated to the actual search activity that they performed. They

might see a car ad the next time they go to a newspaper website).

Naturally, advertisers love this as it greatly increases the likelihood that their messages reach a relevant audience. Consumers, too, should appreciate this – if they are to be presented with advertising content, isn't it better for everyone if that content is of interest to them? However, this does, as always, raise privacy concerns.



The issue of consent is important. Privacy policies are a common feature of Internet sites today and they usually tell you what will be done with information provided by the consumer (active disclosure), and, sometimes, what will be done with other passive data that is collected.

Carriers (ISPs and mobile operators), too, should provide similar disclosure with respect to how they will use data that they collect. So, too, should search engines, portals, etc. In all cases, an informed consumer has the option of participating in this collection – or taking their business elsewhere.

But consent is only meaningful if it is *informed* consent entered into by an adult or, on behalf of a minor, by a responsible parent or guardian – and that's a challenge. More often than not, in the electronic world, the granting of consent is a passive action. While privacy policies may be available, it is incumbent upon the consumer to look for these to investigate what will be done with information they actively or passively provide – and few consumers read these. As well, it is difficult, and sometimes impossible, to know with certainty that the person giving consent is of legal age to do so.

The advertising ecosystem in the new media world is still nascent and is only beginning to test the true potential of targeted advertising. At times, this may be taken too far and, when that happens, consumer push-back will help in finding an acceptable balance between the use of profiling and the need for privacy. In the interim and at times going forward, advertisers will test consumer tolerance to specifically-targeted advertising.

What are the acceptable limits? Well, of course, that will vary from consumer to consumer and will, in part, be a factor of what he or she is willing to give up in relation to what he or she gets in return.

If a consumer's mobile carrier is part of the same conglomerate that delivers their Internet connection and their television, is it acceptable to use the information collected on one service to affect advertising content delivered to the consumer on another service? Perhaps. Is it acceptable if I've *consented* to that being done, perhaps in return for a discount on all of the inter-twined services? Absolutely.

In Canada, the three main mobile carriers are all part of enterprises that offer Internet connection services, television services and voice services. This tends not to be the case in the United States or elsewhere, so our Canadian operators have some unique opportunities that may lead to some innovative ways to address the consumer relationship holistically, from an advertising subsidization point of view. Will they pursue these opportunities in the long term? Perhaps. Perhaps not. On the traditional television side, there are still some technical limitations to be worked out. And the television world is highly-regulated – and policy change would be needed.

But, long term, it will depend in large part on how receptive the consumer is to this. But it would not be surprising to see or media empires dip a toe in the water to see what the temperature – and appetite – is for this kind of incentive.

Personally, I'd welcome such experimentation.

Banff Bits and Bites (miscellaneous session quotes from nextMEDIA and BWTVF)

“We ate the pig!” — Kevin Tierney, Producer, referring to his *Bon Cop, Bad Cop* having bested Porky’s as the #1 Canadian film of all

“People are very convergent. The problem is with technology. Convergence is a natural state” — Professor Michael Hume

“[Joost] feels a lot like TV, and that’s deliberate.... It took 50 years to create TV 1.0. TV 2.0 isn’t going to happen overnight” — Stacey Seltzer, Joost (Internet TV service)

“Our goal is not to become television but to become an eBay-like model. Owners can upload content and select the revenue model they want” — Peter Bradley, Azureus (torrent-based content distributor)

“High-quality video is not going to happen [on mobile] for quite some time” — Dave Neale, TELUS

“Net neutrality is about a level playing field” — Matt Thompson, savetheinternet.com

“2007 is the year of Internet video” — Mark Kuznicki, Remarkk.com

“If we want this infrastructure, a public and free Internet... the public is going to have to build it” — Jason Roks, digital peasant

“We get too caught up in the money, that’s the great thing about the Internet, it’s karma” — Gavin McGarry

“I 100% expect fans to take my content, mash it up, rework it... and upload it back into the system. And I think that’s great!” — Greg Goodfried, Lonelygirl15, LLC

“I was once asked, does that mean we’re anti-American? No, that means we’re pro-Canadian” — Claude Galipeau, Alliance Atlantis

“I don’t think [Roger’s purchase of the City stations] should be taken as a vote of confidence in favour of conventional television... it’s a stepping stone for them [toward convergence]” — Alan Sawyer, Two Solitudes

the two solitudes journal

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About this publication:

The Two Solitudes Journal discusses trends in the media industry and examines the simultaneous ‘convergence and collision, co-existence and conflict’ that exists within and between the traditional and new media worlds across a variety of media including publishing, radio, cinema and television.

The Journal may, from time to time, feature interviews and guest columnists. The opinions expressed by guest columnists do not necessarily reflect those of Alan Sawyer or of Two Solitudes.

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