**Is there a fix for 'broken' TV?**

The Ottawa CitizenMarch 15, 2009

The Internet is changing the way we watch and threatens broadcasters' very survival, writes Vito Pilieci, yet the CRTC's ability to respond is hampered by outdated laws.

The way we watch TV is changing so quickly that broadcasters and government regulators are having trouble keeping up. Where once people were slaves to television networks and their prime-time schedules, the Internet promises to allow people to watch whatever they want, whenever they want.

That freedom of choice will redefine "broadcasting," and current Canadian programs, such as Being Erica and Corner Gas, will be competing constantly with heavyweight U.S. programs such as Desperate Housewives, Heroes, Lost, and even reruns of once popular shows such as Dallas and The Dukes of Hazzard.

"Broadcasting is based on old technology," said Catherine Edwards, a spokeswoman for the Canadian Association of Community Television Users and Stations. "It was one-to-many to a captive audience: That's what broadcasting means. It's an outmoded idea."

Where networks once had to collect a sizable audience to make a show profitable, the Internet can make old programs and short clips profitable again with only a handful of viewers.

This opens opportunities for small or new producers to compete with bigger incumbents by creating compelling original programming and releasing it online whenever they wish, on their own websites or on a third-party site such as YouTube.

The Internet is turning the broadcasting system on its ear. Content creators, broadcasters and even regulators at the Canadian Radio-television Telecommunications Commission agree that the conventional broadcasting system is "broken."

"Younger Canadians in particular are turning to Internet-based and mobile media that hardly existed as entertainment sources 10 years ago," CRTC chairman Konrad von Finkenstein said in a recent speech. "We are not blind to the plight of conventional TV. The model is broken and a systemic solution must be found."

For the past month, the CRTC has been plowing through almost 200 submissions from broadcasters, Internet service providers (ISPs) and high-tech giants such as Google and Apple, trying to determine how to keep the Canadian broadcasting system viable.

The ideas include new tariffs on ISPs, a fee-for-carriage levy on cable and satellite companies to create a fund for Canadian content, and whether websites should be required to comply with strict Canadian-content regulations, much as traditional TV broadcasters do.

Some are questioning whether any decision from the CRTC will adequately prepare Canada for the future. The agency is handcuffed by outdated legislation that divides TV broadcasting and Internet communications into separate realms. TV broadcasting is defined in the Canadian Broadcasting Act; Internet communications are defined under the Canadian Telecommunications Act. Technology has married TV and the Internet, but Canadian law has yet to acknowledge the union.

"If we were serious about this issue we would say, 'It's time for a full regulatory rewrite," said Michael Geist, Canada Research Chair of Internet E-Commerce Law at the University of Ottawa. "The current separation between broadcast and telecom doesn't make any sense. We are dealing with an outdated regulatory model that sees these two as separate silos."

While there has been no mention of new broadcasting legislation coming from Parliament Hill, the government appears to be paying close attention.

Last week, Heritage Minister James Moore announced that the Canadian Television Fund will be combined with the Canada New Media Fund to create the Canadian Media Fund. The government will contribute $135 million annually to the fund, which will be aimed at creating content for TV and the Internet.

Moore is familiar with new methods of broadcasting and understands why Canada must remain innovative.

"I watch more television on my iPod than I do on an actual conventional television set or through my PVR (personal video recorder)," he said during the Canadian Media Fund announcement. "I think if you ask the average Canadian under the age of 20 how do they consume their media, you'll hear a very different story than you'll hear from Canadians over the age of 40."

n

The last systemic review of Canada's broadcasting industry, including online broadcasting, was in 1999, and everything has changed since then.

Recent layoffs in the broadcast industry illustrate how intense competition between broadcasters, new specialty channels and online entertainment are fragmenting profit margins. Specialty channels get royalty payments from cable and satellite companies based on their number of subscribers and are less affected than big television networks when advertising begins to dry up.

The recession only makes it more challenging. Earlier this month, CTVglobemedia laid off more than 100 employees at its A News stations in Ontario, including more than 30 in Ottawa and Pembroke. The 6 p.m. and 11 p.m. newscasts were cancelled in Ottawa.

Profits for Canadian broadcasters slid more than 96 per cent in 2008. They recorded a collective profit of $8 million for the year, compared to $233.4 million in 2007. Profits are expected to slide even further this year.

Broadcasters are looking for new streams of income and while online ad revenues are a minor part of their sales, they are set to grow quickly. The CRTC reports that more than 93 per cent of Canadian households have broadband Internet connections. Canadians spend an average of 46 hours on the Internet every month, and more than 83 per cent of Internet using Canadians regularly use the Web to watch video.

"We now live in a world where a virtually infinite number of websites compete with us directly for viewers, listeners and advertising dollars," said Rick Brace, CTV's president of revenue, business planning and sports, to the CRTC during hearings in Gatineau this week. "... This is further fragmenting the advertising pie available to traditional broadcasters, and specifically conventional television stations."

Licences for TV stations are granted for seven years. The last time the stations applied for licence renewals, YouTube hadn't been introduced, the economy was stable and the market seemed to be stable.

Today, the economy is in shambles, the dollar is weak, YouTube is the Internet's No. 1 source of video and many companies have popped up to send TV and movies over the Internet, some legally and some not.

People are watching television. Nielsen Media Research reports that in the final three months of 2008 people watched more TV then ever before. Computers and portable devices such as cellphones and iPods are opening more hours in the day for people to watch TV programming. People can watch on the bus, at lunch or waiting in line at the supermarket, and can easily share the content with others.

Meanwhile, notoriously fickle advertisers sit on their ad budgets trying to decide where and how to spend their cash. Who is watching what? Where? When? How can advertisers reach them?

The answers used to be found in TV ratings. Networks that relied on ratings to determine their prime-time lineups and advertising rates are finding that "prime time" doesn't mean what it used to. It's not so easy anymore.

In 2007, CBS pulled the plug on Jericho, which was 48th in the ratings and pulled in about six million viewers weekly. However, fans argued that Jericho was in the Top 10 most downloaded shows on websites such as iTunes, Amazon and even Xbox Live. It was also in the Top 15 shows recorded with digital video recorders (DVRs) such as TiVo -- which allow people to watch one show while recording another for later viewing. Thousands more people were watching on CBS.com.

The cancellation sparked a huge backlash among fans. Spearheaded by a Canadian in Oakville, thousands of fans pooled more than $50,000 U.S., bought 20 tonnes of peanuts -- a nod to the final show when a character is asked to surrender and responds, "Nuts" -- and dumped them, with a petition to bring back Jericho, at CBS headquarters in New York.

It worked. CBS called it an "unprecedented display of passion in support of a prime-time television show," brought it back and apologized to fans.

Nielsen, the ratings guru, has since started monitoring online streaming and downloads, as well as actual TV viewership.

Meanwhile, technology is continuing to marry the Internet and the television set at a torrid pace.

By plugging a device like Apple TV into an Internet connection, consumers can connect to thousands of TV shows, music videos and movies, on-demand at any time. AppleTV requires users to pay for the content, but some others don't.

Newer devices, such as ZillionTV's set-top box, offer programming on-demand for free. The company says its business model will be supported by advertising in the programs.

ZillionTV replaces a digital cable box or satellite receiver and plugs into a TV set. Several other set-top boxes that deliver TV over the Internet, have been introduced in the past year.

ZillionTV is testing its technology and is the first to collect the support of almost every major content producer in the United States, including Disney (which owns ABC), NBC Universal, Sony Pictures Television, 20th Century Fox and Warner Bros. -- a clear signal that American broadcasters and producers believe TV over the Internet is ready for prime time.

Others are also pushing the agenda. In January, the BBC will roll out set-top boxes to all customers in the U.K. that will display online content on a TV set. The first of Sony's new television sets, with Internet connections built in, are now in stores.

Canadian broadcasters have been doing their part to prepare. According to its CRTC filing, CTV offers more than 12,000 hours of video on its websites. MTV Canada has delivered more than 100 million streams of shows and clips over the past six months. More than 700,000 people tuned in to TSN.ca to watch coverage of the NHL trade deadline live on March 4, and the broadcaster claims it served up more than 300 million video streams in 2008, double the number it had to offer in 2007. CTV believes the number will double again in 2009. Canwest Media Inc., the company that owns Global TV and the National Post, declined to comment and did not provide detailed information in its filing to the CRTC. However, the broadcaster offers hit shows such as Heroes, House and The Office on its website.

The CRTC is in the process of formulating one of the most important decisions in Canadian broadcasting history.

The hearings in Gatineau on new media wrapped up on Wednesday, and a ruling should come by the end of this year.

Two distinct viewpoints have emerged. Broadcasters and ISPs want the CRTC to keep its hands off the Internet, a policy it has followed since 1999. But content-makers -- such as actors, writers and producers -- want to see Canadian-content regulations imposed on TV programming over the Internet.

"We shouldn't be ceding everything out to different countries, principally the United States, to make product for the world," said Steve Waddell, national executive director of the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA). "There should be some shelf-space reserved for regulating Canadian product."

Imposing boundaries on Internet-bound Canadians is technically complex and is a touchy subject, as many Canadians believe the Internet should remain border-free.

But Ian Morrison, a spokesman for Friends of Canadian Broadcasting, a Canadian content watchdog group, said if the networks don't provide high-profile promotion and reserve online space for Canadian shows and news broadcasts, Canada's broadcasting industry will suffer.

"There could be threats to everybody's access to local television," Morrison said. "It has the potential to exacerbate the problems being faced by the conventional over-the-air television services."

ACTRA wants the CRTC to impose a levy on ISPs to help create a fund to support the production of Canadian content.

ISPs and technology companies say the hands-off approach has worked and there is plenty of Canadian content on the Internet. Google argued there is more Canadian content on YouTube than on all of the major Canadian networks combined.

Mirko Bibic, senior vice-president of regulatory and government affairs for Bell Canada, says strict regulation could hamper choice and damage the potential for new media.

Bibic said Bell's decision to support Internet-based media is significant, because if a majority of consumers switch to Internet-based TV then TV distributors such as Bell and Rogers Communications will suffer the most.

"If broadcasting over new media reaches a tipping point where it is no longer complementary, but starts being a substitute, then we recognize that distributors like cable companies and satellite companies are the ones who are most at risk," Bibic said.

© Copyright (c) The Ottawa Citizen