

Over the Top Television in Canada Is Past Prologue?

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Terminology

- Internet - online and mobile (aka “interweb”)
- OTA - over the air (television)
- OTT - a service (or app) that provides television programming over the internet and bypasses *traditional TV* providers (incl. BDUs)
- BDU - Broadcast distribution undertaking (DTH, cable TV)
- TV - generally, TV medium, i.e. programming
- CPE - Canadian programming expenditure (CRTC required spending by broadcasters)

Context

50s



50s

70s



50s



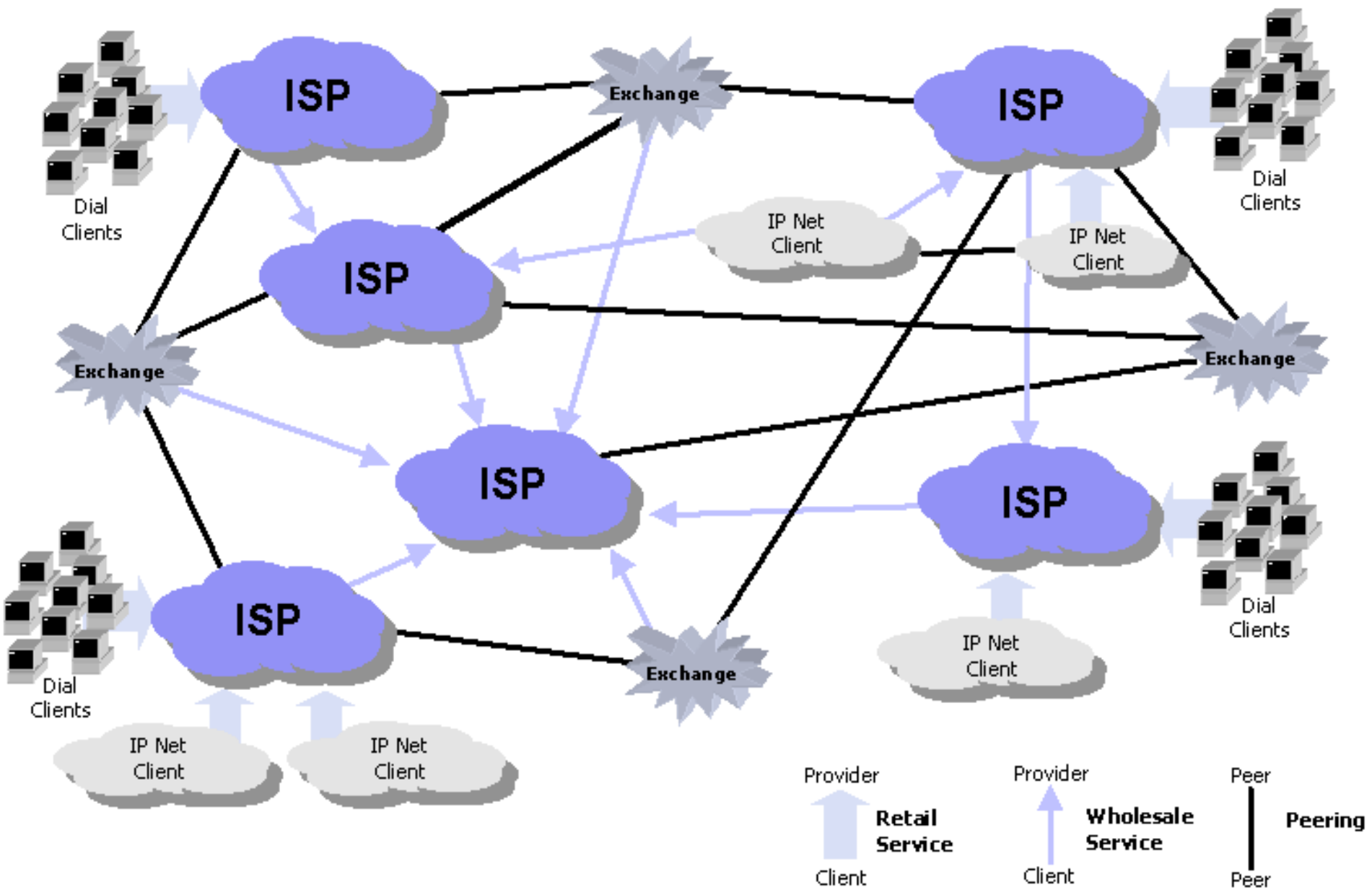
70s

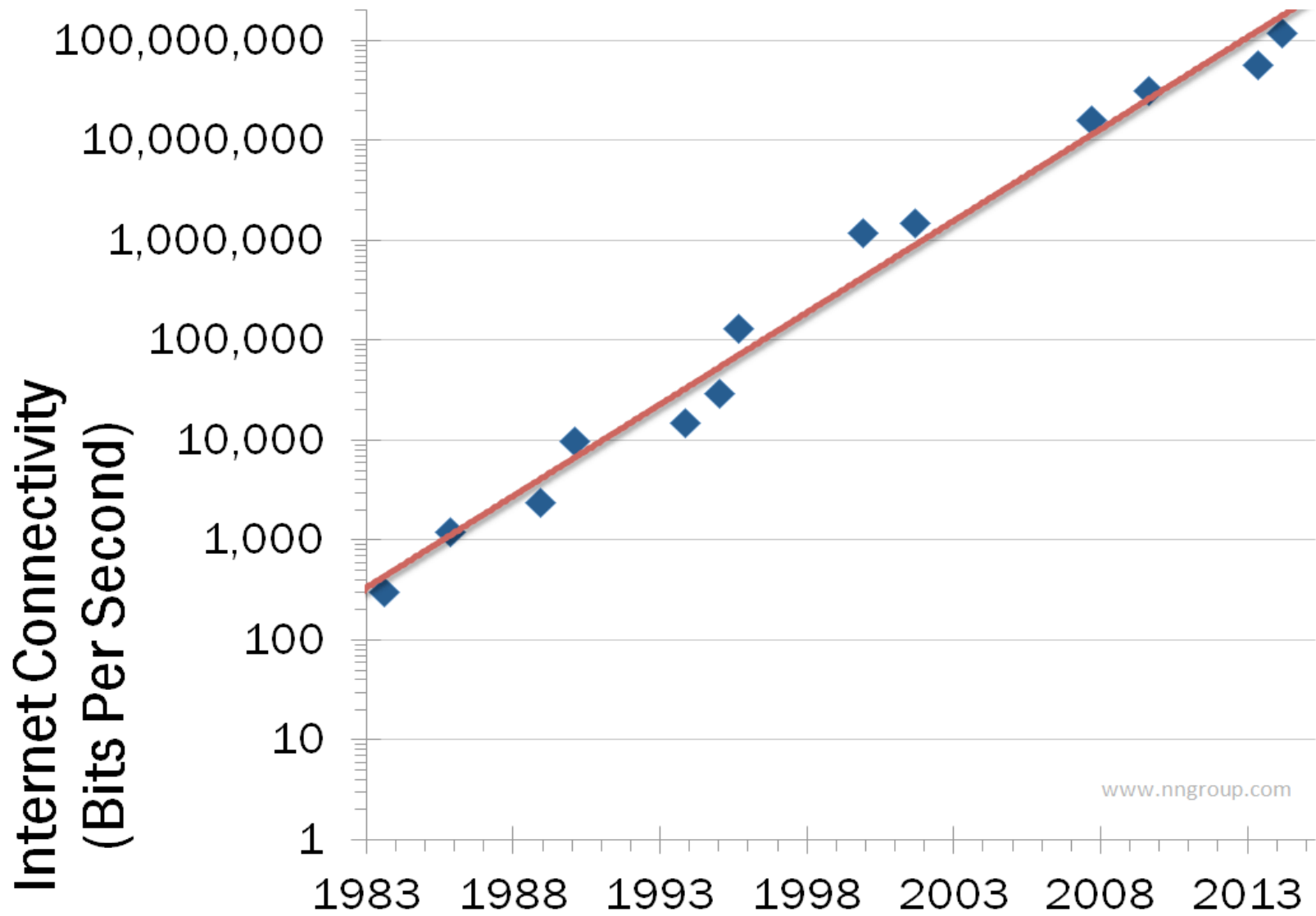


Today



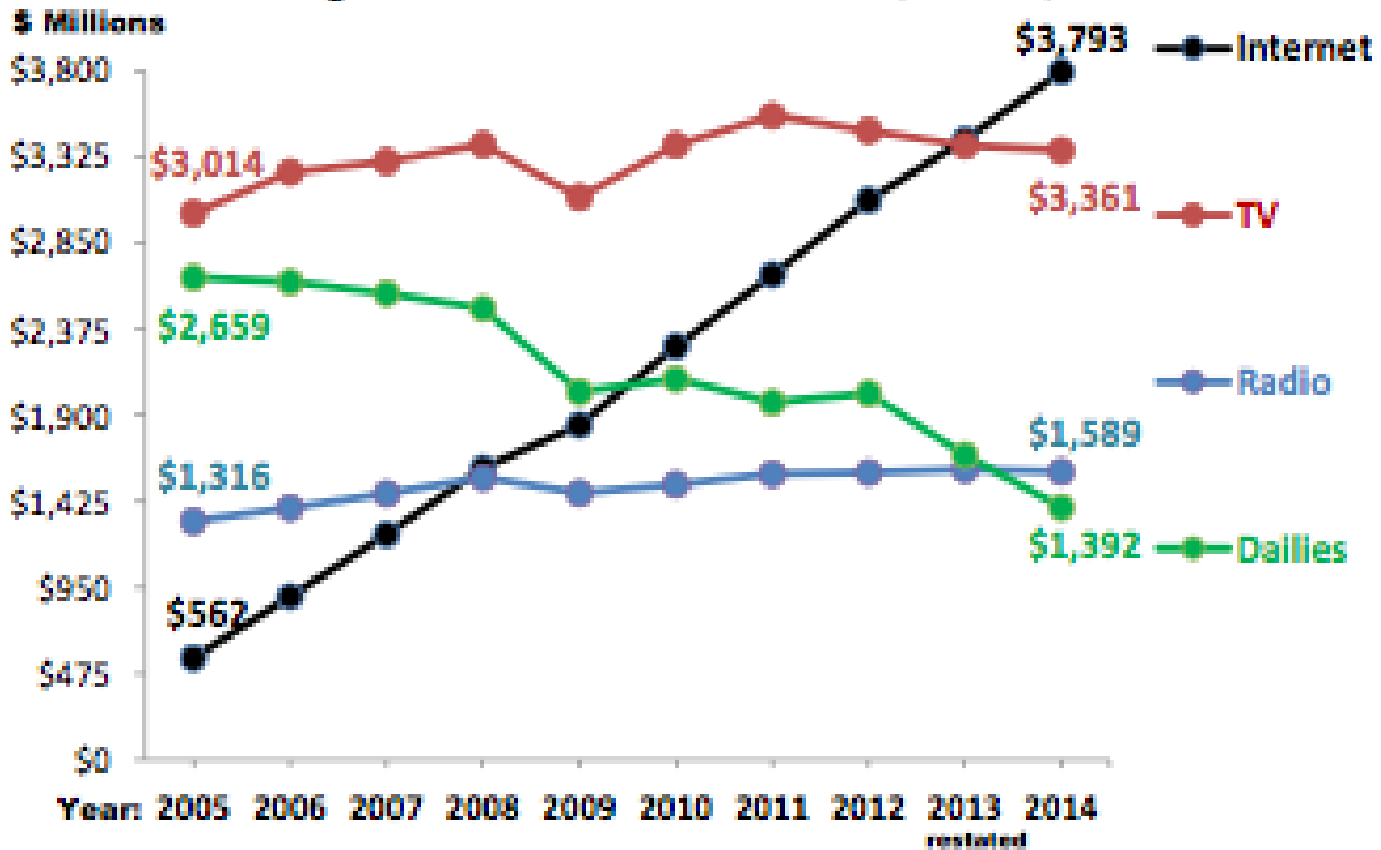






Nielsen's Law of Internet Bandwidth. Source Nielsen Norman Group

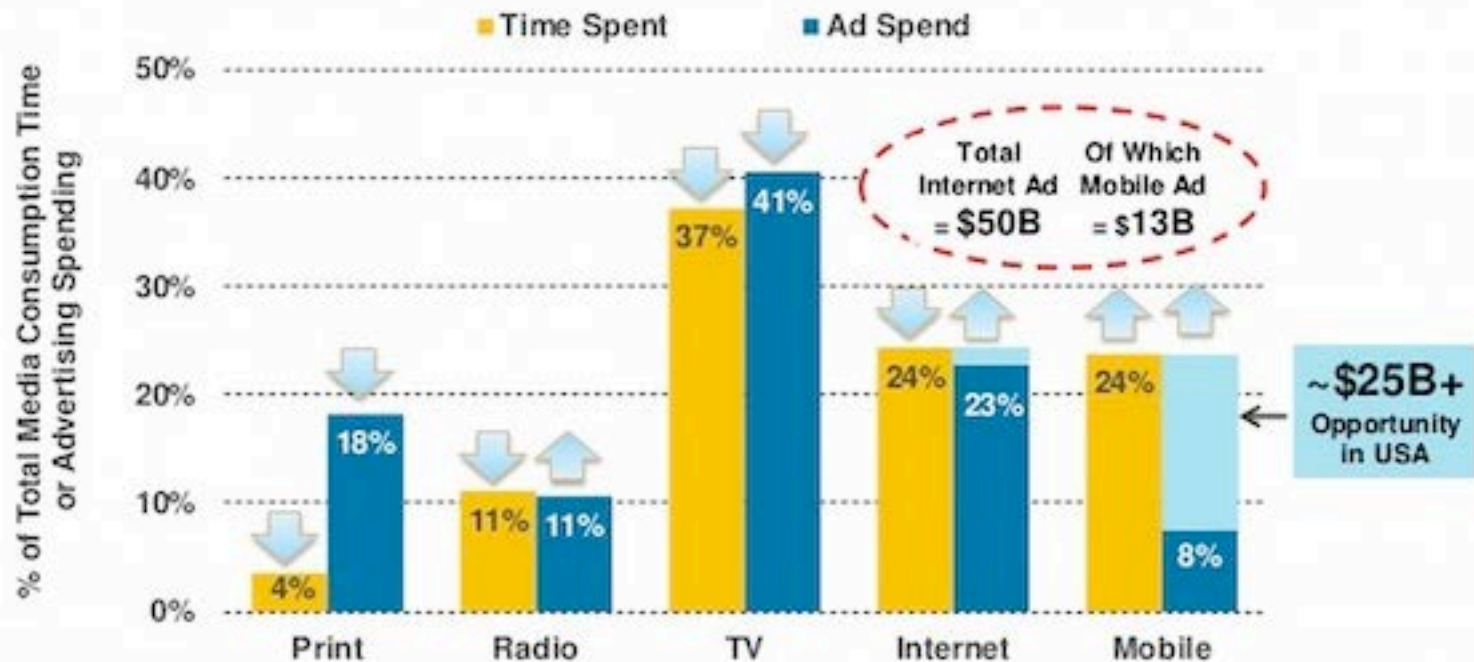
Advertising Growth Trend - Internet vs TV, Dailies, Radio: 2005-14

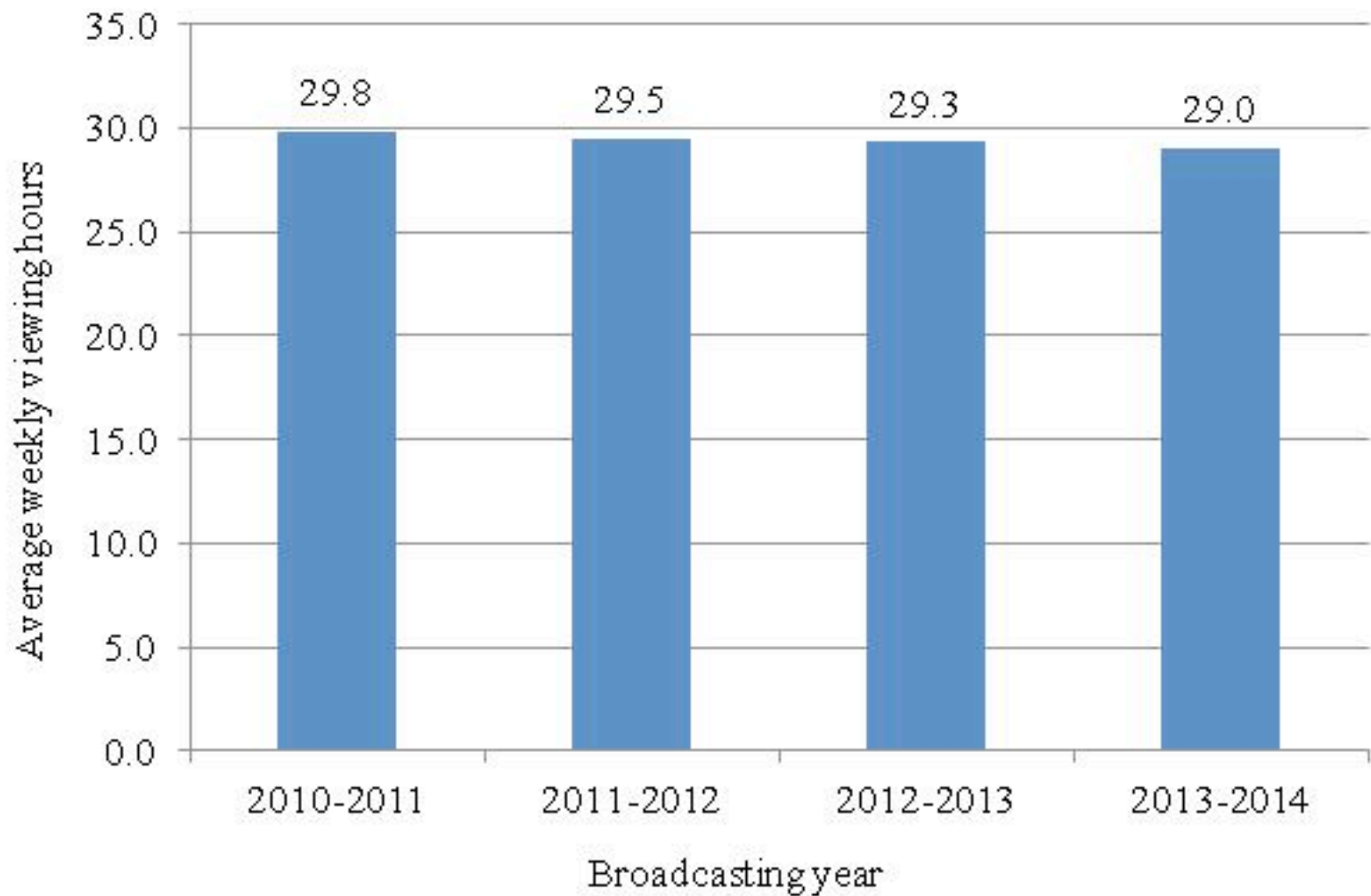


Source: IAB Canadian Internet Advertising Revenue Survey, 2015

Remain Optimistic About Mobile Ad Spend Growth... Print Remains Way Over-Indexed Relative to Time Spent

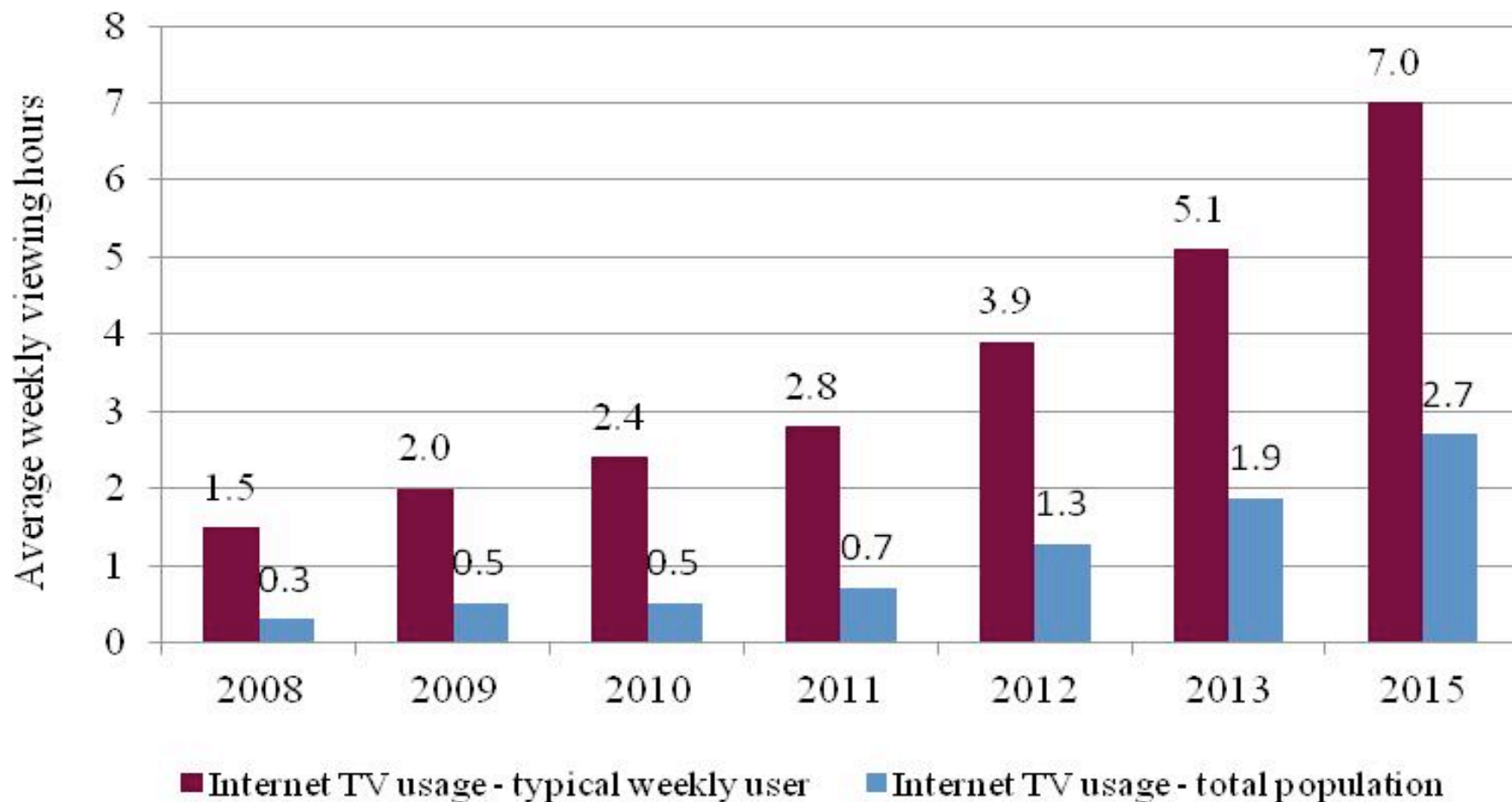
% of Time Spent in Media vs. % of Advertising Spending, USA, 2014





Today – likely a 5% drop since Netflix launch

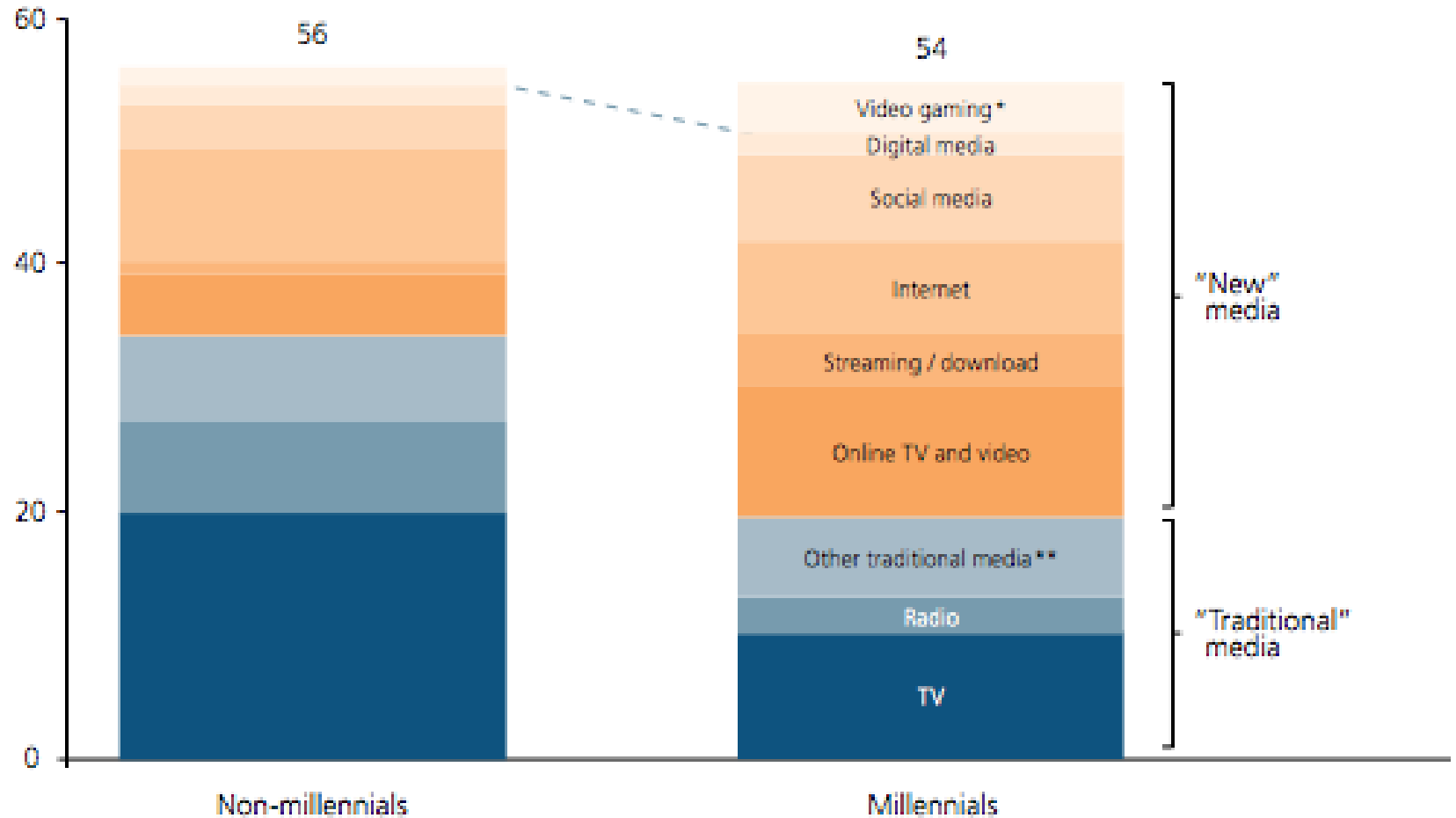
Source: CRTC Monitoring Report 2015
Numeris



Source: CRTC Monitoring Report 2015
MTM (Canadians 18+)

Average Weekly Media Consumption by Type

Number of hours



Note: Q: On average, how many hours of the following types of media do you personally consume in a typical week?

*Includes both traditional gaming and online gaming. ** Includes print media, DVD, CD and cinema

Source: L.E.K. survey

UK Data

Online Video in Canada Today

- Canadians watch 24.6 hours of video online monthly, up 36% (5.1 hrs more than in US)
- 81% of Canadians watch online video
- 72% watch Youtube
- 46% watch TV programs online
- 42% of English Canadians are Netflix subs
- 9% of Canadians watch TV online only
- 82% of Netflix subscribers watch Netflix weekly for an average of 6 hours

Sources: ComScore 2014 & MTM 2014 & 2015 Surveys

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 - Particularly for younger demographics

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- We are moving back to an “open” system, from “closed” cable system → incentive and opportunity to bypass Canadian Broadcasters

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- There is again no distribution packager, no BDU equivalent
 - No dedicated transmission

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- “Gradually, then suddenly” a massive shift in how TV is consumed → DEMOS
- We moving back to an “open” system, from “closed” cable system → BYPASS
- There is again no distribution packager, no BDU equivalent
- From local to global broadcasting

Where does it go from here?

***“The future is already here
– it's just not evenly distributed.”***

William Gibson

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***“The content of a new medium is
an old medium.”***

Marshall McLuhan

TV as an App

- Within a decade the internet will have the capacity to support TV viewing levels
- BDU strengths
 - Incumbency, vertical integration, sports, news, volume, simplicity
 - Older demos/live/high volume viewers
- OTT strengths
 - Interface; cheap library content + originals, transmission costs borne by subscribers; “good enough” TV
 - Millennials/low volume

“Peak” Canadian Programming

- Peak *support for* Canadian programming
 - Shift linear to on-demand; to OTT; and CRTC Lets Talk TV Decisions;
- \$4.1 billion in annual support
 - \$1.5 billion is “subsidy” → + Liberal \$150 million
 - \$2.6 billion is support from regulation
 - ALREADY DECREASING
 - will decrease \$400 million by 2020

Regulating the internet

Two decades ago

- “The internet can not be regulated”
- It’s simply "impossible" given the internet’s "borderless" status

Now

- It absolutely can and it is



Digital Strategy
released April 2014

Connecting Canadians
Protecting Canadians
Economic Opportunities
Digital Government
Canadian Content

Net neutrality requires regulation

Canada

- CRTC imposed rules on “traffic management practices” in 2009
- Being “tested” through undue preference rulings (e.g. Bell Mobility/Videotron ruling Jan 29, 2015)

U.S.

- February 26, 2015, FCC imposed Title II regulation on ISPs
- labelled as protecting the “open internet”

Policy Issues

- When is it about “culture”; when is it about “industry”?
- How do we best support democracy & “free speech”?
- Do we care about having “local” media?
- How long can we mine legacy media and leave digital alone?
- Are we prepared to intervene [more] in digital?
 - Netflix tax (HST &/or cultural levy)
 - Priority for Canadian (e.g. zero rating)
 - Advertising tax deductibility
 - Canadian ownership

Business Issues

- What is our market?
- Are we a niche player? What is a/our “niche”?
- Is it still digital cents to analogue dollars?
- How export driven can/should we be?
- Do lower costs of production increase our odds of success?
- Where is government support needed & where can it make a difference?



OFF-AIR

Questions?