



Apple TV

Cable companies need to adjust now if they're going to fend off the big Mac

January 16, 2007

JEN GERSON
STAFF REPORTER

It's the beginning of the end for TV as we know it.

Amid iPhone madness, many may have missed the invention that could kill cable. Last week, Apple released AppleTV, a tiny white box that connects the shows and movies you've downloaded from the computer, and wirelessly transmits them to your TV screen.

No longer will you have to pay a monthly fee to your cable company to watch your favourite show. Apple's iTunes has made it possible to download an episode of a TV show for about \$2, keep it stored on your computer and watch it whenever you want. It's a blow to the cable networks, which offer services that are often expensive and bloated – hundreds of channels, thousands of shows and nothing to watch.

American networks have gone one step further, allowing audiences to watch their shows for free online.

Some predict that if the cable companies don't keep up with technology, we'll soon be abandoning them.

"This is the biggest realignment of the distribution of entertainment in history," says Colin Dixon. "I don't think that traditional broadcast – cable and satellite – are going away tomorrow, but they must change to maintain market share."

The Internet changes businesses at an incredible rate, he says.

The peer to peer protocol, Napster, was started in 1999. It took fewer than six years for Napster to drain millions of customers, and billions of dollars from record labels and retail stores. By 2004, music store behemoth Tower records had filed for bankruptcy, citing among other concerns, Internet Piracy.

Now it's happening with video.

"Cable is notoriously slow to move until they see a big impact on the bottom line," says Dixon, who predicts that if the cable companies don't get on board with digital distribution, the first public bankruptcies could be seen by 2010.

Many Hollywood and TV networks seem to have learned from the mistakes of their peers in the music industry. For those who want digital access to their entertainment, legal options are available, unless you're Canadian.

North of 49, we've been forbidden legal access to many TV shows through iTunes and also through the American Network's websites.

NBC, for example, hosts the science fiction show Heroes. But when you log on to the website, Masi Oka is denied to those who aren't in the States.

Canadians are being kept behind the times.

It's because Americans own most of the shows worth watching and negotiating distribution rights in Canada can take more time than in the States.

"They're not saying we can't use (the shows), it's a matter of negotiating the rights to them," says Kathy Gardner senior vice president of media research and corporate promotions at Canwest Media. "It's usually the distributors who have the rights. We negotiate the rights with the distributor, then we have to negotiate the rights for online with the distributor. Then we have to negotiate another option if you want to see it on a mobile."

In short, it takes time.

"Up until this year even the U.S. sites didn't offer a lot of online content. We've seen an explosion of it this fall," she says.

Which means that Canadians who want digital versions of their favourite shows are in the same position today as poor, wired college students who wanted the latest Nirvana album in 1999.

Enter the Bit Torrent protocol. It's a peer to peer network amped on crack. It's designed to efficiently share giant files over the Internet—files like ripped movies and digitally recorded television programs. In 2004, a study by Cachelogic created an oft-quoted statistic, that Bit Torrent was responsible for a third of all Internet traffic.

Dixon predicts that "Rights issues are going to be an increasingly intolerable impediment, going forward."

Ironically, rights and licensing issues are pushing people into illegal or unethical downloading practices.

"The content providers have to change their approach to rights," he says.

Some Canadian channels are starting to follow their American counterparts. Global offered Survivor: Cook Islands online, and CTV is doing the same for Degrassi: The Next Generation.

And cable companies say that video on demand and personal video recording technology can compete with the Net.

"You watch when you want it," says Michael Lee, the chief strategy officer for Rogers Communication, adding that the Net doesn't give viewers the opportunity to just sit on the couch and flip through channels.

"People want to access the content in a variety of different ways, but the bulk of viewers can't be bothered to pay for an episode each time you watch."

The success of the iTunes disagrees.

In the U.S., a study by Microsoft found that 40 per cent of cable subscribers aren't happy with the service. It lacks variety, content and features.

In Canada, the cable packages often force you into buying one or more packages to get access to a show or channel that you like.

Lee says that Rogers is working on a system that will let you buy just one show. One thing, he says, is holding them back—negotiating the rights.

"If I were a cable executive, this would be keeping me up at night," says Dixon.

TheStar.com [Corrections](#) | [Contact Webmaster](#) | [RSS](#) | [Star P.M.](#) | [FAQ](#)

Toronto Star [About Us](#) | [Subscribe](#) | [Subscriber Self Services](#) | [Contact Us](#) | [News Releases](#) | [Star Internships](#) | [Careers at the Star](#)

Advertise With Us [Media Kit](#) | [Online Advertising](#) | [Print Advertising](#) | [Special Sections](#)