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Manitoba Modern Economics, Technology and the Environment

presents part 1 of 2 in a series about New Media.

***Internet and today's Society. The impacts of content regulation, user
content***

***A report from Manitoba Modern Economics, Technology and the
Environment.***

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Introduction

The Internet in the year 2010 is now the dominant form of media that people use. According to research done by Internet World Stats, usage of the Internet grew 380% between 2000-2009 ([Internet World Stats,2009](#)). Asia at the end of 2009 had over 780 million Internet users, the most in the world, followed by Europe with 418 million, then North America with 252 million.

These numbers show just how fast the Internet has grown since the creation of the World Wide Web in 1989 and 1990 by Tim Berners-Lee. In short, The Internet has flourished. By allowing hypertext documents in a web browser, where someone can see video, read text, listen to audio or see other multimedia, the Internet radically changed all forms of media. Businesses that did not exist in the 1980's became household names by the end of the 1990's like Yahoo, Google, and Amazon.

By the end of the 1990's the NASDAQ index, was at its highest point ever at around 5000 in early 2000 (Gailbraith, 2004). However, despite the phenomenal growth of Internet stocks, the bubble burst as rapid investment sped up demand, causing the inflation of the stocks, which eventually caused the NASDAQ to drastically decline that year. Despite this economic event, the Internet continued to grow and evolve into the next part of the World Wide Web's evolution.

Web 2.0, User Generated Content and New Media

By 2004, the Internet was evolving into an even more Interactive world, where people can not only exchange ideas, through simple chat and email, but citizens could

post photos, videos, do mashups of their favorite musical artists, have their own blogs, wikis and even socially interact through social media networks. This is called Web 2.0.

While there are many broad definitions on what it is, the best definition comes from webopedia, which defines it as the following:

Web 2.0 is the term given to describe a second generation of the World Wide Web that is focused on the ability for people to collaborate and share information online. [Web 2.0](#) basically refers to the transition from static HTML Web pages to a more dynamic Web that is more organized and is based on serving Web applications to users. Other improved functionality of Web 2.0 includes open communication with an emphasis on Web-based communities of users, and more open sharing of information. Over time Web 2.0 has been used more as a marketing term than a computer-science-based term. Blogs, wikis, and Web services are all seen as components of Web 2.0. (Webopedia, 2010)

This new evolution in the web has allowed for the rise of User Generated Content, and the expansion of new media into the hands of average citizens, where they can post videos, pictures and write articles pertaining to world events, without working in the entertainment, media or journalism industries. User Generated Content (UGC) can be defined as where every day citizens produce, engage or create content of material that can be published for people to see. UGC is at the heart of what makes Web 2.0 tick: Any person can produce something, and be noticed. The Organization for Economic Co-Operation and Development (2007) released a report, which gave three criteria for identifying UGC. They consider something on the Internet UGC if:

- Publication requirement. Is there a purpose for this content?
- Creative effort: Was there a sufficient amount of creative effort into the product.
- The creation of the content needs to be amateur (i.e. citizen journalism, YouTube video).

By these standards, a UGC product created by someone for example would be a typical blog on Blogger by an average citizen talking about films. There is much effort put in by the film fan who writes about the films on the blog, there is a purpose to the blog because it talks about films, and it is written by an amateur film critic, not a professional. Therefore a blog written by a person about movies, based on the criteria is considered UGC.

Even though tracking statistics for UGC is often hard to pinpoint, according to the Interactive Advertising Board, 115 million Americans consume UGC, while 84 million produce content. This will go up in 2013 to almost 155 million consumers and 116 million producers (Interactive Advertising Bureau, 2009).

This explosive growth in UGC on Web 2.0, also coincides with the tremendous growth of other new media in general in the first decade of the 21st century. New Media, can be defined as the following:

The forms of communicating in the digital world, which includes publishing on CD-ROM, DVD, digital television and, most significantly, the Internet. It implies the use of desktop and portable computers as well as wireless, handheld devices. Every company in the computer industry is involved with new media in some manner (Pcmag.com, 2010).

Thanks to new media outlets, Web 2.0 has other side effects in other industries within this realm, namely video games. *Call of Duty: Modern Warfare 2*, a modern day war shooter for Playstation 3 and Xbox 360 brought in \$309 million in its first day, the most ever for an entertainment release in a twenty four hour period (Johnson, R. 2009). A large part of why the video game industry has grown is thanks to on-line console gaming, and allowing people to play interactive games: much of what Web 2.0 is about.

More will be discussed about video games and new media in the second part of this two part series.

The Growth of Web 2.0

Besides the amount of opportunity for every day citizens to use tools like Wordpress, which allow the production and consumption of content, one reason why web 2.0 has exploded in the 21st century, is due to the low cost to produce content. In John Palfrey, and Urs Gasser's book *Born Digital* (2008), they note that cheap storage space, high speed Internet connectivity and simple recording devices, plus a potential large audience, make UGC economically efficient. They go on further by saying "Similarly, it's easy and relatively cheap to buy, say a digital camera over an auction site like eBay in the United States or Baze.com in India, that allows you to shoot digital photos or video clips as raw materials for creative expression on platforms like Photobucket or YouTube" (P.122-P.123).

As both authors mention, the low cost of even buying a mini digital camera for around \$115 at Best Buy, someone can make high quality professional style High Definition clips and post them on a video sharing site. These factors, not only have the potential for small organizations to compete equally in producing professional content to almost next to none, but as well currently, thanks to the Web's 2.0 UGC capabilities, even smaller universities are taking advantage of this. The University of Winnipeg Wesmen, who play in the Canada-West Athletic Conference, have used the power in recent years of Web 2.0's capabilities to show all their home games live on their website, Wesmen.ca. This has great cost savings, considering that it only takes a

laptop, an Internet connection and a digital camera to do all of this. Compare this to twenty years ago, when maybe, if the Wesmen wanted to show live games, they would have had to get a local television station (namely Shaw Cable, or Videon at the time) to bring a truck full of equipment, hook up all of the equipment, then when the game is done, un-hook it all. The Wesmen, by using their website, show the spill over effects Web 2.0 has had on society

The downside of Web 2.0

The downside of the Internet, has been echoed, namely by those in the newspapers, acting unions and Canadian cultural groups have raised concerns how the Web has threaten their living. Many kinds of groups and businesses have revised deep concerns over the negative effects of such a widely accessible and integrative Internet system.

The newspaper industry has been the hardest hit. According to figures from the Newspaper Association of America, advertising declined in 2008 by 28.5% in print newspaper (2008). While a portion of this may be due to the global recession that hit the world within 2008-2009, newspaper advertising has been steadily declining since 2006.

Many in the newspaper industry have blamed the Internet for the decline of print media. In a *Macleans* article titled “Rupert Murdoch Vs. The Internet” (Kirby, J. 2010, January 18, P 28) discusses how Murdoch is looking into pay walls for his media websites. The piece also mentions that Canadian media moguls like the Winnipeg Free Press owner Bob Cox are considering pay- as- you- click methods for raising revenue. Even Alfonso Marone, a media strategist in London said in the “The Internet now is this

socialist model where everybody can access everything for free, but the democratization of the industry has become unsustainable.” Marone is concerned that the Internet will effectively bankrupt print media, and corrupt the political process.

While one end of the political spectrum thinks that the democratization of media is not a good thing, the other, is concerned not about lost revenue but losing cultural identity. In February, 2009, The Canadian Radio-Television Commission (CRTC) had hearings on the idea of regulating the Internet for Canadian content. The last time the CRTC had hearings was in 1999 when they decided to decline several proposals to regulate the Internet for content. Their argument was that the Internet was a very young media, in which there was no need for regulation. This decision by the CRTC in 1999 has allowed the Internet to flourish, which allowed all types of new media content to be created. This included podcasts, streaming video, Internet radio, and on-line console gaming. Decisions like the CRTC in 1999 allowed for this growth but also increased UGC.

Arts and culture groups like the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) have argued that by not regulating the Internet for Canadian content, it poses a threat to not only Canadian Culture, but to the livelihood those of which ACTRA represents. Colin Mochrie, a Canadian television actor, said that Canadian content on-line is getting lost, thanks to the CRTC’s exemption rule not to regulate “new media” and Internet content made in 1999 (Mochrie, C., 2009).

With ACTRA’s concern about Canadian content in the Internet age, they are one of many culture groups, who proposed similar ideas towards the CRTC panel in

February, 2009. The following ideas were included in the February, 2009 ACTRA proposal (2009):

- Decline the 1999 exemption rule, which allowed for the Internet to be exempt content regulation.
- License streaming audio, video and video on demand providers.
- All Internet and wireless service providers pay anywhere from a 0.6-3.0% levy from their revenues to create a new media fund for the creation of Canadian new media content.
- All audio and visual works on the Internet must be included in the Broadcasting Act. This would include games and UGC Content, although ACTRA would not be seeking regulations on UGC.

Despite the appeals of groups like ACTRA, the CRTC made a decision in late May of 2009 to continue the Internet content regulation exemption rule. They indicated that they may look at this idea in the future, but for now they decided to keep the exemption rule. While the ruling may have disappointed many in the arts and culture community, most technology experts considered this was a good decision. Michael Geist, a University of Ottawa professor mentioned:

Overall, the decision to avoid new regulations and levy schemes is a good one. Further, the intervention on undue preferences is both welcome and represents a potential first step in addressing the broader concerns associated with net neutrality. (Geist, M. June 4, 2009).

Geist's analysis represents the general consensus on what is wrong in general with regards to Internet content regulation: Any attempt to regulate the Internet would breach net neutrality rules, in favor of corporate, and special interest tainting the freedom of the

Internet. As shown with the likes of Rupert Murdoch and ACTRA, despite their differing political views, both are using the same old models of business or regulation in attempt to deflate the power of why the Internet has been the best idea to come out of the latest round of globalization, since the end of the cold war in 1989. It has allowed everyday people to communicate from around the world, play, produce professional content, where no other type of media platform has allowed that to happen.

Unlike the printing press, television and radio, where one could regulate content to protect a nation's culture, or pay to watch specialty television channels, the Internet is a different medium, which would be hard to regulate or have pay as you click sites. The proposals of Rupert Murdoch and ACTRA, would have negative consequences economically and socially on the Internet.

For starters as mentioned above any content regulation would breach net neutrality rules. There would likely be the chance as well that a consumers bill for the Internet may go up. For example, a majority of consumer pay a flat fee for an Internet hookup connection. Should in the future the CRTC decide to regulate the Internet for Canadian content and start a fund for on-line content via a Internet Service Provider tax (ISP) on the providers, that cost will get put on to the consumer. Add the ideas of Bob Cox looking into paying when ever someone clicks on a page and costs may increase. This will potentially make it expensive for average people to access the Internet, and thus may risk decreasing the amount of UGC, because of the lack of access and high future costs.

What can be done?

As shown, the Internet can be a force for good in society. This has allowed people to produce professional content at low costs with large audiences. The communications of the World Wide Web (WWW) can allow everyone to have a voice, in which was never possible twenty years ago. Despite this, as discussed, the growth of the WWW has hurt the various types of media like the newspaper industry while potentially risking the threat of Canadian culture. While these concerns are real, the social benefits that the Internet currently provides far outweigh the costs that the newspaper industry and culture groups are going through. In an attempt to keep the Internet neutral, while allowing greater Canadian content and new business ideas, I would recommend the following to occur over the next five year span.

- 1. Encourage in a National Broadband Infrastructure from East to West and North to South of Canada with help from the Federal Government.*

The Government of Canada, along with the private sector, should start plans to create a national infrastructure broadband program that will allow the capability of every citizen in Canada to have equal and fair access to the Internet. There are many benefits with this investment to society and the economy. In terms of the benefits, with a large investment into broadband, everyone from remote northern areas, to rural areas would have equal access to the Internet, along with their urban counterparts. This will create opportunities for northern and rural residents to participate in the high tech economy, by allowing more of them to create business opportunities through entrepreneurial activities (i.e. creating an e-commerce website). An increased

investment to broadband, would allow more citizens to participate in Web 2.0 and create more Canadian content, and put Canada even more on the map culturally. This answer some of the concerns in which ACTRA has with regards to Canadian content on the web.

2. Create a highly develop a 3G system like in Europe and cell phone towers up north.

By having a faster International Telecommunications Network ([3G](#)) network, like in Europe, This would allow for a greater capacity of Canadians to have better access to smart phones like the iPhone and BlackBerry. Along with a building up a 3G network, all governments should be encouraged in developing cell phone towers up north, rather than telephone poles. This is less material intensive, because cell phones usually require a satellite signal or towers that are dispersed. Many developing nations, like for India for example have higher usage of cell phones compared to regular phones. The example of developing countries using cell phones more than regular land lines should be more incentive for governments and even the private sector to increase accessibility of wireless telecommunications in northern remote communities.

3. Reinvest in high tech Research and Development.

Your economy and Internet capacity can only be as good as your countries willingness to develop into research and development. One of the reasons why technology costs went down was the supply of technology, in large part thanks to newer technology due to

research and development. The Canadian government needs to look at providing more extensive tax credits at both at the corporate tax level and the small unincorporated business tax level for research and development into higher technology, like developing a faster super information highway for the Internet, web companies, smart phone companies etc, so Canadians can compete against its European and United States counterparts on the world stage in hi-tech. This ties in to both suggestions 1 & 2. Investments in R&D would already create many new jobs, along with the side effects of future jobs in industries like new media, web design.

4. Encourage a ruling that prevents cable companies to not charge website packages like currently with cable television or charging per website view.

Consumers are already tapped out and can not afford to be tapped any more from cable companies. A ruling by the CRTC to encourage cable companies not to charge packages to see web sites like television or charging per website would be beneficial to the consumer, in terms of greater access to the Internet. If cable and wireless providers were able to do this, then there is a risk of not only higher prices by the telecommunication companies, but as well as a decrease in demand from consumers as they would be forced to pay for packages to see Internet websites. This would not be especially good for many non-profit organizations and small businesses that depend on the Internet to get their message across or sell their products. This would also potentially decrease the supply of UGC, as more people would not be able to participate in creating content on the Web.

5. *No government funds for creation of on-line content.*

The Federal government should not create any new funds for the creation of on-line content. There are many concerns with this. The first thing, by subsidizing the creation of on-line content on the WWW, this over inflates the price of the value of the content on-line. At the same time by creating government funds for the creation of on-line content would allow possibly no incentive to produce professional content. Also it would be hard to pinpoint who should be funded, and what should be considered for government funds. A better idea would be to have tax credits for new media works (see suggestion 6)

6. *Create new tax credits for new media works*

Instead of creating federal funds for new media content, both the Federal and Provincial governments could easily start creating tax credits for those involved in creating new media works (web sites, video games, etc) to encourage an entrepreneurial spirit in creating Canadian new media content. Requirements for this would be that the company has either a strong business plan and or has consistently made a profit or will within a certain amount of years. These tax credits would differentiate from handouts because these tax credits would be tied to performance, rather than satisfying prescribed content regulation. These new credits can be in the form of either corporate or unincorporated small business as well.

Conclusion

Web 2.0's phenomenal growth is in large part to increased newer technologies that have allowed citizens to produce, high quality User Generated Content at low costs with high potential audiences. Approximately 115 million Americans consume while 84 million produce some format. It is now possible for small organizations, businesses to produce promotional videos and content. The University of Winnipeg is an example of how the low costs of Web 2.0 have allowed them to broadcast games over their website in recent years. Video games have also benefited from Web 2.0, as faster connections have allowed for the growth of on-line console gaming, which has fueled big sales of hit video games like Call of Duty: Modern Warfare 2.

Despite the benefits, some have been concern with Web 2.0 as it has flatten older business models, especially the newspaper industry, which has seen substantial losses in recent years. Culture groups have expressed concerns by requesting that the Internet be regulated for content. Despite the concerns of various groups, Web 2.0 benefits to society out way the costs. In order to keep a free and neutral Internet, governments must invest in faster broadband connections, 3G networks, as well as encourage entrepreneurial sprit in new media by creating tax credits that are tied to the performance of the new media content.

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