TBI TELEVISION BUSINESS INTERNATIONAL

JANUARY 1994

THE POLITICS OF FRENCH TV

Also: Focus On Milia

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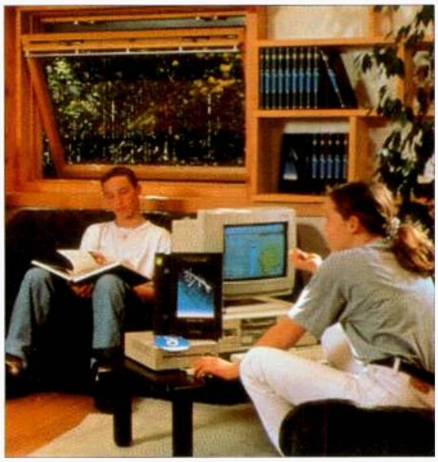

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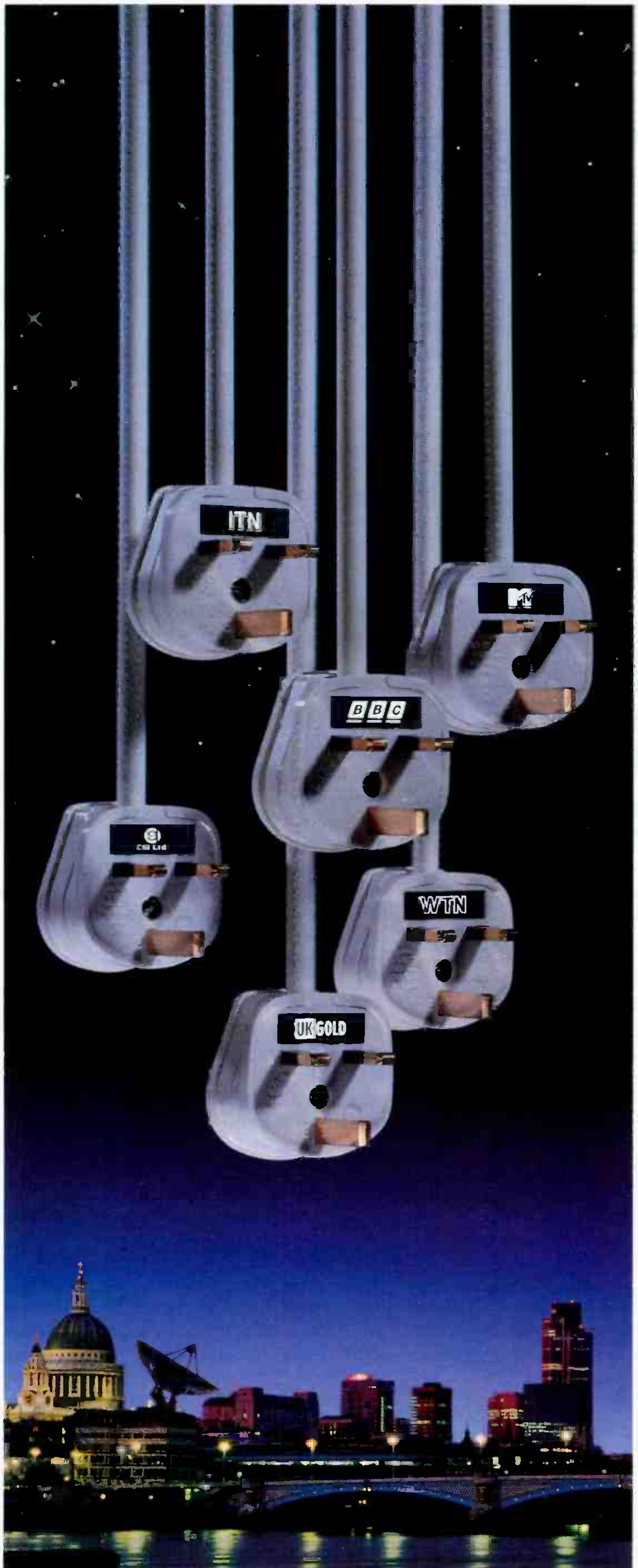
Grand Alliance

The quiet corridors of the Grand Hotel in Paris are a long way from the global power politics of the Gatt negotiations. At the very moment Europe and America were agreeing to disagree in Geneva, a tv executive here, a tv executive there padded between suites at the Grand. Katja Solla of Finnish network YLE watched *Association de Bienfaiteurs,* a program made by Gaumont. Down the hall, Polish tv's Marta Piszczatowska was screening *Brigitte Bardot en Chansons,* from French Television Distribution. Solla and Piszczatowska were two of 130 tv buyers that had flown in from China and Canada, Cyprus and Syria for the fourth edition of the Paris Screenings. If Gatt is the grand plan for how the world economy should function, the Paris Screenings are where the rubber hits the road, where the French get down to the business of trying to get networks to buy their shows. The event is small and quiet. Thirty French tv companies set up tvs and VCRs in the Grand's first floor suites and held meetings in a make-shift bar down the hall, where five tv sets – each programmed with a different theme – played the documentaries and dramas and kids' shows that are for sale. Everyone goes about the business of selling French tv to the world.

The screenings themselves are one sign of the changes made and changes needed as the French try to export their tv programming. The screenings were started four years ago by two Parisian entrepreneurs when they realized the Germans, the British and the Scandinavians had been bringing tv buyers in for years. Like the other events, buyers from the major American companies aren't anywhere to be seen. Americans ignoring the French – it sounds like what the French politicians were complaining about during the Gatt talks. If that's so, few of the French at the screenings bring it up. There's an acknowledgement that they need to do more. "I think we should be more aggressive when we produce," said Sylvie Brauns, co-owner of Paris Globe Communication, which organizes the screenings. "It's too late when the program is finished. There is a huge amount of work to do before launching a program."

Some French companies aren't even French companies. That is, like their American colleagues, they want to be perceived as global entertainment operators. "We don't want to be identified as French," said Olivier Bremond, managing director of Marathon International. "People come and say, 'we don't want to see *that* kind of French product.' Sometimes it's a bit frustrating." Frustration was the key to the Gatt result. The American and European negotiators couldn't come up with a deal, so they left things as is, but said they'll come back to the issue. The U.S. could use the so-called Super 301 rules to punish what it views as European protectionism. Bad idea, there. A much better approach is Canal Plus' plan to bring a European network to American cable. Both sides should take a breath, think about it, then use the technology and talent at their disposal to improve tv trade relations. And on that note, the best of good fortune to all our readers in the New Year.

The Editor



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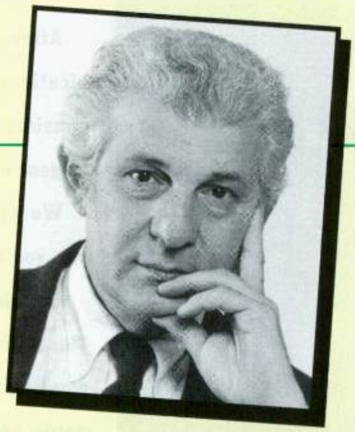


BY LES BROWN

Many times in four decades I watched how the industry became transformed by a single development, from the debut of video tape in 1956, to the recent establishment of Fox as a full-blown fourth U.S. network, with all the turbulent episodes between.

The winds of change are constantly blowing, sometimes fanned by technology, but more often by regulation, economic slumps, corporate upheavals, public tastes, or public outrage. These are the winds that keep trade publications in business.

But never, not even in the tempestuous 1980s, have I seen anything quite like the storm that is gathering in the U.S. industry at this moment. It is as if all the winds have started blowing at once, from every direction.

In another climate, the deliverance of ABC, CBS and NBC from 20 years of fin-syn bondage would have been momentous enough to alter the complexion of the entire industry within the next year or two. The networks became free to behave like any of the other corporate players in the field once the courts, ruling in November, scrapped the rules that had barred the Big Three from taking equity positions in programs they put on the air or from engaging in domestic syndication. They can acquire a Hollywood studio, or be acquired by one. They can produce their own shows and eventually distribute the reruns.

But, alas, the good news had come after the bad, which was that Paramount and Warner Bros. had elected to follow the lead of 20th Century Fox and launch networks of their own by enlisting independent stations around the country and filling in the gaps with cable. That would make six terrestrial networks where once there were three. The implications for ad revenues, audience, sources of program supply and the already strangling domestic syndication market are, to say the least, ominous.

Nor is this the full extent of the new competition. 1994 will see the launch of two mega-channel DBS systems, the start of the telcos' Video Dial Tone (television by telephone), and the arrival of 500-channel full service cable systems in several pilot locations. Dozens of new cable networks are being readied for the start of the digital era.

Meanwhile, merger mania is once again abroad in the land. The regional telephone companies are running amuck on the tv playing field, flashing their big bankrolls to buy up or joint-venture with cable systems or, in some situations, go head-to-head in competition with them.

Paramount's bid to start a network was made in the midst of a bitter battle between Viacom and QVC to acquire the studio. But at the height of that struggle, John Malone, a major shareholder in QVC and the most powerful figure in U.S. television today, opted out of the quest and entered his Tele-Communications Inc. into a surprising merger with Bell Atlantic, one of the richest telcos. Together they form an even larger media conglomerate than Time Warner. Soon after, Malone was reported to be in talks with Matsushita on buying a large chunk of MCA. With a studio to pump out programming for Bell Atlantic/TCI, the telco-cable giant would give the networks a run for the ratings.

But, alas, the good news had come after the bad, Paramount and Warner Bros. had elected to follow Fox and launch networks of their own

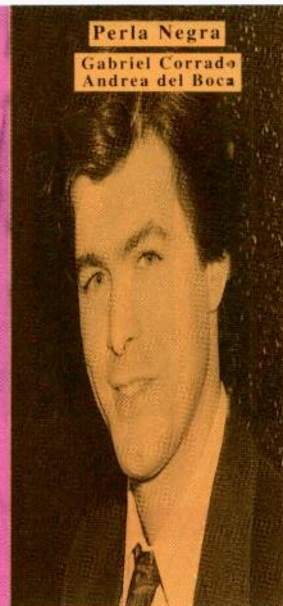
In another part of the forest, young adults are becoming enchanted with computer networks and logging less and less time with tv – a significant development since they are the demographic group most prized by advertisers.

The hot buzzwords today are interactivity and multimedia, features of the information superhighway the Clinton Administration has been championing. Though the superhighway is widely thought to be something the future will bring, in fact it is already operational.

The catch in all this is that everyone is seeking to draw from the same audience pool. As a result, the once huge and self-sufficient American tv market may break up into a lot of small markets and lose most of its potency.

With six terrestrial networks playing to less than half the audience the three networks commanded in the good old days, the economic structure changes radically. No network can produce programs on the scale as before because a 6 or 7 rating will not justify production costs of $1 million a hour.

The new networks, moreover, will tend to drive down advertising rates by expanding the commercial inventory, and as more independent stations become network affiliates, the slots for syndicated fare will diminish. With supply exceeding demand, prices for network reruns in the home market stand to decline. So what it comes down to finally is that American programs, like the more ambitious ones produced in most other countries, will need foreign sales for their primary profits. But the markets abroad are likely to be fragmented by the same technologies that are plaguing the U.S. networks. The gathering storm may well have the force of a hurricane. TBI



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Maximizing The Miniseries

The longer miniseries is once again in vogue

Once upon a time, miniseries like *Winds of War*, *The Thorn Birds* and *Roots* were tv events so big they were television milestones. But ever since the mammoth *War and Remembrance* flopped on ABC several years ago, the networks have steered clear of anything but the mini miniseries. Four hours was the upper limit. Last year's dismal numbers for ABC's six-hour *Wild Palms* seemed only to affirm the industry wisdom that miniseries should indeed be small.

But the maxi miniseries is staging a comeback, and it would seem the international market has something to do with it. CBS recently aired its longest miniseries in quite awhile, the seven-hour *Return To Lonesome Dove*. The series attracted respectable ratings with an 18.1 rating 28 share the first night. CBS also has the eight-hour, *Gone With The Wind* sequel *Scarlett* in the works.


ABC taking The Stand with the eight-hour maxi miniseries

Robert Halmi Jr., whose company made the original *Lonesome Dove* as well as its sequel, said foreign investment is crucial to the success of these longer miniseries. Foreign buyers, he said, are interested in event programming, not the ripped-from-the-headlines rape, incest, murder or prostitution story. "That has nothing to do with the tastes of Europe," he said.

At ABC, the network is committed to the six-hour *Heaven and Hell – North and South Book III*, an eight-hour in-house co-production of Stephen King's *The Stand*, and a *Thorn Birds* sequel. Judd Parkin, ABC's senior vice president for motion pictures and miniseries, views the trend largely as "a fluke." He admitted, however, that international sales are sometimes a factor. "From my vantage," he said, "that (the international market) is a minor element, except when considering an in-house project like *The Stand*. ABC has a financial stake in it. Then the foreign market does become part of the discussion. You're not only looking as an American programmer but also at what the foreign value is going to be."

The number of productions in which the networks hold a stake is expected to climb now the financial interest and syndication rules have been lifted. That may well mean more maxi minis.

by Barbara Bliss Osborn — LOS ANGELES

Natpe 94: Becoming A Global Village?

After years of talking about it, Natpe is looking international

"People used to think Natpe was too American. They don't think it's too American anymore," said Warner Brothers Television International president Michael Jay Solomon, a Natpe international committee member. For years Natpe has been saying it was going to become an international convention. This year, with daily briefings, a special pre-convention session and several seminars, the talk may at last be for real.

"Natpe has created an event that international buyers will be much more interested in attending," said Solomon. Stressing the informational value of its seminars, he added: "Other markets are strictly program-related. Natpe is industry-related. Buyers aren't just looking for another half hour or hour; it's also the educational and informational aspect of it."

Sessions designed for international participants will begin even before the convention opens. On the afternoon of Monday, 24 January, international attendees can get an orientation to the market and a survey of the promotional services and after sales support available from the various distributors.

Solomon: Informational and educational value

On Tuesday, 25 January, the convention begins with the first of a daily series called Making Natpe Work For You. Last year, Natpe held a single introductory session for international attendees and expected attendance of between 150 and 175 people. Three hundred turned up. As a result, the session is now a daily part of the convention.

In addition to the morning briefings, sessions surveying topics of interest to international buyers have been scheduled, including seminars on Canadian animation, U.S. television, soaps and telenovelas and global ratings. Lisa Gregorian, Warner Brothers' director of international research, said the ratings session was scheduled in response to a considerable surge of interest in ratings overseas.

International ratings systems range from nonexistant to very sophisticated depending on the territory, Gregorian said. She oversees a new, in-house international ratings system that crunches data and provides comparative international analysis. RTL program director Marc Conrad and Pro 7's head of research, Gerhardt Graf, will be among the panelists.

On Wednesday, 26, The International Seminar will include a spontaneous evaluation by industry production heads of at least three, and possibly four, projects currently in the market. A panel of executives will review each of the three-minute presentations and additional industry executives in the audience may be called on to comment.

Natpe president Bruce Johansen said the international seminar was the best attended session at last year's Natpe. The three case studies were candidly assessed, with executives sizing up the projects and stating what they would pay for them. Last year, projects from France and Canada met with little enthusiasm, but the third project, a British sci-fi production, is currently in production.

Johansen noted even the convention parties are going international this year, among them a first-ever Oktoberfest event. Bitte, sprechen sie shmooze?

by Barbara Bliss Osborn — LOS ANGELES

Interactive Systems Enters Home Market

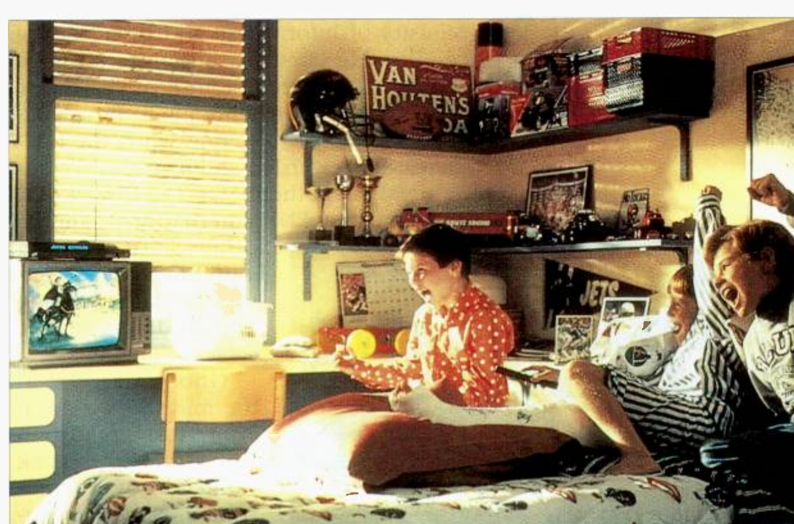
A sophisticated version of the European system will be used

Interactive Systems, a U.S. company which has already tested interactive television services in two European countries, will launch its first domestic test this month. Interactive System's equipment currently provides interactive television in Spain, in cooperation with public broadcaster TVE-1. The company has also conducted a test in The Netherlands.

The U.S. field test will begin January 3 in two dozen homes in Portland, Oregan. This is then expected to become a full fledged market rollout. Initially Interactive Systems will work with the local NBC affiliate, but the company also has commitments from the other local affiliates, as well as an independent station and "a great deal of interest from Fox," said Craig Kelly, director of operations. Plans call for hooking up the other Portland affiliates by March 1 and expanding the test to 500 homes. By November, the company intends to reach 20,000 households.

Cooperating broadcasters will encode their programming with IS technology – a relatively inexpensive process. Kelly said the necessary encoding equipment is cheap compared to other video equipment and requires no additional manpower.

The system to be tested in the U.S. is called InTOUCH. It uses a color, on-screen menu controlled with a cursor and graphic icons. The system enables users to participate in polls and



TelePick: Rolled out by Spain's TVE-1

play-along games, do their banking, and print out coupons and recipes with a built-in printer. Each test household will be lent an interactive control unit that will eventually rent for $7.95 per month.

InTOUCH is a more sophisticated version of the company's TelePick system, which is currently in use in Spain, and it's Telejack system, which was tested in The Netherlands. One reason for launching in the U.S. now, Kelly said, is because the new version, with its color, on-screen functions, is expected to be better accepted by U.S. consumers than earlier systems. In addition, he noted, awareness of interactive tv in the U.S. has "jumped" in the last year.

Interactive Systems also plans to deploy an even more sophisticated version of it's interactive tv technology (this version will include greater security functions) in Australia in May or June of 1994. Partnering with the Seven Network, Interactive Systems will field test in 500 homes, with a scheduled roll-out planned for the following year.

Meanwhile, companies in 19 other countries have licensed the company's system but have yet to put all the pieces together for field tests. Next up, said McKellips, is Argentina, which is expected to initiate its first test around World Cup time.

INDIA

New TV Minister Is An Old Hand

Ghose believes Doordarshan should change, but slowly

Bhasker Ghose became India's new secretary of the Ministry of Information and Broadcasting in December. He comes to the ministry with strong credentials in television: Five years ago, he served as director general of public broadcaster Doordarshan during a period when the pubcaster increased viewership and revenues. Things have changed since then. Star TV, BBC World Service Television, CNN International, among others, are winning audiences via direct-to-home broadcasting and India's ad-hoc cable systems.

BBC World Service: Asian offensive

Ghose's arrival at the ministry was welcomed by many in India who seek reduced government control over broadcasting. They probably won't get everything they want. Raj Bhargava, Ghose's predecessor at the ministry, thought broadcasting should be treated as a commercial venture. But Ghose seems ready to revive Doordarshan's control over programming via a mix of sponsored and commissioned shows, while moving to give the broadcaster freedom from government. Ghose spoke to TBI about the challenges to come.

TBI: Will Doordarshan be affected by the new competition? If so, what will be the loss in viewership and revenue?

Ghose: We are going to be affected. The most significant change will be a close tie-up with cable tv. There will be one terrestrial channel, one satellite-cum-terrestrial channel [Metro Channel] and five satellite channels. Loss of viewership has only been on the primary channel... revenues are still increasing, though the rate might be slow. When all is said and done, Doordarshan's reach versus cable cannot be compared.

Is privatization the answer to meet the challenge?

Privatization is not the answer. Privatization would only bring about an ad-driven network, offering mediocre programs – offering a little more breast and a little more backside to attract viewers. Doordarshan will not be ad driven. But at the same time, there will be a judicious mix.

What do you mean by a judicious mix?

Programs produced by Doordarshan itself and those produced by outside producers. These programs will be commissioned or sponsored programs like serials, current affairs, quizzes.

Does this mean Doordarshan will remain an organization controlled by the Ministry?

No. Doordarshan will become an autonomous organization. It's very much on the cards. It will happen soon enough, although I can't put a time limit on it.

What changes do you foresee?

A lot of changes can be predicted. Change will be far reaching and will lead to a completely different form of telecasting. Markets will be split. Regional, national, specialized programs will come about. For the time being, programming will remain in the hands of Doordarshan.

Will the news open up too?

Almost certainly news too will open up. It will just happen. If we don't do so, others will.

The last attempt to open up led to litigation, with the courts asking you to spell out your new scheme of privatization. Where does that stand?

The courts are telling us how to run our channels. The earlier scheme of first-come, first-served has to be replaced by another scheme. We are in a tricky situation where the courts have intervened. It just might open up the Pandora's box. We should allow the network to function the way they want and judge what's good for them.

Does this mean you want to stop change?

You cannot stop change. But it has to be brought about in a regulated manner.

by Asoka Raina — New Delhi

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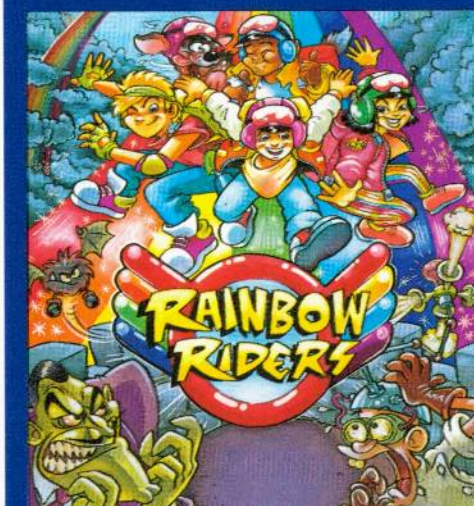

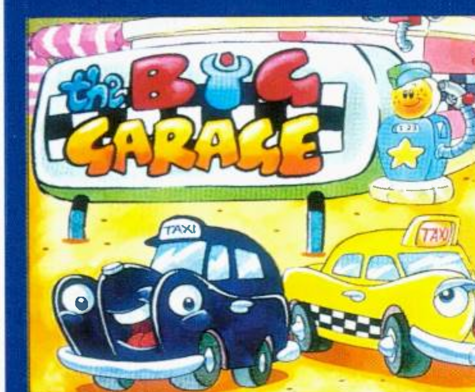

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THE GET WELL NET

It had to happen... one of the latest proposed additions to the U.S. cable programming scene is RecoveryNet, dubbed The Wellness Channel. Devoted to persons trying to make positive, healthy, lifestyle choices, the new net, set to launch mid-1994, has a ready-made market. Currently more than 40 million Americans in recovery from drugs, alcohol, eating disorders and sexual abuse tune into the company's existing radio service. In addition to delivery as a basic cable channel, RecoveryNet will be offered to cable operators for inclusion in speciality tiers or on an a la carte basis.

NIGERIA

Another African Nation Deregulates

Twenty five private licenses have been awarded to tv operators

Nigeria has joined the league of countries allowing free market broadcasting in the sub-Saharan region of Africa. Twenty five companies have received licenses to operate private tv stations, 14 of which are licensed to set up terrestrial stations, while the remaining 11 have the go-ahead to transmit and redistribute programs via cable and satellite. Four of the licensees are located in Lagos, with two in the Lagos suburbs of Ikorodu and Otta, respectively. The rest are in areas such as Benin and Warri (mid-west), Abuja and Kaduna (north), Ibadan (west), and Aba, Enugu and Obosi (east).

The tv companies belonging to this newly deregulated system will compete directly with the existing 44-odd stations which hitherto operated as a government monopoly.

Some of the licensees said they expect to be in full scale operation almost immediately and are busy recruiting and training staff, building office accommodation and installing equipment. This is just as well, as Peter Enahoro, chairman of the 13-member broadcasting regulatory body, the National Broadcasting Commission (NBC), warned companies to utilize their licenses within a year or run the risk of forfeiting them.

"Anyone not on the commission's list who is found operating commercial broadcasting equipment of any kind or who elects to redistribute satellite or cable programs without a license will be dealt with by the law," he said. The NBC, which was inaugurated in 1992, is compiling a code of conduct as a means of keeping professional broadcasters on their toes and ensuring ethical standards generally.

Mali, Senegal, Cote d'Ivoire and Burkina Faso are among the other African countries where private sector ownership of radio and tv stations is allowed.

Nigeria's complex broadcasting industry which commands an audience of between 40 and 50 million people, has recently been documented in a handbook published by the Broadcasting Organisation of Nigeria (BON). Called BON – Handbook and edited by BON's executive secretary, Obadiah Tohomdet, the 93-page publication sets out to document the historical and current state of Nigeria's radio and and tv industry.

by Titus Ogunwale — NIGERIA

ITALY

Close To The Edge

The government steps in to save Rai from liquidation

State broadcaster Rai came dangerously close to presenting its accounts in Court, and only an extraordinary Christmas gift from the government saved the pubcaster from liquidation.

With an estimated loss of $330 million in 1993, and overall debts in excess of $1 billion, Rai looked doomed. At the beginning of December, the banks refused to open new credit facilities in order to grant Rai's 13,000 employees the extra month's salary that is handed out at the end of each year. Rai president Claudio Dematte and general director Gianni Locatelli called for government support. "In order to reach a balance in the financial situation of the network, we need the unparalleled intervention of the government and parliament. The drastic cost cuts we have started operating are not enough," Dematte said, before announcing the network was not going to pay the bonus salaries.

Rai: Happy Christmas?

Answering Rai's cry for help, the treasury ministry and state-owned holding company IRI, Rai's largest shareholder, announced three emergency measures. First, the state proposed to increase Rai's capital by $190 million by swapping some of its old credits for new network shares. Second, some of Rai's estate assets will be revalued. Third, the cost of the broadcasting license will be lowered from $95 million to $28 million in 1994.

These measures will not bring Rai huge amounts of fresh cash, but they will spare it from liquidation, a fate that would otherwise have been automatic, according to Italian rules on debt-capital ratios. At the same time, the government's decision led some banks to grant new credit facilities to Rai, which the network will use to pay program suppliers and the extra month's salary.

Nontheless, the Italian banks have so far refused treasury minister Piero Barucci's proposal to swap their credits for Rai stock. Meanwhile the pubcasters debts continue to mount up. "Mid November we were due to pay over $50 million to our external program suppliers," Rai's financial director Renzo Francesconi said. "This is something we must do to avoid seriously damaging our broadcasting."

Rai's problems are not just financial. Along with the austerity plan implemented by the new board, stricter controls have also been imposed on staff expense claims. Rome magistrates have announced an inquiry is to be opened into 22 employees accused of expenses fraud while reporting in Somalia and Serbia. The 22 – seven journalists and 15 technicians – strongly deny any misconduct, claiming fake receipts were routinely used by the pubcaster to cover extra expenses which could not be justified otherwise. The journalist's union, supporting their claim and protesting over the governments failure to finalize the proposed financial rescue package, held a strike in December.

by Cecilia Zecchinelli — MILAN

HONG KONG

Colony Set For Cable TV Battle

Wharf may face competition from three alternative cable services

After waiting ten years for cable tv, Hong Kong viewers may be offered a total of four rival networks by the end of this decade.

Hong Kong-based Wharf Holdings launched its Cable TV service on October 31, and since then, two other companies have unveiled plans to offer alternative services, with a third strongly rumoured to be ready to enter the potentially lucrative market.

First into the fray was Hong Kong Telecom, which announced its intention to apply for a cable license days after Wharf's service went on line. Telecom intends to run a multimedia network from the moment Cable TV's exclusivity period expires on May 31 1996. Plans are afoot to invest $128 million into building the service, considerably less than the $630 million earmarked by Cable TV to build a hard-wire system.

Telecom also plans to introduce video-on-demand in 1995, offering the service through its existing copper wire telephone lines to the British Crown Colony's 1.9 million homes. Both services will be broadcast in Cantonese, with additional services planned in English and Cantonese.

In addition, property developer New World Development will join the scramble to set up cable services, while Hutchison Whampoa – the company that created Star TV, is also strongly rumored to be considering a launch. Both, along with Wharf Holdings, have been awarded licenses to provide telephone services that will compete with Hong Kong Telecom, once its monopoly on local calls runs out in 1995.

With local calls free of charge, their main income will be derived from tv programs, video on demand, interactive services like home shopping and banking, electronic games and horse race betting.

How much original tv programming will be provided is open to speculation because of the relative shortage of Cantonese-language programming. While 120 million people speak the dialect in southern China, just six million live in Hong Kong. With the small independent production sector only just starting to expand – thanks to Cable TV – it remains to be seen if the potential demand for software can be met from within the colony.

Another question for the would-be cable tv providers to ponder on is whether they will be allowed to expand their operations into mainland China, once Hong Kong reverts to Chinese control after 1997. Such a move would give them access to an area of huge potential, although the Chinese may want to remain the sole providers of information in the country.

by Owen Hughes — HONG KONG

JAPAN

Opening Up For Business

MPT policy shifts may help Japan's ailing cable and satellite industry

For nearly a decade, Japan's Ministry of Post and Telecommunications (MPT) has been actively promoting cable and satellite broadcasting as a new, high-tech industry that will lead Japan into the 21st century. Up until now, this has not silenced foreign critics who have complained Japan is not doing enough to stimulate domestic demand. But now, in the depths of a long recession, with only 20% of Japan's 123 multi-channel cable operators earning a profit and its two common carriers in danger of losing out to Asian satellite competition, MPT bureaucrats have finally realized that, in some cases, their regulations have done more harm than good.

The ministry announced policy shifts that could have a major impact on Japan's cable and satellite future, shifts that will open the door for foreign entrants into what has so far been a severely restricted market.

The Telecommunications Policy Subcommit-

STAR SPEAKS CANTONESE

More than two years after it went on air, Hong Kong's Star TV is finally allowed to broadcast programs in the local dialect. The satellite station was given permission to show videos in Cantonese on the MTV Asia channel by the British Crown Colony's administration. However, the impact of the move is limited. While Hong Kong is an important market, it pales next to the Mandarin-speaking Taiwanese and mainland Chinese markets that have provided Star TV with many of its viewers. At the same time, the larger of Hong Kong's two terrestrial broadcasters, TVB, has almost all of the best-known Cantonese singers bound by exclusive contracts that prevent them from appearing anywhere else. TVB, already operating a Mandarin-language Superstation off the Palapa B2P satellite into China and Taiwan, is unlikely to allow its stars to be seen on rival Star TV.

EUROPEAN MAJOR

From one of Europe's smallest television markets comes the continent's largest independent television producer. Holland's two leading producers, JE Entertainment and John de Mol Productions, have combined to form Endemol Entertainment, a company with projected 1994 revenues of $225 million. Both companies have tripled their turnover in the past five years – to $102 million for JE and to $74 million for de Mol. Both companies have large, state-of-the-art studio facilities and both have built strong international reputations on their creativity. Founders Joop van den Ende and John de Mol developed the two companies' businesses around the success of their own shows and the adaptation of acquired formats – particularly for gameshows and dramas. More than 50% of Endemol's projected 1994 revenues will come from international activities. Shares in the new company will be equally divided between John de Mol and Joop van den Ende.

tee, an advisory body to the MPT, released a report recommending the MPT allow cable-tv companies to enter the telecommunications business, liberalize rules restricting foreign capital participation in Japanese cable companies, and support training programs to encourage talented personnel to enter the cable tv industry.

Although current regulations do not prohibit Japanese cable companies from providing telecommunications services, only one in the entire country, LCB of Nagano Prefecture, is currently doing so. The MPT's policy of issuing cable licenses only for operation in individual wards, cities and other self-governing bodies, while prohibiting the formation of MSOs, has also made it difficult for cable companies to expand into the capital-intensive telecommunications field, or even attract enough subscribers to make a profit. Of Japan's 40 million tv households, only 2% subscribe to multi-channel cable.

With this change in direction, however, the MPT has effectively abandoned its policy of enforced localization and is now promoting the emergence of cable operators large enough to provide advanced multimedia services. This is good news for trading house Sumitomo, which wants to integrate its cable tv operations in the Tokyo-Yokohama area, in cooperation with U.S. partner Tele-Communications Inc.

The policy shift will also open the door for U.S. and other foreign telcos and networks that want to acquire more than the current 20% share limit in Japanese cable companies. The MPT is expected to decide whether to do away with the limit entirely before the end of the year.

This January, the MPT plans to submit a bill to the Diet which would liberalize the telecommunications law in several areas. If approved, the new regulations would allow common carriers Space Communications Corporation (SCC) and Japan Satellite Systems (JSAT) to become international service providers. In addition, the restrictions on foreign participation in the Japanese satellite market would be lifted, allowing even 100% foreign-owned entities to offer interactive and other services through public networks.

Beneficiary of any liberalization will be PanAmSat, whose second satellite, launching in June 1994, will cover Japan, as well as the United States and South America. Another is Columbia, a company which plans to begin broadcasting BBC news via a TDRSS satellite to Japan with the cooperation of partner Nissho Iwai.

With all this activity in the offing, the two Japanese satellite common carriers must scramble to stay ahead of the pack. JSAT plans to begin providing international telecommunications services abroad its third JCSat satellite in 1995, reaching as far as Hawaii. SCC will not be able to follow its rival's lead for two years until it starts its first international satellite service in 1997. By then, the Asian cable and satellite market will be a very different and more competitive place.

by Mark Schilling — TOKYO

AUSTRALIA

Winners And Losers In Pay-TV Licensing

Favorites are emerging in the crazy Oz satellite race

Winners and losers are becoming apparent in the increasingly protracted auction for the two Australian satellite pay-tv licenses, following the entry of two small U.S. cable operators.

Topping the list of winners is the Ucom Group headed by local computer dealer Albert Hadid, who entered the bidding contest in April with a shrewd strategy, but no financial backing. Through a series of multiple cascading bids, Hadid managed to defy critics by brokering deals with Century Communications Corp. from Connecticut and the Lenfest Group from Pennsylvania, who each paid the 5% deposit required for the licenses when the bids dropped to an acceptable level. These deals should see Hadid walk off with a reported cash payout of A$$10 million ($6.7 million) for selling on the rights to license B and taking an equity share in license A.

The clear loser is the government, which watched as the overall bidding price fell by 50% from the auction's start and suffered humiliating publicity over its muddled policy. At this stage, companies who have missed out on a slice of the action include a Time Warner-led syndicate with Comcast Corp. and Tele-Communications Inc., and stand alone Continental Cablevision.

Under the deal struck with Century, Ucom has gained a significant equity share and management role in license A, subject to funding and regulatory approval. The license B rights were sold to Lenfest in partnership with Australis Media Ltd., a narrowcaster with access to 11 of the 18 available MMDS channels in each of the two largest markets, Sydney and Melbourne. Though Lenfest is 50%-owned by TCI's Liberty Media, TCI executive vice president Fred Vierra said the parent company was not involved in the deal, adding that Lenfest has ample funds to back the bid. Australis is planning a A$$350 million ($234.8 million) capital raising to finance its business.

Meanwhile, the jury is out on whether the powerful PMT consortium will end up a winner or loser. Comprising Kerry Packer's Nine Network, Rupert Murdoch's News Corp., national carrier Telstra and the Seven and Ten Networks, this group is expected to shift its focus to the long awaited auction of the remaining MMDS frequencies or to a Telstra-built cable system.

by Liz Fell — SYDNEY

Snow Surfing

Motorcycling

Golf

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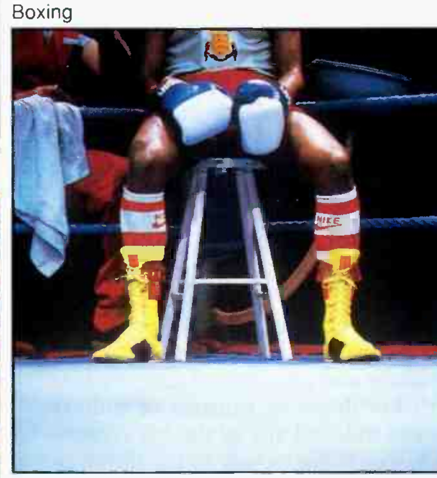
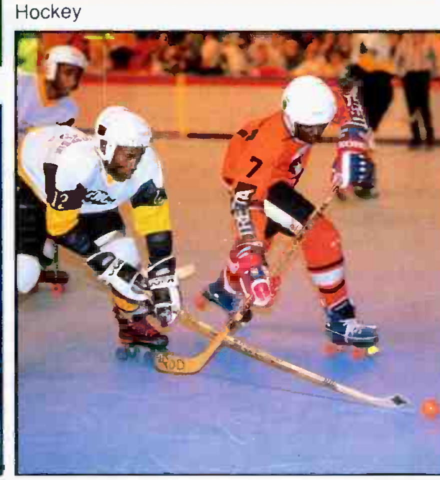
Grand Prix

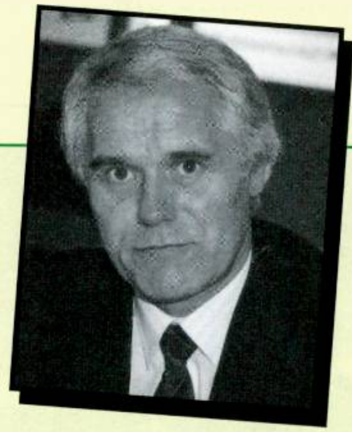


Boxing



Hockey

Europe Watches, Waits For What?



BY WILFRIED AHRENS

Perhaps the most fascinating feature of the dawning of the digital, interactive age is the way it has grabbed people's fancy. It is a rare case in technological history that a new, trailblazing development has announced itself with as much fervor in such a short time.

That is, almost everywhere but Europe. If things do not change rapidly, the Old World will end up looking very old indeed. Key technological developments could mean digital depression in Europeanese.

The dramatic news of American super-mergers across industries and lines of competition, the daily laundry list of tangible projects in the United States, have all the elements, one would think, to arouse even the sleepiest executive this side of the Atlantic. The alarm bells can be heard around the globe, but less than a handful of those Europeans concerned have felt anything like the urge to react.

With the exception of Philips, British Telecom and, to a lesser extent, Olivetti, the visions and promises of new markets worth hundreds of billions of dollars have not induced any of the big companies to invest big money in the development of their own multimedia products. Seldom before have the differences between American and European business philosophies become more clear then in the ways the promises of the digital revolution are being received.

While U.S. companies tend to be consumer orientated and thus have their R&D people work accordingly, their European counterparts are apt to be technologically orientated. The usual result in the U.S. is a short cut towards economies of scale. The European approach results in a line of products more like prototypes but unaffordable for the consuming masses.

The fate of the practically defunct European satellite industry is a case in point. Eutelsat, the satellite venture of European telecommunication organizations, has been ordering and getting high-class, over-sophisticated birds from European satellite builders that all have two things in common: They are custom made and, were they not financed by public subsidies, they could never be sold in any market. Meanwhile, the real money is being made by American satellite builders like Hughes. Hughes has not only been delivering one Astra after the other, but has streamlined production into assembly line-like efficiency.

In the case of multimedia research, the disregard for economies of scale and a lack of mass market orientation combined with the lust for technical, if uneconomic, perfection has reduced most European players to laboratory work. A typical example of this curious state of affairs is German Telekom, Europe's biggest telephone company, and at the same time, monopolist owner of the country's booming cable system.

In some metropolitan areas and in East Germany, Telekom has been passing hundreds of thousands of homes with fibre-optic cable. It thus operates a potential multimedia infrastructure worth billions of dollars. Nominal experiments with digital video transmissions aside, Telekom management is a long way from test-marketing multimedia products in the way it is being done in America.

To be fair, the European market is not homogeneous and cannot be compared to that of the United States. What is more, the European marketplace has been hampered by a crazy quilt of national regulations and other administrative hurdles. For the European industry, the traditional way of surviving in this environment has been to ask for and make use of a similarly complicated system of subsidies.

What this means in terms of telecommunications policy was demonstrated by the Mac-standard debacle. While European companies kept lobbying the Brussels bureaucracy for ever greater chunks of taxpayer funding to foster an outdated analog technology, the real – digital – history was being made in the U.S., strongly assisted by the North American subsidiaries of the very same European companies, Thomson and Philips.

If things go well, a repetition of the European standard discussion will be avoided. In September, the European Launch Group for Digital Video Broadcasting subscribed to the necessity of a single, uniform digital standard, a standard that will probably turn out to be MPEG-2.

The decoding device for multimedia, interactive communication is a highly complex computer. Chip production must be in the millions in order to achieve acceptable prices. The economy of scale message has not totally been lost on Europe after all. The question is, will Europeans have anything to sell?

As things stand, it is the Americans who are preparing themselves to dominate the consumer electronics market of the digital age. In Europe, as elsewhere. It is not very risky to predict the usual European reflex to this truth – but protectionism will be as self-defeating in this field as it has been in others. TBI

While American companies tend to be consumer orientated, their European counterparts are apt to be technologically orientated

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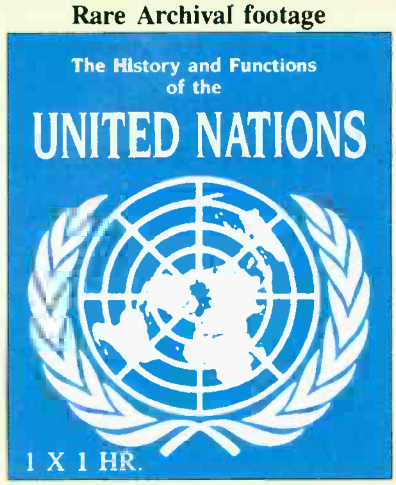

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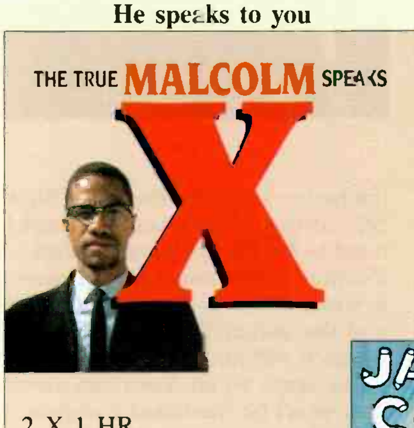

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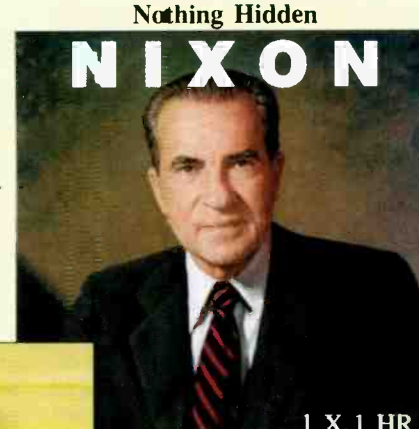

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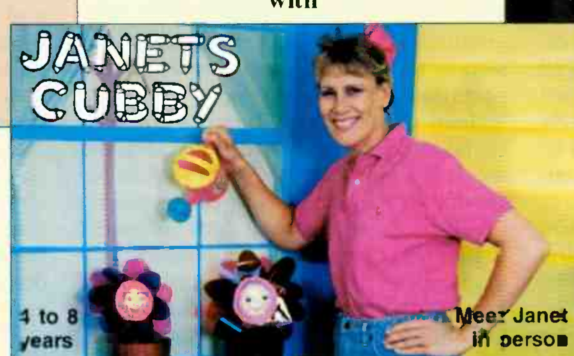

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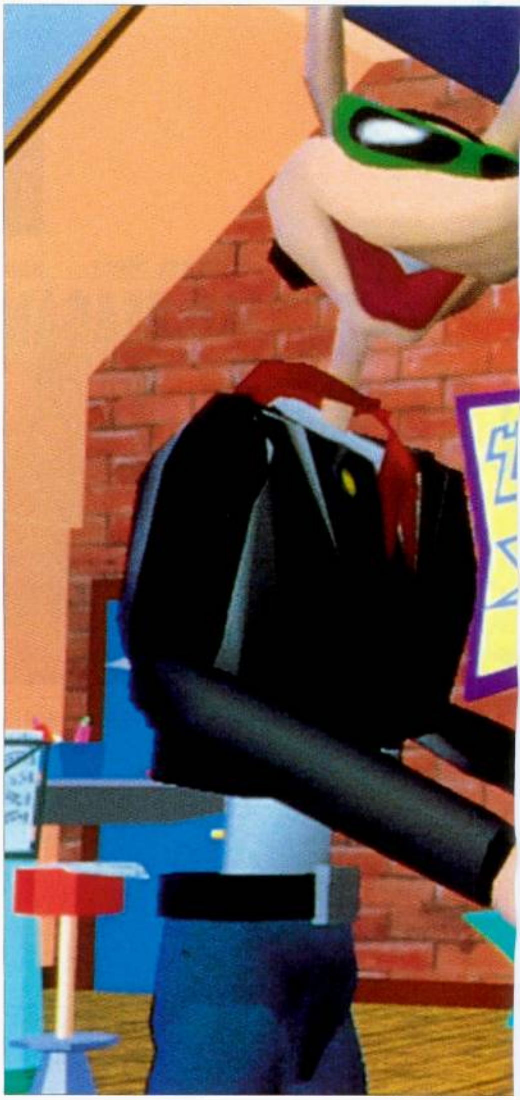

The French commercial tv sector is buoyant and expansionist, writes Barry Flynn. And it is Canal Plus that is leading the way

Whichever way you look at it, French commercial television still pivots round the TF1/Canal Plus axis. Despite TF1 chief Patrick Le Lay's recent complaints that France Television has turned into a state-subsidized commercial service under the leadership of the outgoing Hervé Bourges, TF1 still leads the way in free television. In contrast, Canal Plus powers its growing empire and influence by huge subscription revenues. M6's contribution to the French tv industry remains an increasing but still minor one.

In terms of audience share, TF1 is at the top of the heap, with about 40% of all viewers. France 2 and France 3 follow on 26% and 13.5% each (the fact that combined they are almost level-pegging with TF1 is the source of Le Lay's anguish), with M6 on 11.4% and Canal Plus on 5.3%. TF1's primacy in audience terms is reflected in the size of its advertising revenues: for the nine months to September 30, 1993, total turnover stood at Fr5.25 billion ($938 million), up 5.42% on the previous year, despite a fall in third quarter revenues blamed on a summer advertising slump.

But Canal Plus' diminutive audience share masks the fact that its subscription income makes it even more of a cash-cow than TF1: total turnover over the same period stood at Fr6.32 billion ($1.13 billion), up 9.4% on the previous year. For 1994 the group has warned its share holders it may face a sharp reduction in net profits, because of an increase in its investments.

Certainly Canal Plus is by far the most commercially active of the two channels. Earlier this year it announced a link-up with Time Warner's Home Box Office to launch a Turkish pay-tv channel, and the year closed with two entirely new ventures on the horizon: a Polish version of the French pay-tv service, and a proposed U.S. cable service.

Jean-Claude Paris, head of international at Canal Plus, said he would like the U.S. venture to be "a showcase for Europe in the States, with programming based on European films (not necessarily French ones), [...] documentaries, and magazines." It would most resemble a European version of the Arts & Entertainment Network, he suggested, although he stressed that "we want it to be a real American channel." Thus, although it would be firmly based on dubbed or sub-titled European films, the rest of the programming would not need to be European-originated. "The [documentaries] could be Japanese ones or American ones that deal with Europe; and the magazine shows that we will produce will need to be magazines that make sense to an American audience: they won't be translated European magazine shows."

Paris said that, for example, if the channel carried a fashion program, it could be shot in parallel with a Canal Plus fashion production, but it would have to feature an American journalist doing interviews in English and doing an English commentary.

"We don't want to do TV5 Europe in the States," he said.

Paris said that Canal Plus was in discussions with possible partners to run

Chipie & Clyde: Animation on Canal Plus

the new U.S. cable channel, but it was too early to reveal who they might be. He described the cost of the venture as relatively cheap. "In terms of budgets, it's not something that would cost that much. It would cost around the same as a thematic channel – Fr100 million ($17.8 million) to Fr150 million."

The amount Canal Plus is thinking of investing in the Polish venture, which is to be modelled on the existing French one, is rather more — about $100 million, suggested Paris. Canal Plus has applied for both national and local frequencies in Poland, and although Paris is sceptical about the likelihood of gaining access to the national spectrum, he is hopeful the Polish authorities will grant him at least some of the local frequencies this month (January) or next.

Paris noted that there was also the possibility of expanding any local access to Poland by launching on satellite and cable, too, "since out of 12 million households, there are 2.5 million people who are connected to cable or DTH [in Poland]."

Paris revealed that he was also eyeing Czechoslovakia and Romania, although "the market isn't ripe for it, yet. They aren't even at the project stage."

Meanwhile, Paris has been looking at how to spin off the two newly-launched Spanish channels on the Astra satellite (one from Sogecable, the other from Ellipse Cable) into other markets. These consist of a classics film channel and a service he likens to a sort of Spanish Family Channel. "There is the possibility to extend them, after discussion, for example to cable nets in Scandinavia or Benelux, or to cable nets in the UK," he said, indicating that he thought there would be "an interested response from [UK] cable operators who want to have different channels to BSkyB's."

Meanwhile, Marc Tessier, head of development at Canal Plus, thought there was also room for more thematic channels in the loss-making Canal Satellite DTH "bouquet." Asked what he thought was missing from the range of services, he replied enigmatically "that which exists in the States which doesn't in France [...] I would say that there is the capacity to multiply by two the thematic channels in terms of their diversity."

However, although he said there were many such projects on the drawing-board, he was unwilling to mention what they were for fear of potential competitors beating him to launch.

Tessier's main task, nevertheless, concerns the marshalling of Canal Plus' many interests into the digital age. Tessier defines the channel's digital philosophy as "harmonisation, compatibility, and personalisation." Canal Plus, it seems, will be happy to subscribe to the recently-agreed European digital satellite tv standard, but it wants to hang on to its proprietary conditional access technology – it owns the encryption standard. "Canal Plus believes the [digital] boxes can be compatible but can also be different. It's a little subtle, but when you look at the details, it's absolutely practicable." This will in part be achieved by Canal Plus retaining its own smartcard, the key to what Tessier described as a "personalized" service.

However, although the technological development agreement with News Corp has collapsed – "News Corp proposed to us that they should control the technology themselves and for us to become their licensee, although our agreement had been on the basis of joint control of the technology" – this has now been replaced by a new alliance with Bertelsmann, under which it is hoped to develop a "common" system.

What that system will actually be used to deliver Tessier defined as the main issue to be addressed, but pay-per-view may well have a part to play — and not just in France. Tessier made clear that Canal Plus is talking about near-video-on-demand – "a product that has not yet existed in reality. We believe, of course, that we will be able to sell big sporting events. [...] But what seems certain is that movie-based ppv on its own will not work, because it hasn't worked in the States."

Canal Plus is therefore planning to test the market first. "We think that the revenues possible with NVOD are interesting and merit being studied and tested," said Tessier. "Depending on the results of the tests, we will decide if it should be rolled out. Unfortunately, we will not be able to test it before 1995."


TF1's Perdu De Vue: Popular fare

Tessier also revealed Canal Plus was currently considering what types of interactive service it might be offering when the broadband future arrives, although it was "really too early to describe the services we are thinking about."

One of the brakes on Canal Plus' thinking about the future is undoubtedly the fact that the renewal of its franchise, which expires at the end of 1995, was due to take place by December 6 last year (1993), and has now been delayed by up to eight months.

The change of deadline to August 6, 1994 required a new "decree" to be passed extending the channel's "concession", but the delay does not appear to concern the principle of renewal, something which the government has already agreed. It is understood the main reason behind the hitch is that negotiations over the extent to which Canal Plus should provide extra support for the French cable industry are taking longer than expected.

The delay also fits in with the French government's decision to split the media bill into two – the section dealing with cable being in the second tranche due to be presented to Parliament next spring. The government is obviously hoping that by then, the Canal Plus impasse may be resolved, and whatever the pay-tv channel agrees to can be incorporated in the new legislation.

Meanwhile, it appears that Canal Plus has so far managed to extract from the government an undertaking that its new franchise will retain two distinctive aspects of its current service: advertising breaks in its non-encrypted windows, and exclusive rights to broadcast films 12 months after their theatrical release. The quid pro quo is likely to be the commitment to extra support for the cable industry which is currently proving the sticking-point in the negotiations.

Canal Plus says it is prepared to invest more than Fr100 million ($17.8 million) in a cable marketing operation next year, but only if it were allowed to use its own methods, and the big MSOs were prepared to invest a similar sum in the venture. Under one measure proposed by Canal Plus head André Rousselet, Canal Plus would be prepared to encourage its terrestrial subscribers living in cabled areas to transfer the delivery method of the channel to cable.

Putting off Canal Plus' franchise renewal also gives the government time to concentrate on passing the first part of the new media bill introduced by communications minister Alain Carignon at the beginning of December, some of whose provisions also affect the future of Canal Plus. Under this measure, terrestrial private channels will undergo a simpler licensing process, and Canal Plus' concession will eventually be changed in line with this. This means that after the expiry of the new five-year license it will be automatically renewed for a further five-year period, except if the Conseil supérieur de l'Audiovisuel (CSA) considers there have been serious breaches to the license.


De Greef: Canal Plus' program director is no puppet

Another measure in the media bill which will affect Canal Plus is the decision to increase from 25% to 49% the maximum stake a company can take in a broadcaster.

Currently, Canal Plus' two largest shareholders are Havas with 23.5%, and Compagnie Générale des Eaux (CGE) with 21%. One proposal was for CGE to transfer its shares in Canal Plus to Havas, which would have meant Havas becoming the principal shareholder. In return, CGE would acquire control of Havas.

However, Havas shareholders are mainly hostile to the proposals, not wanting to see their stakes in Havas diluted by the swap.

André Rousselet himself is said to favor another possibility – bringing in Compagnie Luxembourgeoise de Télédiffusion (CLT).

This has not met with the approval of Albert Frère, head of CLT's controlling shareholder, Groupe Bruxelles Lambert (GBL).

Other options being mooted are that state telephony provider France Telecom or Alcatel could take a stake in Havas alongside CGE, or even publisher Matra-Hachette.

Prospective bidders may decide to hold off until the precise terms of Canal Plus' new franchise are published, and the nature of Canal Plus' support for the struggling cable industry becomes apparent. It was significant that Canal Plus' share-price dropped sharply on news of the franchise renewal delay, although Canal Plus is making light of it.

TF1 is currently leading a less complicated life than its encrypted rival, although it has taken something of a battering on a number of fronts over the past 12 months.

Although its audience share presently stands at a respectable 40%, the commercial channel never appears to have fully exploited the demise of La Cinq – which went bankrupt two years ago. At the time, La Cinq had a share of about 11%, most of which might have been expected to go to TF1. In the event, the most TF1 could manage was to raise its share to 44% – it was in fact

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INTERNATIONAL TELEVISION

Politically Correct

La Nuit Des Heros: Reality show was a commercial success for the public broadcaster

Public television in France is the political football of the party in power. Whichever way it is kicked, it never seems to resolve all the issues. Report by Serge Siritzky

It is one of life's and France's curious idiosyncrasies. Whatever the politics of the government, French public television is always accused of being too commercial, in not programming enough cultural and educational shows. The problem for the public broadcaster is that it needs advertising revenue to balance its budget and so to secure this money it must, to a degree, act and look like a commercial channel.

French governments have compounded the problem. Instead of giving France 2 and 3 more public money to fill the perceived gaps in public service broadcasting, they have invented new channels to do the job. The political left created cultural channel, La Sept – which has become a Franco-german broadcaster, Arte. The right wing government of Eduard Balladur is continuing to back the channel, as well as advancing former minister of culture Jack Lang's plans for an educational channel that will use Arte's terrestrial transmission system during unused daytime hours. Both will cost about Fr2 billion ($357 million), slightly less than the net ad-income of the two main public channels.

At the same time, Balladur's government understood that immediately replacing the heads of public television, appointed by the former government, is a bad idea – the political dangers that could follow from management discontinuity far outweighed the uneasy feeling of having to deal with managers of a different political persuasion. Thus Hervé Bourges was left at the head of France 2 and France 3 to the end of his three year mandate. But was discretely encouraged by the government not to seek another mandate before the CSA (the French regulation authority). In not seeking a new term of office, Bourges said the broadcaster needed a manager supported by the broadcaster's main shareholders (the state).

Bourges has been replaced by television journalist and presenter Jean-Pierre Elkabbach. Elkabbach joined the public broadcaster from Europe 1 where he was Deputy Director General as well as overseeing three of the radio station's headlining news and current affairs programs.

Balladur's government is convinced that the present system, with a common president for two supposedly separate companies, France 2 and France 3, is the right one with the right manager. But the question remains whether it would also be wise to put all the public channels – the French part of Arte, the future Educational channel and RFO, which broadcasts to French territories outside the European continent – under the control of this president. This will be a key issue for the management of public broadcasting over the coming months.

Fine tuning of the role of France 2 and 3's president has still to be done. Bourges was a firm believer in the merging of the two companies with a unified management at the top of what he called France Television. Although, according to the law, each company has its general manager, France 2 and France 3 have the same head of news, the same program controller, the same head of sports and children's programs, as well as the same head of acquisitions. This has been fiercely criticized by many in France, particularly the private stations, which have seen it as unfair competition. It is likely that a common program controller will remain, but unification in the other jobs may face strong competition from the government as it listens to producers' claims that they should face a diversity of decision makers.

The minister of communications, Alain Carignon, announced his intention to extend the mandate of the president of France 2 and France 3 from three to five years, so that he will have time to set up and implement his policies. He had wanted this reform to be voted by the Parliament before the end of the year, but the proposal will not be presented before next spring. The delay also acted as a pressure on Hervé Bourges, in case he had decided to try and stay.

At press time the French parliament was poised to vote in a new law placing public broadcasters under full control of the CSA – the same regulator of the private channels. Until now, if a public station broke the rules, like breaking directives on program quotas, all the CSA could do was publish a complaint. If a private television station makes the same mistake, it could be heavily fined – a power the CSA has not been afraid to use. With the new law there would be no hiding place for the public broadcasters who would be forced to listen to their regulator.

Another major issue for public television concerns broadcasting via cable and satellite. Here strategy has been mixed. France 2 and France 3 have their own satellite delivered channel, Supervision, which broadcasts a mix of their programs in the 16/9 format from the Telecom 2A satellite to French cable. But public broadcasters, following the sale of their interests in Canal J, have no involvement in other thematic channels. If they don't want to be marginalized in the era of digital compression, they will have to re-enter the field. This could become one argument for keeping a common president, if not a common management, of at least France 2 and France 3.

Broadcasting a French all-news channel is a popular proposal among France Television's management. France 3, with its regional and local news, is the biggest provider of news in France. But to do so would be to go head-to-head with TF1's project of launching such a channel on cable next year.

Local news is another issue for public television. France 3's regional news programs are very popular (taking a 35% market share), but they still take second place to their local news programs. But, because of lack of money, local news has had to be limited to a few cities. Private broadcaster M6 also broadcasts successful local news programs in some cities, but is held back from extending the service because it is not allowed to sell local ads. Similarly, retailers are not allowed to buy airtime on French Television, a ban powerfully supported by local daily newspapers across the country. To date no government has been prepared to end this ban. It appears the only way to supply the demand for local news is it to do it through France 3 and public money.

France 2: Singing for its supper

There is strong right wing support in the French parliament for breaking France 3 into several regional companies, like ITV in the UK or, even more like ARD in Germany. This would enable it to finance itself regionally. But the Campet commission (named after its president) appointed this summer by the government to propose changes in public television, found that it would be costly and that regions would try to control the programs (and the news) they would be asked to finance. Thus, despite discussions about the breaking up of France 3, it is unlikely any government would have the conviction to back such a project.

Indeed, commercial giant TF1 is permanently lobbying for less competition for ratings and ad-revenues – not for more advertising supported public stations. The Campet commission, reflecting the views of most French tv professionals, has advocated a strong public sector, with high ratings and a diversity of programs. As presidential elections are set for March 1995, and as TF1 news programs take more than a 40% viewing share, its influence on the government's decision-making process may increase. But government will still face the same problem: The only way to satisfy those who want public channels to look more like public services is to raise the license fee in order to reduce ad-revenues – a measure not very popular in an election year. TBI


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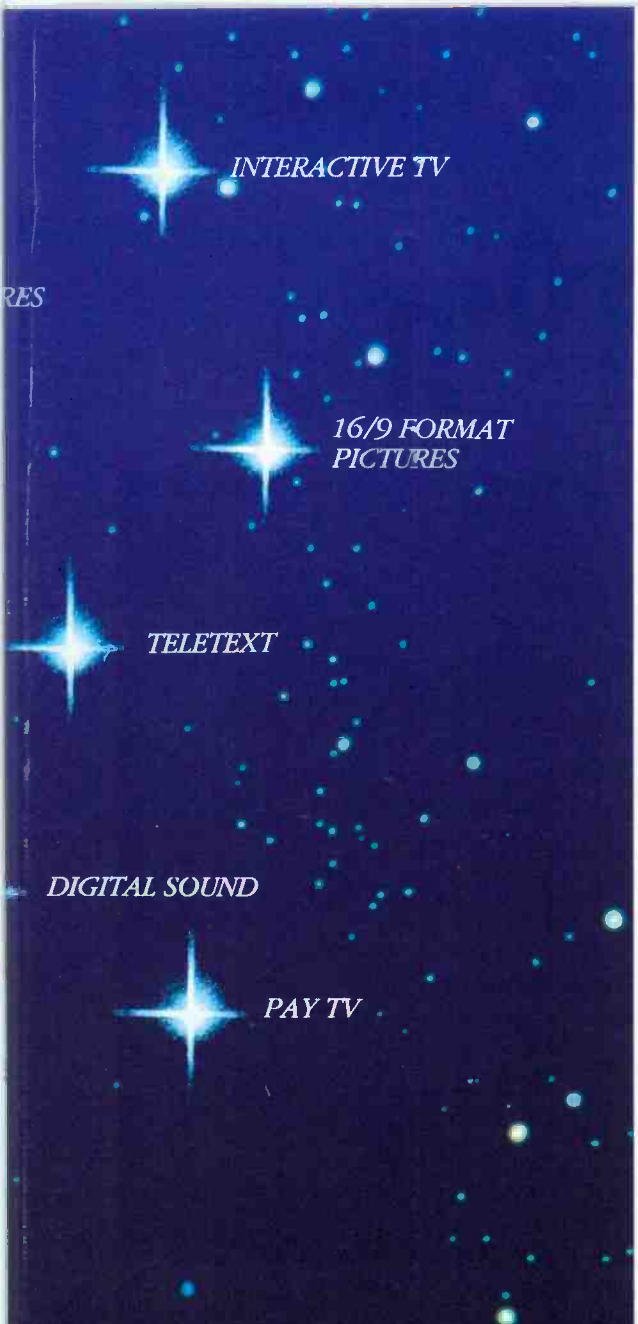
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A Happy Toon

Mot: An Ellipse project, now in production with France 3, Canal Plus, Ufa and unnamed Spanish partners

Animation brings out the co-producer in the French, who have a long tradition of working with U.S. toon companies. Now they're even talking to other Europeans, reports Sarah Walker

It is no small irony that the European country currently voicing the greatest concern over TNT/Cartoon Network's presence in Europe has spawned some of the most commercially-minded animation companies.

While French politicians lobby against the cultural invasion of Ted Turner's toons, many French animators continue to forge successful co-production alliances with like-minded North American and European companies.

While not exactly Walt Disney or Warner Bros. in size or volume of output, French animation companies have become major players in the funding and creation of cartoons. C&D, Ellipse, France Animation and IDDH operate like small versions of the U.S. majors, with production studios, distribution arms and merchandising and licensing divisions that are all integrated into vertical operations. C&D has production and distribution centers in Los Angeles (Jetlag Productions) and Tokyo (KK C&D), and France Animation is considering setting up its own LA office.

The ease with which animation can be dubbed into other languages and the system of loans and subsidies provided by the government make the French attractive co-production partners. French producers gained an edge over many of their European counterparts because, at an early stage, they saw the need for North American involvement, not only to clear a distribution path into one of the biggest markets in the world, but also to provide finance. Relationships have been forged with the likes of Canada's Cinar and Nelvana and U.S. production outfits Sunbow Productions, Hearst Entertainment and Dic.

"When I left school, I didn't want to make series, I wanted to make art," said Stéphane Bernasconi, head of animation at Ellipse. "At the time, a lot of the French studios had the same aim, but it was easy to see what would happen if we didn't get into the series game." With production budgets running into the region of \$300,000 to \$400,000 per 26-minute episode, Ellipse has, said Bernasconi, always been international in focus and has concentrated on the production of long running series. Over the years, it has co-produced *Doug* with

U.S. kids network Nickelodeon and *Barbar* and *TinTin* with Nelvana.

Ellipse went looking for co-production partners in the U.S. and Canada due to a lack of available finance from Europe, especially the UK – despite the later having a thriving animation sector of its own. "For many years it was hard to get a UK partner, but these days they are more open," Bernasconi explained.

C&D has over its 20 history built up a library of some 1,600 productions, distributed in more than 30 territories worldwide, and rarely makes a show without a U.S. or Japanese partner. "U.S. involvement is more important than Japanese – selling into Japan can still be difficult," said chief financial officer Olivier Spiner. "However (the Japanese) are good partners to have because they usually just act as financiers, whereas the U.S. companies want more control over the creative elements of the production."

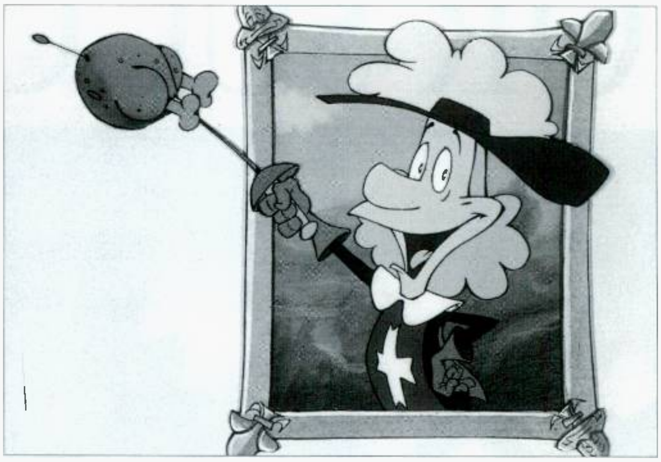
C&D recently produced 40x30 minutes of *Botts Master* with Avi Arad Productions (U.S.) and AB Productions (France) and 65x30 minutes of *Conan The Adventurer* with Sunbow and AB Productions.

Bernasconi said the way to win finance from America is to get a company involved from the start; the element of control they require will depend on the nature of the deal. "If it is just a pre-buy, as in the case of HBO's acquisition of *TinTin* from Nelvana," he said, "then in effect they just put up the license fee and maybe give some suggestions as to how the storyboard could be changed. If we were dealing with a network, then we would have to be prepared to give up a larger amount of creative control." Despite the headaches implied in network work, Bernasconi confirmed Ellipse is currently in discussion with one of the U.S. networks on a project. "HBO and Showtime just don't pay that sort of money," he explained.

But loss of creative control isn't the only difficulty for French animators trying to move from the U.S. cable and syndication markets to the network.

"(The networks) can demand a quick turnaround for a long series that often isn't possible," said Claude Bertier, president and CEO of 4D/Marina Productions. "They can commission in January and expect 13 episodes to be ready for September." Bertier said 4D/Marina likes to produce two long series a year. Currently it is developing a 52x26 minute project *Dog Tracer* with TF1, Ufa and U.S. distributor Rysher. Combined, Marina's co-production partners have put up 80% of the budget, with the remaining 20% coming from Marina itself.

For smaller French companies just getting into animation, building North American relationships is hardly a straightforward business. Quartier Latin recently diversified into animation production, with the 117x2.5 minute series *Ernst The Vampire*, a co-production involving France 3 and WDR. Quartier Latin put up 25% of the budget in return for worldwide distribution outside of France and Germany. Stateside, U.S. production and distribution outfit Unapix are syndicating the show.



Albert The Fifth Musketeer: Leading a European offensive

Quartier Latin is currently developing pilots for two more series, *Central Building* and *Demeter*. Annie Belet, executive responsible for production, said U.S. partnerships can be difficult to initiate without a long standing relationship because companies like to see a large element of produced material up front before they will commit to injecting any finance.

More recently, French animators have been forging alliances and co-producing shows within Europe. "The financial contribution a big German or UK broadcaster can bring shouldn't be underestimated," said C&D's Spiner.

Under the auspices of the European Association Of Animation Film (Cartoon), seven European studio groupings have been set up with the aim of pooling resources and spreading costs between several producers in different European countries. Of the seven, six involve at least one French participant.

Moreover, the smaller French animators aren't alone in looking to Europe for sources of finance. Ellipse has just started production on *Mot*, a 26x30 minute co-production involving France 3, Canal Plus, Ufa and an as-yet-undisclosed Spanish partner, while IDDH has fully financed the 13x26 minute series *Arabian Nights* with France 2. 4D/Marina, meanwhile, made *Bamboo Bears* with TF1 in France and Telescreen in Holland and is developing a series called *Mr Men* with Hit Entertainment.

France Animation, which has always had good connections with Hanna Barbera and Cinar, is also producing more within Europe. It's made *Albert The Fifth Musketeer* with BBC Children's International and Germany's Ravensburger and is developing a 13x30 episode series with the UK's HTV called *Bimble's Bucket*.

"We need to be able to bring outside revenues to the usual French set-up," said France Animation president Christian Davin. "We have to be in a situation where we can raise 50% of the budget without French participation by co-producing with, say, the BBC or ZDF in return for distribution. We cannot limit orders to those arising from the French channels." However, he said, "Even if we produce projects which are initiated within Europe, we would like them to be acceptable worldwide."

For those with the contacts, North American involvement still remains the best option. "I don't know of any animation series that has been fully financed up front in Europe and then goes on to get exposed in the U.S.," said Marc Du Pontavice, director of business affairs at Gaumont Television. "Pre-financing within Europe is pretty limited. You can only raise about $200,000 per episode, and while you can make a 26-minute episode for that amount, quality suffers."

Taking advantage of the French/Canadian treaty that entitles production companies to two lots of subsidies covering up to 20% of the budget, Gaumont is co-producing a 52x26 minute animated version of the action/adventure show *Highlander* with Nelvana. Stateside, Bobhot Entertainment has pre-bought the syndication rights. Also in production with Nelvana, albeit at a much earlier stage of development, is an animated history of the Olympic games. TBI

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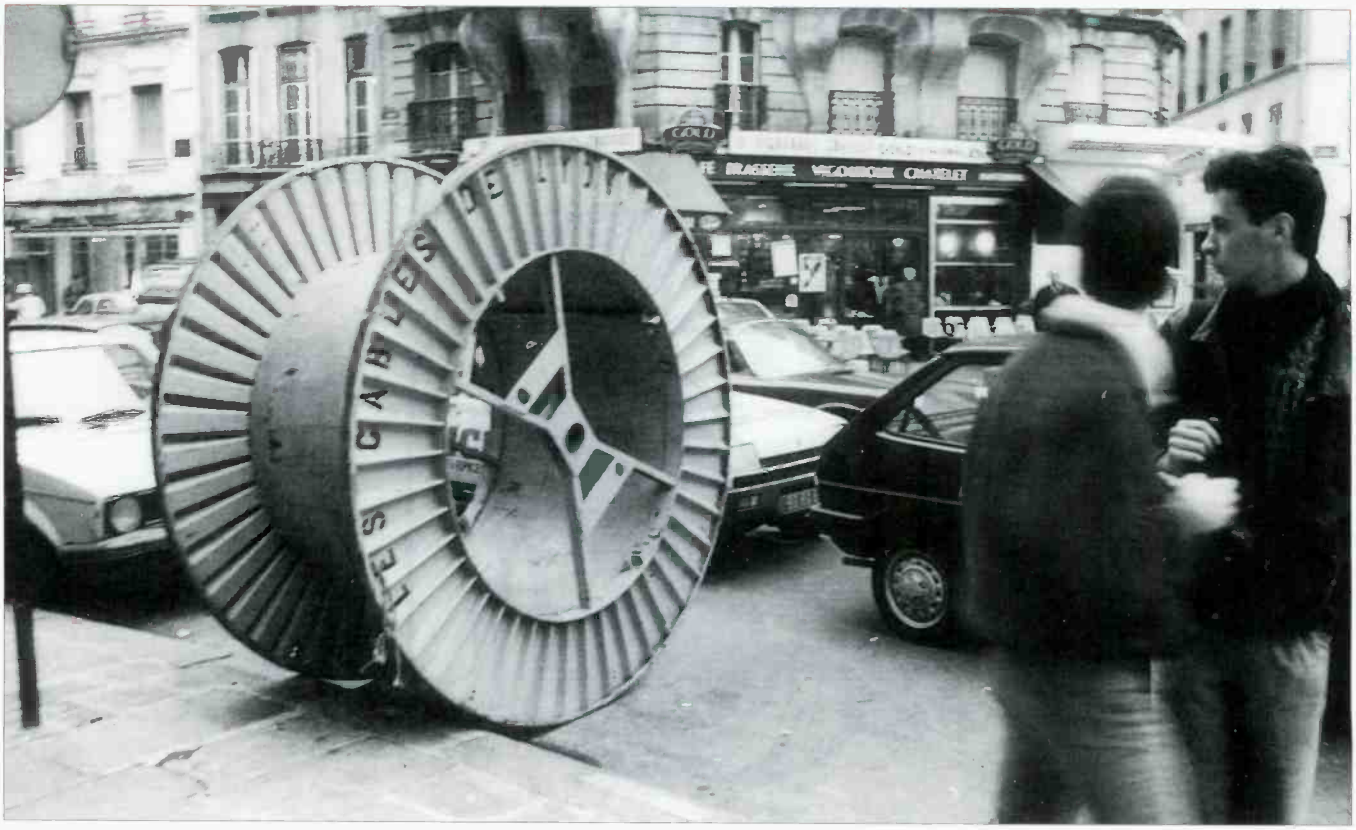

Road To Nowhere

Cable is troubled and satellite is tiny. Marie Beardmore reports on the problems in France's new media sector. Solutions are far from obvious. Or immediate

Throughout Europe, cable and satellite channels are taking off. Not so in France, where cable is prohibitively expensive and held back by restrictive practices and poor infrastructure, and satellite has an almost negligible penetration rate.

The real scourge for cable and satellite in France, say the operators, is Canal Plus. As an over-the-air pay channel, Canal Plus robs cable and satellite of customers by offering the sports and films that attract most people to the new distribution services.

The government is currently trying to come to terms with the problems faced by both sectors, but it is a Herculean task. Canal Plus's franchise is up for renewal in 1995, so there is a conspiracy of silence about what's on the table. The issues are complex because Canal Plus's web of programming interests embrace both cable and satellite. Most cable programming channels are operated by Canal Plus through its associate Ellipse Cable, and Canal Plus dominates the satellite market via its Canal Satellite package.

Allied to this, cable operators are nervous about where they stand in relation to EC programming quotas, which say only channels with a European content of 51% can be carried on cable. The French government has been particularly vigorous in enforcing the rule in the case of Turner Broadcasting System's TNT/Cartoon Network. Cable operators are also fearful that satellite's role as complement to cable in non-cabled rural areas is being eroded, and that the two delivery systems are now in direct competition. That fear isn't alleviated by the fact that the French have no direct control over the Astra satellite system, which is already carrying TNT/Cartoon Network.

Motivated by concern they'll be overtaken by satellite, the cable operators took the unprecedented step of sending a joint letter to minister of communications Alain Carignon, demanding he ensure cable be the first option for program delivery to urban populations, as well asking for administrative and financial measures to boost connections. As the letter was delivered, Carignon announced that cable issues would be discussed in the spring parliamentary session, and not included as part of a broadcasting bill to be moved in December. The operators were incensed.

However strongly they hold their view Canal Plus is the culprit, not everyone in authority agrees with them. Genevieve Giucheney of regulatory agency CSA said some commentators are too simplistic in their arguments. She sees the timing of Canal Plus's launch as the problem, not the channel itself, and blames the government for failing to nurture the Plan Cable system construction effort in its early stages. "Germany had the right idea," she said. "They froze new terrestrial channels when cable was introduced and now cable penetration there is 43%. But in France, we launched the pay channel Canal Plus."

Another problem, Giucheney conceded, is that the basic cable package is rigid, offering mainly news and community services in many cities. This means more popular channels can name their price; what she called "the devilish practice" of popular channels bumping up their charges to operators that want to put such channels on extended basic. This is mainly achieved by charging the operator according to how many subscribers are on basic. Since there are many more basic subscribers than extended basic, the practice keeps channel subscription prices artificially high.

According to Giucheney, practical difficulties like trying to build a network with fibre optics – then ahead of its time – also affected progress. And she is cynical about how cable is run, particularly since many franchises belong to huge water companies, like Lyonnaise Communications, affiliate of water company Lyonnaise des Eaux and Générale des Eaux (itself a shareholder in Canal Plus). The water companies may not be the most appropriate to market and run cable effectively, she explained.

Despite her views, Giucheney is "optimistic for cable... after all, we have 6.6 million (homes passed) but only 1.6 million subscribers" so far. She said the $5 billion Plan Cable worked and is cheered by the fact that in cities where

Carignon: Fresh look at cable issues

cable is available the penetration rate is 22%. (Plan Cable is the massive program under which France Telecom cabled the 22 largest cities in France.)

Guicheney sees Paris as the key: "There will be a big acceleration in cable when Paris is completed." She is also sure that new technologies will be an important factor because "the growth of interactivity will reactivate cable."

France's film screening restrictions remain an undisputed stumbling block for cable development. The existing law, a protectionist measure for cinemas, restricts the screening of films on cable to Monday, Wednesday and Friday evenings and the weekends. Francois de Coustin, manager of public relations at Lyonnaise Communications, said the rules are wrecking cable's chances because "subscribers want to watch films when they choose."

TNT/Cartoon Network: Savior or Satan?

If cable executives are worried about satellite, they're worrying for the future. Current satellite penetration is abysmally low – about 1.6% – only slightly above Finland's 1.4% but down from the UK's 13.6% and Germany's 4.8%. Not surprisingly, Canal Plus is dominant in the market, principally through its nine-channel Canal Satellite bouquet, which is downlinked from France Telecom's A and B satellites. The package was launched in November 1992 and has 80,000 direct-to-home subscribers. Two more channels could join the package if, as expected, Tele Monte Carlo, which made its satellite debut in October, signs up, and RTL, which launched on satellite in December, opts to follow suit.

In addition, French satellite viewers can receive a wide range of channels such as CNN, MTV, Rai, BBC and RTVE from Astra and Eutelsat. France is also home to the pan-European channel TV5, a rare success story that, under the stewardship of president Patrick Imhaus, is now one of Europe's top five satellite channels, reaching 25 million homes.

There are other channels in the offing, most notably a news channel from commercial broadcasting giant TF1, a service initially rumored to be a joint venture with Canal Plus. Sylvain Gouz, deputy director of TF1, would not comment on the project, but promised an announcement early this year.

If satellite is able to offer pan-European channels like TNT/Cartoon, and cable isn't, satellite might be able to gain the upper hand. Allied to this, there is talk of digital satellite television in 1996. France Telecom has said in the interest of so-called "complimentarity," cable will be allowed to offer the service six months after satellite.

Both the cable and satellite businesses should probably pin most of their hopes for aid on the negotiations over Canal Plus's new franchise agreement. Where goes Canal Plus in France will go new distribution systems. A new deal with the government could be very different than the status quo, particularly if Canal Plus has to make financial concessions to cable.

Two likely options will be tabled when Parliament looks at cable this spring. First, concessions from Canal Plus could allow for a reduction in the cost of service to cable subscribers. Second, the government could impose a local tax to help fund cable construction. Such a tax, however, could backfire on the government since it is politically explosive, and as one source put it, "the likely start date for such a tax would be 1995... but who would want to enforce this with mayoral elections on the horizon." TBI

Baltic Build Up

Each of the Baltic republics has worked since 1991 to create a modern television industry. Ridding the system of 40 years of Soviet control was only the beginning. A TBI regional report by Chris Dziadul

Estonia

ESTONIA has witnessed immense change in television since gaining independence from the former Soviet Union in 1991. And the pace is quickening. In recent months, two channels with Western investors joined the fray.

Closer both culturally and geographically to Scandinavia than the other Baltic republics, Estonia has been able to draw on the assistance of such companies as Kinnevik and Finnish commercial broadcaster MTV to create a dynamic market in which state-owned Eesti Televisioon (ETV), once the only broadcaster in the country, faces competition from several private stations.

Estonia took the first tentative steps towards liberalizing its television industry in 1992 when it created Reklaami Television (RTV), a commercial arm for ETV. RTV, now owned by Finland's MTV and several Estonian investors, evolved into a stand-alone advertising agency, undertaking co-productions with public networks in Sweden and Finland and acquiring a 40% stake in Tartu TV, a local television service jointly owned by the Postimees newspaper (40%) and the Estonian government (20%).

RTV is also a broadcaster in its own right, using a frequency once reserved for Russian Television to air five hours of programming each Saturday and Sunday to around two-thirds of the country. Its output, which is broadcast in Estonian and is mostly domestic, includes a 50-minute business news program bought from ETV.

Viewers in the areas of northern Estonia, Tartu and the capital, Tallinn, have since August 1993 also been able to receive EVTV, a joint venture between Eesti Video (51%) and Kinnevik (49%). EVTV shares the same frequency as RTV and transmits 28 hours a week of entertainment shows and relayed CNN news programming.

Other independent services widely available in the country include Reklaamiklubi Peedu Ojamaa and the Russian-language Orsent, both of which have secured airtime on Ostankino's frequency, as has Kanal Kaks (Channel 2).

The latter, which is owned by Taska Ltd. and U.S.-investor Harold Nathan, launched October 1 and can currently be received in the cities of Tallinn, Narva, Kohtala-Järve and Tartu, which together account for around 65% of Estonia's population. Besides claiming a "special agreement" with Turner International that gives Kanal Kaks access to

Baltic broadcasters have acquired Twin Peaks

the U.S. company's programming, it is the only independent service in the country to have exclusive use of a frequency. It is also one of the most ambitious: Kanal Kaks recently entered into talks with local and foreign cable networks and expressed interest in expanding its coverage to Helsinki, St. Petersburg and neighboring Latvia. A production arm has just made the tv movie *Candles in the Dark* for the Family Channel at a cost of $1.6 million.

Nonetheless, it is unlikely a country with a population of barely 1.5 million can support Kanal Kaks and the three other near-national independent channels, not to mention a fourth that is about to be launched by Makarov TV. All have licenses from the Ministry of Culture and Education, but these expired at the end of 1993; the station's long-term future will be determined by a new broadcasting bill currently under debate in the Estonian parliament.

The proposed legislation is based on a draft submitted by radio station owner Rein Lang, rather than a version formulated by ETV, so it has come in for criticism from the state broadcaster. ETV has countered with two drafts of its own – one for radio and one for tv – designed to protect public service broadcasting in the country.

ETV managing director Hagi Shein warned commercial stations "will not be able to serve all interest groups" and only the public broadcaster "has the capacity to integrate the nation and add self-confidence."

ETV will probably still face some serious financial difficulties once independent services are firmly established in the country. Only about $1.4 million of the broadcaster's budget of $2.6 million is provided by the government, and ETV already relies on revenues from sponsorship, advertising and sales of a listings magazine Televisioon. The broadcaster is looking hard for additional sources of funding and has proposed the introduction of a tv license fee. The latter would contribute considerably to ETV's operating budget, which is expected to reach $6.9 million in 1994.

The funds will be needed. Sales of Televisioon currently account for 29% of the broadcaster's income, but the publication faces stiff competition from five rival titles. Sponsorship brought in only $7,384 during the first eight months of 1993 and commercials provide a mere 12.4% of total annual sales.

Spot sales are now overseen by a new advertising department set up after RTV relinquished control over commercial activities at ETV in mid-1993. Managing director Rait Killandi, while conceding revenues have been adversely affected by the new independent stations, still forecast ETV "will be in a much better position in two to three months" and will eventually receive 20% of all ad spend in Estonia.

He added the broadcaster currently sells airtime to 15 Estonian and foreign agencies, offering each "the same discounts and the same contracts." The cost of advertising on ETV's single channel varies from $3.50 to $8.50 per second; commercials are shown for up to 20 minutes each evening.

ETV's programming output has been unaffected by the broadcaster's financial difficulties and the appearance of new private services. According to Salme Rannu, head of the programming department, ETV expects to maintain a rough 2:1 ratio of domestic to imported programming in 1994, providing competitors "do not make more local programs." Production costs are likely to remain high at $1,300 per hour, relative to bought-in shows, which can cost as little as $300 an hour.

Latvia

LATVIA'S television industry has blossomed in just two years to include a two-channel state broadcaster, more than 36 commercial stations and the region's first wireless cable service. Yet unlike their counterparts in Estonia and Lithuania, Latvian broadcasters continue to engage in considerable cooperation between the public and private sectors.

Latvia was the first of the three Baltic republics to implement progressive media policies after gaining independence from the former Soviet Union. This culminated in a broadcasting bill in May 1992 that addressed publicly-owned Latvian Radio and Television (LRT), but left many issues involving commercial television largely unresolved. The bill did, however, bring order to a chaotic independent sector by granting licenses to a host of commercial stations, including NTV-5, KS Video, Legats/SPS, Prisma Prim, IK Baltica and IGE TV, all in Riga, and 30 more in other parts of the country.

Most of the new services are not regarded as competitors by LRT. Imrants Rakins, the public broadcaster's director general, is more concerned with LRT's parlous financial situation and its ability to operate as a public service "under Latvia's present economic situation."

LRT currently gets 92% of its income from the state, with the remainder derived from sponsorship, advertising and other commercial activities. It's not enough, so the broadcaster, like ETV in Estonia, has proposed the introduction of receiver license fees of about $1.62 per month. In Rakins' view, a set tax would complement sources of income such as advertising that under "the most advantageous situation" can only provide 12% of LRT's total requirements.

Television advertising sales have been a source of controversy since their introduction by LRT. IP Riga, subsidiary of the giant European sales house Information Publicité, initially secured the exclusive right to sell airtime on the network. Following criticism of that deal, the pact was renegotiated in 1992, and LRT now has a 50% stake in the operation.

Valdis Tilgaris, LRT head of commerce, puts the original deal with IP down to "inexperience" and claimed LP, whose exclusive slots are now limited to two daily, five-minute blocks on the first channel and one on the second, is continuing to seek overall control of the public broadcaster's airtime sales. Despite friction between the two companies, Tilgaris said ad spend in Latvia will rise faster than in Lithuania or Estonia.

The financial difficulties at LRT helped create an opening many of the indie channels needed. To raise funds, LRT developed a unique plan to sell airtime on its second channel to the cash-starved private broadcasters. A special board allotted slots to several services, including regional stations partly owned by LRT in the towns of Latgale, Vidzemes and Kurzemes.

The next to seek time on the second channel will be the country's largest independent station, NTV-5, which was launched in May 1992, is Latvian owned and can be received within a 60km radius of Riga. According to Karl Streips, NTV-5 news director, one of the main advantages of acquiring airtime from LRT would be the national audience the channel could then deliver to advertisers.

The arrangement would also find NTV-5 working with Baltcom, Latvia's first wireless cable service and effectively a third party provider of technical facilities for private broadcasters allotted airtime on LRT's frequency. A joint venture between the U.S. company International Telcell Group (ITI) and Latvia Radio and TV Centre, Baltcom employs three giant earth stations to receive and descramble signals from Astra, Eutelsat and Intelsat before re-encoding and distributing them to around 3,000 institutions and private homes in Riga and environs.

Everyone is offered a basic five-channel package that includes Eurosport, Super Channel, Pro 7, MTV and a film channel for an installation charge of $63.20, followed by a monthly subscription fee of $6.30. An additional $25.20 gets subscribers BBC World Service Television, 3 Sat, TV5 Europe, Eurosport, CMT, Sky News and a second film channel. Those belonging to the ethnic Russian community (which accounts for around 50% of Latvia's population) are also offered 10 hours of Russian state television (RTR) daily, along with relays of Moscow-based entertainment channel 2x2, three times a week.

Peteris Smidr, Baltcom general director, said the service plans to offer 24 channels and expand its distribution to the towns of Daujavpils, Liepaja and Ventspils. Further, it may introduce pay-per-view, which is already available in some hotels, once the subscriber base rises to 7,000.

Baltcom prides itself on strictly conforming to the copyright law passed in Latvia last May and has expressed interest in launching a terrestrial service.

Kanal Kaks has access to Turner product like Yo Yogi

Joint owner ITI has, meanwhile, held talks with potential partners that could result in the introduction of similar services by Estonia and Lithuania.

Prospects for programming sales to Latvian television appear promising. LRT, which programs general entertainment on its first channel and for minorities and special interests on the second, has already bought from such diverse distributors as the UK's Airtime International, Worldnet, Polish state television and the Nordic Council. It retransmits two foreign channels – BBC World Service TV and Poland's TV Polonia – has undertaken co-productions with France 3, music channel MCM and Sweden's Uppsalla University, and bought Taft Entertainment Co.'s *Pope John Paul II* from Worldvision to coincide with the pontiff's visit to the Baltic republics. Still, 83% of the broadcaster's output is domestically produced, despite reported production costs of up to $73,000 per hour.

Lithuania

Lithuania's television industry is the least developed of the Baltic states and enters 1994 facing legal, financial and political problems that threaten the country's most dynamic independent broadcaster.

Lack of comprehensive legislation has been at the root of most problems in Lithuanian broadcasting since the country won independence. Regulatory matters were previously overseen by a radio and television committee, and several bodies, among them the Ministry of Communication and Information, have tried to take over that function. A law governing private broadcasting was passed, but may shortly be amended, while legislation relating to state-owned Lithuanian Radio and Television (LRTV) is still pending. Meanwhile, a 20-member committee has been created by the prime minister to formulate a new structure and direction for the broadcasting industry.

None of this may help year-old private station Tele-3. According to Liucija Baskauskas, its Lithuanian-American owner, the station could be forced to close as a result of a "direct assault against Lithuanian independent media" by officials and LRTV. In her view, LRTV sets prices for commercials which would be untenable if the public broadcaster had to support itself on advertising revenue alone. LRTV is taking advantage of its monopoly position to force independent stations out of the market, she claimed.

Tele-3, Lithuania's first national private station, was launched last January with the help of a $102,740 grant from the Norwegian Free Word Foundation. It has a seven-year license (with first refusal for a further five) and currently transmits 16 hours of mostly English-language programming a day. It uses relay lines to operate an independent news network linking the capital, Vilnius, with a number of smaller towns, including Kaunas, Klaipeda and Mariampole.

Saulius Sondeckis, LRTV's managing director of television, admitted the cost of advertising on the network – typically about $150 for a 30-second primetime spot – is one of the lowest in the Baltic republics. By keeping the price of spot advertising low, however, the broadcaster can earn more than most others in the region, he said.

Indeed, television advertising revenues are expected to account for almost 40% of LRTV's total budget of $1.9 million in 1993, and this will be spent on purchasing films that will attract still more viewers, and hence advertisers, Sondeckis added. He said that although LRTV's method of funding has still to be determined by legislation, the network favors obtaining part of its revenue from electricity bills, as is done by public broadcasters in Turkey and Portugal, rather than through receiver license fees collected by "tv police."

Sondeckis criticized Tele-3 for relaying foreign satellite channels illegally and "not keeping to the law" by showing programs in English.

Baskauskas denied the charges, insisting the service is covered by a Duty of Care statement obtained prior to its launch. She said the station has a contract with CNN International and is in the "final stages" of negotiations with MTV and Super Channel. LRTV already has too much say on independent broadcasting in the country, she countered, by being represented on state commissions that make decisions affecting competitors. The pubcaster also gets discounts of 50% on the rental of communication equipment from the Ministry of Information and Communication, while all other broadcasters pay full price.

And the war isn't over. LRTV may go as far as setting up a new network that could rob Tele-3 of its frequencies. Baltic Broadcasting Corporation (BBC) is planned as a joint venture between LRTV (49%); Television International SA (49%), a Luxembourg-based branch of Kinnevik, and unnamed Lithuanian individuals (2%). BBC is attempting to obtain one of the three national frequencies currently used by LRTV, Russia's Ostankino and Tele-3. With LRTV and Ostankino certain to remain on air due to their importance, Tele-3 appears the likeliest to lose its right to broadcast should the authorities give BBC the go-ahead in early 1994.

Tele-3's problems with LRTV have led it and several other independent broadcasters, known collectively as the Lithuanian Radio and Television Association (LRTA), to appeal against LRTV's privileged position to the government.

The other key indie in Lithuania is Baltic TV, which was an offshoot of LRTV but is now 70% owned by the Lithuanian-American Algis Makaitis. The station caters to the country's large Polish minority by relaying Polish television; it also shows movies and has secured the rights to broadcast Lithuania's new basketball league. Baltic TV plans to link up with local broadcasters transmitting unscrambled German-language channels from Astra to effectively establish a fourth national network. TBI

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Cartoons require fewer bits-per-second than full-motion, full-color video – a reason why the children's genre has been so successful on CD Rom

Brought To Book

The book and tv people will meet at the new Milia market. Barry Flynn examines the convergence of print and television. How will the oldest information industry move into the newest?

A newscaster with a reputation as an intellectual light-weight once announced proudly to his colleagues that he had just finished his first novel. Back shot the riposte from the director: "So which one do you plan to read next?"

Soon, broadcasters are going to be doing more than just reading books. They're going to be sharing spectrum with them. Initially, this sharing is taking place on CD Rom and CD-i. At the end of last year, for instance, U.S.-based Compton's New Media announced a new version of its best-selling CD Rom encyclopedia which, for the first time, contained full-screen, full-motion video-clips provided by the tv networks' archives. This was rapidly followed by French publisher Matra-Hachette's launch of a new CD Rom encyclopedia featuring video clips from Pathé's newsreel archive, and a new CD-i dictionary. The next step in the print/tv partnership will likely be distribution down the same electronic superhighway: Paramount Publishing is already considering using the Internet to send books around the world to remote printing plants, and no one doubts that some books could eventually be sold this way to the public. The third stage – the hand-held electronic book – is arguably already here in prototype form, in the shape of the Sony EB (Electronic Book) player.

It may be tempting for the tv industry to think that, as far as digital transmission of its wares is concerned, it is leading the way. In fact, it is tv that is the johnny-comelately. The origins of the present electronic publishing revolution date back over 20 years, to when some publishers began using computers to type-set large reference works. The data tapes allowing them to do this could then be copied on to a large on-line data bank whose owners were then able to sell the content on to librarians and other information scientists. This was the birth of the on-line database industry that spawned the CD Rom revolution – itself made possible because digital compression came along to squeeze whole databases on to optical disk.

For a long time, however, this inheritance meant that print publishers regarded electronic delivery (via CD Rom or otherwise) as a professional – rather than a consumer – application. Alain Pierrot, in charge of electronic publishing development at Hachette's book division, said the business's perspective had recently undergone a sea change. "Hachette has had encyclopedias and dictionaries on CD Rom for more than five years," he said. "But for two years now, Windows Version 3 has been everywhere, and many more users now have machines which allow them to read multimedia (formats). What was formerly a professional application can be put on to people's personal computers." Hachette, like other publishers, is also aware the amount of time people spend reading is decreasing, as more of their leisure-time budget is given over to electronic games, and such-like. Thus, more and more publishers want to spin off their rights and know-how into multimedia to compensate.

Cliff Rosney, managing editor of book publisher Dorling Kindersley's multimedia division, in which Microsoft has a 20% stake, stressed the importance of consumer access to multimedia hardware. "Two and a half years ago, when we started up the division, the market was very small," he said. "But by the end of this year, we estimate there will be 3.4 million multimedia-capable PCs in North America. Sales of computers with CD Rom drives are stepping up."

Home Multimedia Forecasts For North America (millions)

Year-end	PCs	Macs	Total
1993	2.3	1.1	3.4
1994	4.2	1.8	6.0

(Home computers that are multimedia capable are generally taken to be those with CD Rom drives.)

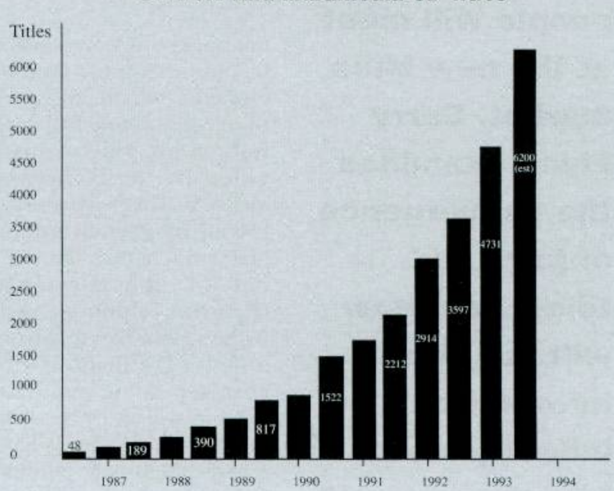
Source: Dorling Kindersley Multimedia

The trend has spread to Germany. Two of the nation's biggest retailers recently reported their own sales of computers with integrated CD Rom drives were running at 30,000 a month, said Dr. Detlef Kirsten, managing director of giant German publisher Bertelsmann. "One reason is that the price of CD Rom drives has dropped a lot," he said. "It's no longer a big deal to buy one. In Germany, you can buy one for between DM300 ($174) and DM350 ($203)."

This has been accompanied by an explosion in the production of multimedia software. UK-based multimedia specialists TFPL Publishing recently released research estimating the number of titles worldwide nearly doubled last year.

One of those titles was DK Multimedia's Musical Instruments, which it packaged on behalf of Microsoft. Acknowledged by other publishers as a ground-breaking title, this CD Rom musical encyclopedia enables users to look up textual information about musical instruments, call up photographs of them, and listen to the sound they make – individually or together. The title is a perfect illustration of how interactive multimedia products can be derived from rights held in a print-based original, and DK Multimedia is working on an entire suite of new titles that will allow it to exploit similar opportunities under its own imprimatur.

CD Rom And Multimedia CD Titles



Random House's recent joint venture agreement with Broderbund Software Inc. to publish a CD Rom-based "Living Books" series illustrates another potentially successful niche: children's titles. Randi Denton, director of new media at Random House, said, "The new media allow kids to interact in ways that improve on paper. A child can click on any word and hear that word back. They can also interact with the picture."

CD-based titles are also, increasingly, leisure and games-based, as an analysis of CD Rom distributor FOS-CD's recent catalog demonstrates (see table next page). Elisa Zachary, publisher of Paramount Publishing New Media, said Paramount's rights to the Star Trek tv series can be exploited on optical disk not only in linear form (with CD-i's Digital Video standard) but on CD Rom, through a multimedia version of its Star Trek Technical Manual. "Multimedia brings that material to life," she said. For her, the multimedia game is about "squeezing our copyrights. We're getting the most out of our existing properties by extending their life." But for all the current excitement about optical disc-based multimedia, "the CD Rom and the floppy are transitional to the on-line delivery of information," said Denton. "Information is going to be getting into the home in ways not seen before, via the telephone, cable or satellite." And via new types of playing devices. Random's travel division Fodors had produced one of the first cards for Apple's new personal communications device, the Newton. "That contains information about eight cities. You can enter the fact that you want to go from location A to B and the Newton will give you directions." Given the Newton's modem capability, it would also be "ideal" for dialling into a Fodors on-line travel database, Denton added.

John Papanek, editor-in-chief of Time Warner's publishing subsidiary Time-Life, is already eyeing what he described as "the ultimate distribution channel of choice – full-service networks that will allow broadband distribution via fibre-optic cable into the home." Time Warner itself is, of course, committed to the establishment of such FSNs, and Papanek would eventually like to see a version of Time-Life's best-selling Home Repair and Improvement Guide available on the web. "A complete guide to home maintenance lends itself particularly well to direct instant random access distribution," he argued. "You would pay for what you need when you needed it." Accordingly, Papanek has set up systems so that when Time-Life creates new print publications, "we are creating all of the elements, not just in book form, but also electronically. We're saving all the images in digital form, and creating all-new digital video, which we would be able to use both for stills in books as well as in an interactive product. Basically, we're creating a pool of digital edit which can be ported out through the appropriate channel." The logic of this policy, he added, had convinced the company to consider the creation of a new division – Time-Life Digital – which would be "a dedicated digital group to assimilate Time-Life's three divisions: books, tv/video, and music."

The Tribune Company, the U.S. newspaper publisher and independent tv station owner that recently bought Compton's Multimedia from Encyclopedia Britannica, is also setting its sights on the 500-channel future. News and information manager Bob Carr explained, "We think that when the new media age finally arrives for the consumer, one thing publishers can do is put the content into a context that the other providers are not able to do. There is going to be a great need on the digital superhighway for access to content that's easy to use and credible. And that's what newspapers already do." Carr said Compton's acquisition had given Tribune access to "proprietary technology that allows the user to sort through a great quantity of information and access it in a multimedia, interactive way. So we'll provide the content, and they'll provide the technology that allows the consumer to get access to content very simply."

It is perhaps to be expected that Tribune and Time-Life's existing links with the television industry should lead both to focus on electronic delivery via fibre-optic cable, rather than via disc. And until recently, merging broadcast-standard video into the multimedia matrix of an optical disk was viewed as extremely problematic. In this respect, the CD-i format – with its just-published Digital Video standard – has had the edge on CD Rom, which until now has been forced to display video clips within shrunken "windows" at low frame-rates.

This difficulty has not affected the use of animation quite so much. Cartoons require fewer bits-per-second than full-motion, full-color video – another reason why the children's genre has been so successful on CD Rom. But advances in digital compression are changing things. The price of the MPEG-standard boards required to display full-screen, full-motion video on PCs is coming down, and CD Rom drives that spin the disc at twice or four times the usual speed are increasing their share of the market.

Hardware changes don't address another difficulty involved in using video, a difficulty faced by all multimedia formats, whether on-line or disc-based. As anywhere, rights are a problem. A big problem. Said Hachette's Pierrot, "It's not easy. Prices are not the same, and the culture of contracts is not the same." He pointed to the case of the film industry, which is used to licensing clips for a particular number of broadcasts, whereas on a multimedia title there would be no way of predicting the number of "citations." "The cinema industry doesn't understand this practice. They will say they only have a tariff for one showing."

Telemedia's Kirsten said artists who are rights-holders in tv or music videos "are used to having a high level of influence on the title. But in multimedia, it's a little bit different. Not only do they have little influence on the product design, but in most cases, they do not know what the product is going to be."

What about the ultimate? What about entire books pumped straight into the home? Paramount Publishing, a unit of Paramount Communications, has already announced its Higher Education division – which includes MacMillan and Prentice Hall – has connected in to the Internet, which many see as a precursor to the creation of a global electronic grid. The idea is that the publisher will accept manuscripts and distribute book catalogs, chapters and educational software supplements in electronic form – eventually leading to books themselves being shipped electronically over the Internet. Seth Reichin, vice president for instructional technology in the Higher Education group, noted that, as in the case of Time-Life, "every book and image is now available digitally, and we've worked out the infrastructure to do electronic distribution. It's cheaper, but we need to work out the legal and copyright situation for shipping manuscripts in this way."

Reichin said the main factor holding back the development was "fear of piracy. We're quite concerned about things being copied once they're out on the market. There's no good way to control distribution."

Ironically, the way electronic distribution of print media could one day come to resemble tv most closely may lie in the simple fact that the signal has to be scrambled to prevent the content being stolen. TBI

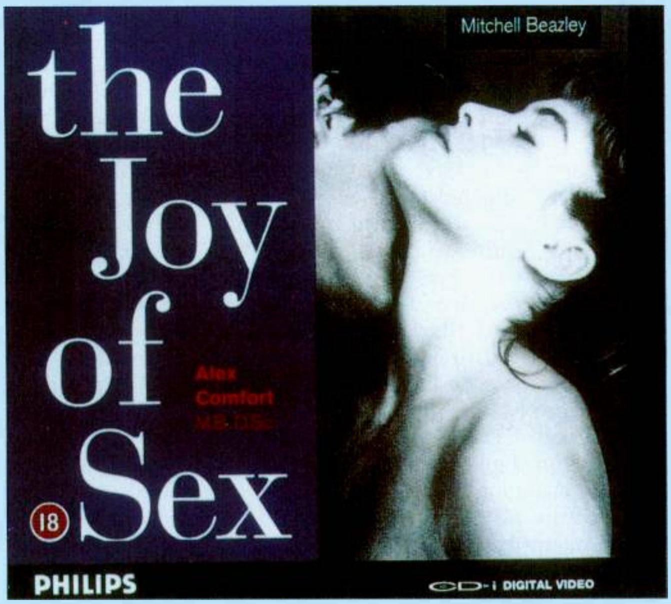
Best-selling CD Rom Titles

Genre	Percentage of titles
Leisure (games)	14.5
Desktop publishing	12.6
The arts	12.0
Humanities	7.7
Literature	6.2
Computing	5.8
Encyclopedias	5.8
General	4.9
Education	4.6
Science & technology	4.3
Maps, atlases & factbooks	3.7
Health & medicine	3.4
Languages	3.4
News	3.4
Dictionaries	3.1
Children's literature	3.1
Religion	1.5
Total	**100**

Source: FOS-CD 1993 CD Rom catalogue

Look And See

A look-see. That's why executives say they're going to Milia – an event that began life as an 'illustrated book' market but has become much more. Many want to find out what this new interactive game is all about. Sarah Walker and Marie Beardmore look at the projects, product and prayers



The Joy of Sex: Philips' CD-i version explores virgin territory

Adult: Always First

ONE genre that has been quick to embrace the world of multimedia technology is adult. Vivid Video International, Penthouse Interactive and Playboy have all developed CD-i and CD Rom versions of their products for both the sex education and entertainment markets.

New York-based Vivid Video began expanding into R-rated CD-i, CD Rom and laser disc titles from its core business of film and video production and distribution some five months ago. According to Vivid president David James, the company is planning to release two titles per month in each of the three formats. At Milia, James will be be looking for worldwide distribution for Vivid's existing multimedia titles, which include *Legend Of Karma Sutra*, *Best Of Vivid* and *101 Sex Positions.*

Penthouse, best known for its publishing and home video activities, entered the field of multimedia with the launch of an interactive CD Rom adult game called *Penthouse Interactive: The Virtual Photoshoot.* A joint venture between Penthouse Interactive and U.S. company ICFX, the title has already sold 6,000 units in the U.S. since its October launch, and Penthouse will be looking for distribution through the rest of the world at Milia. Andrew Steiner, Penthouse Interactive's senior manager, said games two and three are already in post production. "Wherever there is new technology, the adult market is always there," he said. "In the U.S., adult programs drove the home video market."

Penthouse's foray into multimedia has to date concentrated on the CD Rom market, but Steiner also confirmed discussions are ongoing with Philips Interactive Media Services for the development of an adult-orientated CD-i title.

Philips, which developed and makes the consumer CD-i system, has already been involved in the development of other adult titles. It recently signed a deal with Playboy for two CD-i titles, *Complete Massage* and *Forty Years Of Playboy.* On a more educational note, Philips has also launched a CD-i version of the *Joy Of Sex* that is based on the best-seller.

Games Are Leaders

THE explosion of video games in the home, brought on by a new generation of kids brought up in an increasingly technological age, has made children's software production one of the fastest growing segments of the multimedia market. The ease with which animated CD Rom and CD-i titles can be dubbed into other languages means multimedia is a market that major children's tv producers and suppliers are anxious to tap. U.S. companies Saban Entertainment and Dic Entertainment, both big players in animated programming worldwide, have already made moves in this area.

Dic, responsible for turning video and computer games such as *Sonic The Hedgehog* and *Super Mario Bros.* into animated series, is looking to reverse the process by turning existing cartoon series into multimedia product. A new division, Dic Interactive, has been set up, and general manager Michael Goldstein said his mandate is to develop and publish interactive software – both entertainment and educational – for computer, CD Rom and cartridge platforms in conjunction with another newly formed entity, Dic Educational Animation Division.

Out of Dic's existing catalog, Goldstein targeted the *Inspector Gadget* series for multimedia development for both the entertainment and educational markets. And from now on, all new Dic series will be developed with the interactive market in mind. "Before we looked at licensing strictly from the broadcast and merchandising side, now we are going to be talking multimedia," said Goldstein. "We will be devel-

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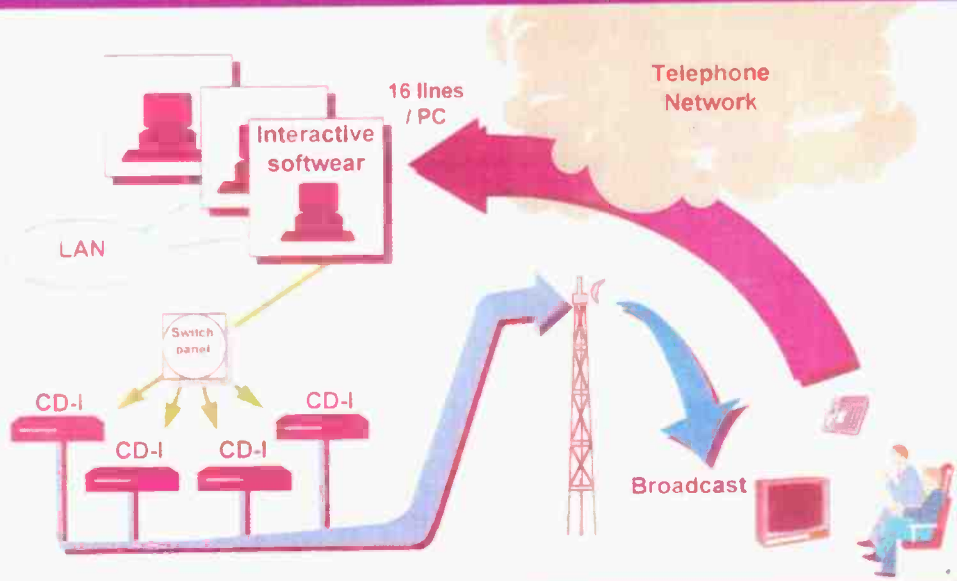

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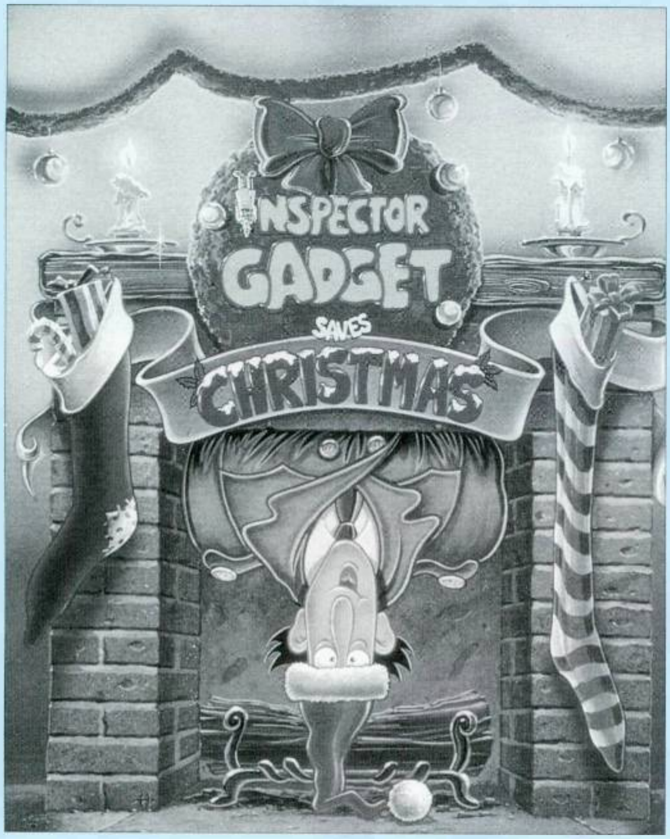


Inspector Gadget: For the educational and entertainment markets

oping shows with interactive potential in-house, and we will be negotiating with other companies to acquire licenses for interactive development and partnerships."

Saban Entertainment, which will be attending Milia to establish contacts and alliances for multimedia development, is already in the final production stages of a CD Rom based on its animated series *Mighty Morphin Power Rangers*. Saban marketing vice president Elie Dekel said several other shows in the Saban catalog will lend themselves to the production of CD Rom or CD-i titles, including *Round The World In 80 Dreams*, the new series *2000 Leagues Into Space* and *Mad Scientist Toon Club*, a live-action series with animated segments. The tv version of *Mad Scientist* already airs in several schools in the U.S. in conjunction with a school curriculum guide.

Dekel said multimedia development costs are still in flux, but the expense of producing a title will be less for a company that has existing product to work from. "If we have a series of 65x30 minutes, all it will take to adapt it to CD Rom or CD-i is some post-production and technical know-how."

Arts On Disc

FINE and classic arts producers are coming to the basement of the Palais looking for interactive partnerships. Jeff Kempin, managing director at Castle Communications, a producer and distributor of a raft of programming, is hoping the market will be an opportunity to show off "over 500 titles that can be potentially reformatted for digital video and some CD-i."

Castle is interested in talking to distributors of all kinds and is looking to exploit opportunities in new media, including CD-i, CD Rom and 3DO, the competitor to CD-i backed by Time Warner, Matsushita and Matsushita subsidiary MCA. The market will also offer the potential to strike deals with hardware manufacturers, said Kempin, who particularly cited Korean hardware companies like Samsung.

Amaya Distribution, a leading distributor of cultural programs for television and home video, will bring a catalog of performance programs that include opera, ballet, concerts and a broad range of documentaries. Titles, programs and projects on the company's Milia stand will include the series *History of Dance*, the *World Music Collection* and *The Jacques Costeau Catalog*.

Archives: Ready-made

THE archive industry, with its miles of old footage, has an asset ready-made for translation to interactive titles on history, the arts, sports and even games. Not surprisingly, the archives will be well represented at the market.

National Geographic is "looking to internationally expose the 5,000 to 6,000 hours – over 12 million feet – of footage available in the library," said Pat Gang, executive in charge of the Nat Geo film library. "We are going to be there to make sure that people realize we are a source for every conceivable shot." The library has accumulated footage over a 30 year period, and its great strength is the natural world. Gang said pricing will not be static: "There is a sliding scale, so a company needing footage for an educational CD would pay considerably less than one wanting to buy shots for wider distribution."

Andrew Storer, a spokesman at Pathé Interactive, said of Milia, "It is a chance to meet new partners from different backgrounds, particularly international companies involved with this sector."

Pathé Interactive, 65%-owned by Pathé Television and 35%-owned by Philips, is part of the Chargeurs group. The company is bringing three finished productions to Milia, all of which will be available for international distribution. Two are co-productions with Philips: the game International Tennis Open and one based on the cartoon character Asterix the Gaul. Both were made in association with Infogames, which is 25%-owned by Pathé Interactive. A third venture is a French-language dictionary, a co-production between Philips and Hachette that made use of the Pathé archives.

Other archive companies represented at Milia will include Archive Holdings, MPI MultiMedia and Energy Productions.

By The Numbers

MEGA-MERGERS in the cable tv and entertainment industries, double- and triple-digit growth rates for on-line services, increasing consumer purchases of CD-Rom compatible personal computers, video games and other hardware. These are all factors bringing about rapid growth in the interactive, digital media sector of the communications industry.

The 11th annual Communications Industry Report released by investment bankers Veronis, Suhler & Associates shows interactive media revenue grew by 27.7% per year between 1988 and 1992. The figure is based on an analysis of the performance of 30 publicly-reporting software companies. Although acquisitions helped fuel the growth, most of the gains came as a result of growth in the industry.

Companies currently provide interactive software in five sub-segments: consumer reference, education, games, home shopping/infomercials, and consumer data and transactions. In 1992, education and consumer reference enjoyed the highest margins. One particular growth sector identified is that of CD Rom. A growing number of the 30 million personal computers sold each year in the U.S. carry built-in CD Rom drives.

Games continue to be the largest interactive media category, with Nintendo and Sega dominating the field. Gross revenues for this sub-segment reached $7.7 billion in 1992. Currently between 40 and 50 million households own video-game machines.

TV Gets Booked

MANY tv companies exhibiting at Milia are attending with the intention of forging software alliances that will allow them to convert existing programming into CD Rom or CD-i titles. However, the large presence of book publishers attending means there may be potential for tv distributors to also tie-up traditional book publishing deals.

UK-based publisher Boxtree Ltd., which specializes in tv-book tie-ins, is attending Milia even though it's not yet in the multimedia game. According to rights manager Susan Cole, Boxtree recently published two books, Dinosaurs and Evolution Of Man, based on A&E Network and Granada Television co-productions. Boxtree has also picked up book licensing rights to successful series like *Thunderbirds*, *Beverly Hills 90210* and *Baywatch*. As a result of feedback from American publishers – where the multimedia market has taken off to a much greater extent than in Europe – Cole said Boxtree is currently trying to decide whether it would be worthwhile acquiring multimedia as well as publishing rights and if so, which format to back.

New York-based Michael Friedman Publishing Group publishes non-fiction books in the areas of gardening, cooking, sports, animals and nature books. The company recently developed a CD Rom version of its book The Garden Planner, tentatively titled *The Garden Design and Planning Manual*, for which it is hoping to attract distributors at Milia.

While this is the primary objective, editorial director Sharon Rosart said the company would also be interested in looking at tv catalogs for possible publishing ventures. "Obtaining tv rights is something we would like to do. Although we haven't made any overtures yet, we are interested in any opportunities."

Product Watch

ONE television company that has its multimedia strategy mapped out for the next five years at least is UK-based producer-distributor Winchester Multimedia. Although the company has only been in existence for seven months, it is just about to go public and has raised $2.25 million in capital.

Winchester has several productions on the go for which multimedia spin-offs are being conceived, including a feature film, an animated series and a pre-school kids' project.

"Everything that is being produced is being looked at in terms of its multimedia potential," said Winchester chief executive Gary Smith. "We are looking at developing computer games, CD-i and CD Rom alongside established players. We are also setting up a book publishing division and either buying into or establishing our own music publishing company."

Winchester's first projects include a family feature film Rainbow and an accompanying 13x30 minute animation series, *Rainbow Riders*. With a $12 million budget, of which a third is being put aside to cover special effects, the feature film is supposed to be completed by the spring of 1995. Smith has had discussions with Sega on the development of a video game and with UK-based company Virtuality about a virtual reality spin-off.

For the pre-school puppet series *The Big Garage*, Winchester is producing three different strands, all of which will be covered by one license fee: 26x10 minute story-led episodes, 26x5 minute music episodes in the same format as music videos and 26x5 minute educational slots.

"The idea behind this is it gives the broadcaster complete flexibility to mix and match," said Smith. "The advantage for us is that we will own the music rights for the release of any spin-off tapes and we will also have book rights through our publishing division."

Facilitating The Deal

VALKIESER Multimedia, a subsidiary of the Valkieser Group, a facilities house with experience in the field of digital video and audio post-production, computer graphics, animation and interactive software development will be looking for would-be partners and new ideas at Milia.

The Dutch-based company wants to talk to CD-i developers, producers, international publishers, financiers and broadcasters who might want to use Valkieser's facilities to produce CD-i titles, said vice president of international marketing Anne Van Ogtrop. Recent Valkieser CD-i releases have included *Tim & Bear In Hospital*, *European Architecture* and *Endless Bridge*.

Valkieser is producing CD-i's as opposed to CD Roms because, said Ogtrop, "CD-i is the only main market multimedia system, the only system that runs in the living room and the only system that uses a tv."

Valkieser worked with Philips Interactive Media Europe to develop a CD-i FMV (Full Motion Video) real-time encoding facility for Pal-source video or motion picture materials and has a contract with Philips to encode 50 FMV versions of Paramount film titles like Top Gun and Naked Gun 2 1/2. "At Milia, we will show tv companies what we can do for their programs," said Ogtrop.

Learning Curve

UNLIKE most tv and home video productions, the consumption of multimedia isn't restricted to the home. The range of infotainment and educational titles available on CD Rom, CD-i and interactive videodiscs reaches a broader market that includes schools and colleges.

Nat Geo's Educational Media Division cottoned on to this in the early 1990s with

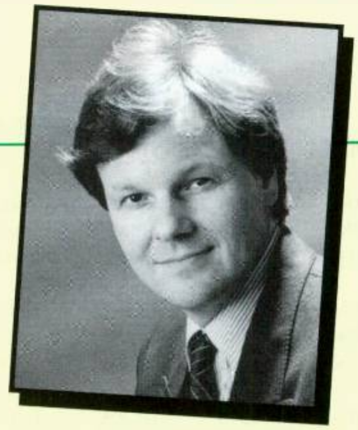
Nat Geo's Wonders of Learning Library

the release of their first CD Rom, *Mammals: A Multimedia Encyclopedia*. This was followed by *The Presidents: It All Started With George* and *Picture Atlas Of Our World*. All three were produced with IBM's EduQuest. Nat Geo went for the CD Rom format as opposed to CD-i because schools are more likely to own CD Rom compatible computers than CD-i machines. So far, *Mammals* has sold some 200,000 units.

Betty Kotcher from the Educational Media Division said greater European distribution is being sought for all the CD Rom titles. The latest addition is the *Wonders Of Learning Library*, which presents 25 science and geography "books" to young readers in an interactive format.

At Milia, Kotcher will be looking to license other subjects from publishers or software companies. *Mammals* was adapted from National Geographic's two-volume book of the same title, but few ties exist between the society's different departments for the development of multimedia products. This may soon change: Representatives from National Geographic's tv, book and film library divisions will also be testing the waters at Milia. TBI

Who's In Charge Here?



BY TOBY SYFRET

The growth of competitive commercial television has raised the status of media buying departments throughout Europe. In recent years, opportunities have opened for skillful buyers to outperform the less skillful by wide margins, and the differences are measurable against the simplest of yardsticks: price paid against volume delivered – either better or worse than the market average.

The crux of good buying lies in the ability of the buyer to negotiate favorable rates and improved access to availabilities on behalf of clients. Almost without exception, television buying has become more negotiable as commercial competition has developed. But whom does negotiation benefit?

The simple answer is that it rewards volume. The bigger you are, the more clout you have, and the better able you are to command the best resources. All parties benefit. Big stations win a leveraged share of advertising budgets, big advertisers see their budgets stretch further, and big buyers attract more clients.

While this synopsis may generally be true, it is also true that no two European markets are the same in their trading practices, either in the margins that good negotiations can deliver, or in the kinds of concessions that are made. Some differences are considerable. For example, the more negotiable northern stations tend to reward volume with off-the-rate-card discounts or guaranteed GRPs, whereas southern stations are more likely to transmit free, bonus spots. The outcome is that southern viewers tend to be exposed to a far heftier daily dose of ads – say, double – compared with viewers in the north. The differences say much about national character traits, but they also touch on deeper structural issues; such as who benefits most from negotiating, the seller, or the buyer?

Looking round the European scene, it seems, as a rule, that the dice are loaded in the seller's favor. That is to say, the leading media owners set the tempo of negotiations. There is probably no better illustration of this rule than Italy, where gross tv advertising spend per capita is the highest in Europe, and two sales houses – SIPRA (Rai) and Publitalia (Berlusconi) – have collared a 90% combined market share.

The success of Publitalia is especially interesting. It offers a bewildering, kaleidoscopic array of packages, special discounts, conditions and surcharges, which have, in recent years, enabled it to achieve a fairly even spread of advertising across all three Berlusconi stations, as well as across dayparts, days of the week and seasons. The end result is Publitalia can accommodate the preferences of advertisers for particular seasons and their natural appetite for cherry-picking breaks with the highest ratings. If there is a secret to the ingenuity of the rate cards, it is that the biggest discount of all is the off-the-rate-card discount to the advertiser.

French tv advertising spend per capita is one half to two thirds of Italian levels: in other words, very low, even allowing for the tough content restrictions, which include a ban on retail advertising. Here, airtime trading practices have worked well enough for TF1, very poorly for other stations (remember La Cinq?), and superbly well for the buying groups. Of these, the leading four have achieved unprecedented volume, controlling approximately two thirds of the market between them. Carat, the best known of the buying groups, at one time had profits in France alone that were equivalent to the worldwide profits of some of the large American full-service agency networks.

The unique strength of the French buyers is associated with the past practices of broking, and, above all, surcommissioning, whereby media owners paid end of year rebates to buyers based on the buyers' volume of orders.

The opacity of French buying practices was abruptly curtailed by the outgoing Socialist government, whose Parthian shot was to enact the Sapin Law on March 31 of last year. Never mind the exact reasons why the Socialists decided to clean up the advertising industry when they did, they had a good go at it. All off-the-rate card discounts and rebates were outlawed, buyers could only book space on the instructions of specific clients by whom, and only by whom, they were to be paid.

Mais, plus ca change... If a buyer's volume were important before Sapin, it is said to be even more important now. Rates may be fixed, but audiences and advertising demand fluctuate within the constraints of capacity. The game now is buying optimization. That requires large investments in resource, and who better to provide that than the volume players?

The French moral may be that laws never do what they are supposed to do, or that no amount of detergent will wash the spots off a leopard. At all events, national airtime markets in Europe continue to be fascinating for their diversity; and they are crucial for understanding national structures of commercial television. TBI

Looking round the European scene, it seems the dice are loaded on the seller's side. The leading media owners set the tempo of negotiations

Little Growth In The Big Numbers

A new survey on the global media economy projects near-zero growth through next year. But that doesn't mean certain sectors aren't in for good news.

By Jean-Luc Renaud

Table 1: World Audiovisual Spending ($ billions)

	1987	Market Break-down	1992	Market Break-down	Average Annual Growth
Audiovisual hardware*	102.3	43.9%	132.9	45.9%	5.4%
Television revenues **	81.1	34.8%	99.8	34.5%	4.2%
Radio advertising	12.2	5.2%	12.5	4.3%	0.5%
Cinema box office	14.4	6.2%	13.4	4.6%	-1.5%
Pre-recorded videotapes	23.0	9.9%	30.8	10.7%	6.1%
Total	**233.0**	**100%**	**289.4**	**100%**	**4.4%**

*includes professional and consumer equipment
** includes broadcast and cable tv

Source: OMSYC

Table 2: Terrestrial TV Advertising Income ($ millions)

	1987	1988	1989	1990	1991	1992	Forecast 1994	World Market Share 1987	World Market Share 1992
Brazil	1211	1703	1087	1326	1191	1265	1317	2.4%	2.3%
Canada	1216	1307	1357	1361	1294	1361	1341	2.4%	2.5%
China	45	60	68	104	184	326	640	0.1%	0.6%
France	1410	1594	1681	1741	1768	1853	1831	2.8%	3.3%
Germany	1150	1357	1627	1945	2278	2273	2258	2.3%	4.1%
Hungary	4	9	16	9	12	12	12	ns	ns
India	79	84	100	106	112	114	111	0.2%	0.2%
Italy	2950	3247	3310	3416	3367	3328	3242	5.8%	6.0%
Japan	8277	9206	10008	10650	10769	10661	10766	16.3%	19.2%
Mexico	120	146	242	295	265	281	299	0.2%	0.5%
Spain	1676	1984	2262	2474	2149	2009	2057	3.3%	3.6%
UK	4492	4865	4851	4505	4320	4234	4191	8.8%	7.6%
U.S.	23983	24534	24193	23967	21783	21382	21810	47.1%	38.5%
Others	4313	4765	5402	5941	6326	6371	6220	8.5%	11.5%
Total	**50926**	**54861**	**56204**	**57840**	**55818**	**55470**	**56095**	**100%**	**100%**

Source: OMSYC

Valued at just over $289 billion in 1992, the world audiovisual market should be worth $295 billion by 1994, up just 1% per year over the market. The equipment market will drive this modest growth – expanding by 1.7% – while services will stagnate, growing just 0.5%.

Those are the estimates calculated by the Paris-based International Observatory for Communication Systems (OMSYC after its French name), in a just-published report titled Les Chiffres-Clés de l'Audiovisuel Mondial. One percent growth is low, but the corresponding figure for the period 1990-92 was even lower: 0.6%. Media expansion – or lack of it – contrasts sharply with annual average growth of 6.3% recorded during the years 1985 to 1990.

According to OMSYC, hardware for both the professional and consumer markets accounted for $132.9 billion, representing 45.9% of the world's total audiovisual expenditures in 1992. Television revenue – cable and over-the-air tv – represented 34.5%, the home video sector 10.7%, box office receipts 4.6%, and radio revenue 4.3% **(table 1)**.

The U.S. remains the largest market when it comes to expenditure for sound and images, accounting for 38.4% of world spending. Europe is worth 26.4% and Japan 16.8%.

Economic recession hit tv advertising in most territories, so it is no surprise the OMSYC report shows broadcasters in mature markets have been affected, though it's more been a question of stagnation than decline. Over the 1990-92 period, television revenues grew just 1.5%, versus 7.4% during the 1985-90 period, according to OMSYC. Growth of 2% is forecast for 1994.

There are notable national exceptions. Tv advertising will double in China over the period 1992-94, according to OMSYC, as the government lifts restrictions **(table 2)**. In Germany, total advertising revenue may have topped off, but that was as trouble at the public broadcasters offset strong growth at domestic satellite channels that are retransmitted over the air. Stagnation in the U.S. probably had less to do with economic conditions than with advertisers following viewers who migrated to cable.

Jeremy Tunstall may be right after all. In his famous book The Media Are American, he argued television all over the world will inexorably end up operating on the U.S. model – that is, financed by advertising. Table 2 shows advertising-supported tv is spreading. How else can one explain the decline in the U.S.'s world market share of ad income, from 47.1% in 1987 to 38.5% in 1992?

The U.S. remains the largest market when it comes to world spend on sound and images, accounting for 38.4%

Interestingly, in the context of the recession, advertisers seem to be discovering that cable tv can be an attractive medium. Even though total cable advertising represented a modest $3.7 billion in 1992 compared with the $55.5 billion advertising take for over-the-air tv, cable advertising is growing a good deal faster **(table 3)**.

According to OMSYC, cinema attendance is, of late, on the increase in the U.S., while European and Japanese audiences are lagging, with the notable exception of the UK (attendance up 5.5%). On a global scale, box office receipts fell by 1.5% per year between 1987 and 1992.

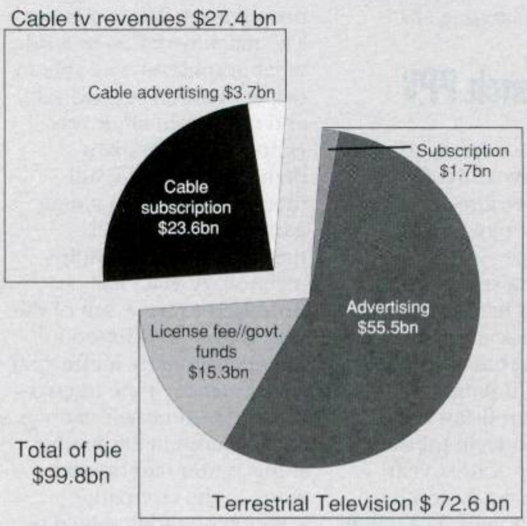
Home video is singly responsible for moving indicators upwards, with total revenues growing at an average annual rate of 6.1% since 1987. Videocassette rentals brought in $16.7 billion, a 3.7% annual growth rate. The sell-through market is worth half that at $8.1 billion, but it is growing at an annual rate of 26%. That's not surprising, given the average price for a pre-recorded cassette in the U.S. fell from $24.90 in 1987 to $14.80 in 1992. In 1987, consumers spent 60% more on pre-recorded videotapes than in movie theaters; five years later, they were spending 130% more. Hollywood studios rely increasingly on home video revenues for their profits.

In audiovisual hardware, professional/studio gear accounts for $31.8 billion of total sales and consumer electronics hardware for $101.1 billion **(table 4)**. The consumer video equipment market by itself is worth $57.2 billion. Although still small, the most dynamic sub-market in consumer video is that of the home laser disc player, whose average annual growth rate over the 1987-92 period was nearly 25%. Eighty-one percent of the players are in Japan, with the U.S. market developing fast. The camcorder is next in line, with market growth of 13.2% a year, and with 1992 retail sales of $9 billion, 7.5 times that of the laser disc player. Slowly reaching saturation, the market for VCRs is now entering the replacement stage, thus the near zero growth – 3.4% annually.

Les Chiffres-Clés de l'Audiovisuel Mondial is a welcome addition to the handful of studies that propose a global picture. The OMSYC report competes head on with Le Marché Mondial du Cinéma et de l'Audiovisuel (World Cinema and Audiovisual Market) published annually by Montpellier-based IDATE. Such efforts are important as databases for the increasing number of media groups venturing outside of their domestic markets. An ideal world would be one where reliable figures are based on primary research conducted by a variety of analysts. Too often, the same numbers from the same sources are recycled ad nauseam. Where IDATE credits the origin of its numbers, OMSYC unfortunately does not.

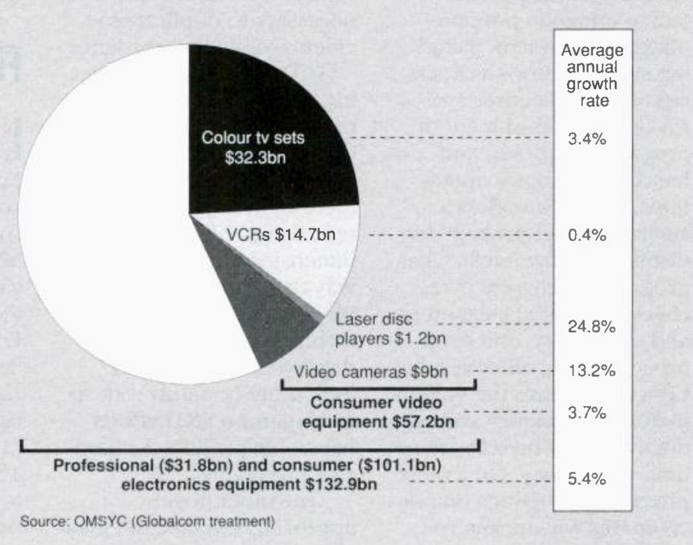
Forecasts are useful, but this column has regularly cautioned against exercises that go out beyond five years. Having said that, there is little merit in OMSYC offering 1994 forecasts that are released in the fourth quarter of 1993. Even if the analysis is completely off the mark, such near-term forecasts are unlikely to reveal flaws. TBI

Table 3: World Television Revenue



Source: OMSYC (Globalcom treatment)

Table 4: World Expenditure On Audiovisual Equipment (1987-92)



Source: OMSYC (Globalcom treatment)

Software That Manages Software

Concision offers rights control...
Diamonds are a set's best friend...
French make first ppv move...
3DO's haywire hype

Those who speak of convergence between computers and television are usually referring to the advent of the "smart" tv set. Of course, there's another way in which computers are increasingly being used by the tv industry, and that's in product management systems like Columbine. A new entrant into the market is UK-based Concision. The company has already developed software that runs the programming administration systems at both United International Pictures (UIP) and Scandinavian pay-tv operator FilmNet. The tailored package uses the well-known Oracle relational database management system to integrate programming management, including such functions as tracking of tapes, licenses and royalties, establishment of program schedules, and handling of library operations. Concision offers a similar tailored package for distributors that tracks what program purchasers owe, checks territorial clearances and availability, and even processes box office results. Concision claims the system increases efficiency and productivity, and thereby saves time and money. On a more prosaic level, using computers in this way means an end to tv producers hiding stacks of video tapes in their filing cabinets while the librarian has a nervous breakdown trying to work out royalty payments.

Screen Diamonds

Defining a digital HDTV standard is one thing. Coming up with a suitable consumer display mechanism is another. One reason the focus in Europe has shifted from high-definition to extended-definition on a widescreen 16:9 format is because it has proved more difficult than expected to progress towards the big, flat, hang-on-the-wall screens the industry believes necessary to duplicate the cinema-viewing experience.

LCD-based screens (the kind commonly used in laptop computers) have turned out to be not too hot on color and brightness, and there is, in any case, a theoretical upper limit on their dimensions because of the way they have to be wired. Plasma screens, which use a technology similar to that deployed in neon tubes, look more hopeful – but so far, Japanese R&D efforts have only produced expensive prototypes.

One other novel approach is to take the idea of a single cathode ray-tube – the size of which is essentially what governs the depth of a conventional tv set – and multiply it up: one for each pixel. The advantage is that you can make these very small, and position them just a few millimeters from a conventional fluorescent screen, solving the depth problem. The disadvantage? The voltages required are too high.

There is one development taking place in the States that might, however, solve all these problems. The technology makes use of so-called thin-film diamond-based field emitter displays (DFED for short), a process which, as its name suggests, depends on a layer of synthetic diamond to achieve results. Those familiar with the new process reckon it's currently the best bet for producing displays that are low in cost, high in quality and large in size.

First French PPV

If all goes according to plan, France may be the first European territory to offer a commercial pay-per-view (ppv) service – on cable. MSO Lyonnaise Communications says its ppv trial in Paris, in association with France Telecom, was so successful that it plans to start a nationwide roll-out on its cable networks in the second quarter of next year. The service could reach up to 200,000 homes, not much by American standards, but apparently still enough to make it worthwhile for Lyonnaise. The key to the success of the trial was impulse pay-per-view (ippv) equipment provided to some of the trial homes by France Telecom in the shape of its Visiopass decoder. This confirms the results of Time Warner Cable's own experiments in the U.S., which showed that ppv buy rates peaked with a combination of ippv and multiplexed film channels.

Under Pressure

Is the 3DO Company succumbing to the pressure of its own hype? Recently, a senior company executive flew in to London from California for the first UK demonstration of its new CD Rom-based interactive player, launched in small quantities in the U.S. this fall. The presentation was a disaster. The machine failed to work, what graphics it was able to display looked second-rate, and the whole affair was eclipsed by a brilliant demonstration of a full-motion, full-screen video-game played on a CD-i machine – whose Philips technology 3DO has promised to blow out of the water. The 3DO fiasco followed a similarly ineffectual performance at the international consumer electronics fair in Berlin in September. If this writer had bought stock in the company – which he didn't – he'd be reckoning now would be a good time to take profits. TBI

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