May 2002

screendigest

Global intelligence on screen media.

Film	Interactive
Cinema	Games
Television	Production
Video	Audio
Wired media	On-line
Satellite	Miscellaneous

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IN THE NEWS . . .

All-digital cinema plans for Finland

Finland's Matila and Rohr Productions (MRP) are planning to build country's first digital cinema. MRP (Finland; +358/ 95407820; www.matilarohr.com) will house three-screen cinema in new high-tech information technology building in centre of Kajaani, northern Finland. Construction of site begins in August 2002, opening 12 months later with premiere of MRP's comedy *Pigs and Pearls*. Although plans are for total digital projection, 35mm projection facilities will be installed. Cinema's catchment area covers approximately 55,000 customers, including largest military base in Finland. MRP is a major shareholder in Finland's first digital post-production company Digital Film Finland.

German exhibitor faces funding worries

Profound ownership changes in Europe's exhibition sector experienced over past few years may have a new twist as major German exhibitor faces possible bankruptcy. Ufa Theater, historic exhibitor and one of Germany's largest circuits, has been denied finance by its bank, after several years of poor performance. However, company needed only a €3m loan—a relatively small amount—and expects to move back into profit in near future. However, banks are not convinced by this and have already been stung by continuing troubles of German media companies. Management of Ufa Theater (Germany; +49/211 169 060; http://ufakino.de) was taken over by CinemaxX two years ago (see 2000/136a2). Backers resumed control last year (see 2001/262b3), intending to put in place a new business plan.

German media group Kinowelt, which has recently announced withdrawal from exhibition sector, has now begun formal insolvency proceedings in German court. Administrators will now begin task of restructuring company.

New AOL agreement for PVR company

AOL-Time Warner has cancelled its much-touted agreement with PVR company TiVo to build interactive set-top box. AOL-TW (USA; +1/408 747 5080; www.tivo.com) made available a high-profile $200m investment to TiVo, sparking takeover in face of Microsoft's UltimateTV offering. Since then, Microsoft has shuttered its PVR subsidiary (see 2002/37a2). Now TiVo will return $48m of AOL's investment, whilst the entertainment giant will hand back its 1.6m shares in TiVo stock, choosing to abandon its foray into advanced interactive television. Under a new agreement, AOL TV, device offering basic interactive television services, will be offered to TiVo's 380,000 US subscribers.

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■ Data in Databox is given as reported from sources; in some cases this may contradict data published elsewhere in *Screen Digest*.

Worldview

George Lucas missed out on his plan to release the latest episode of his *Star Wars* series on 'hundreds' of digitally-projected cinema screens (131a4 and Perspective, page 144). So far there has been a lack of attack in cloning the technology to new venues in sufficient quantities, so the total for the first run of *Star Wars Episode 2* has fallen just short of 100. In a move to speed industry standardisation, Lucasfilm THX has instituted a certification scheme for digital cinemas (131a1). The exhibition industry will recall the problems that arose when three incompatible digital sound systems—Dolby, DTS and Sony—were introduced to the confusion (and expense) of cinema operators.

Meanwhile, digital cinema has claimed some advances. Orders are being placed for systems, albeit still on a small scale (142b2). China has ordered equipment to allow screening of the World Cup games in cinemas, the country being a newcomer to the competition (131b1). The Cannes Film Festival has also gone digital—well, slightly (139b2). Only one film has been screened digitally in competition but a wider variety of films were shown *hors de concours*, including four cinema classics. [One of them was *Singing in the Rain*, in relation to which we hope one day to come up with a definitive answer to the precise origins of the magazine a fan is holding in the opening sequence, which happens to be called *Screen Digest*.]

The UK government's plans for a Communications Bill that will allow more foreign investment in British broadcasting (133b3) also paves the way for the regionally-based Independent Television (ITV) network to have one (dominant) owner. This would allow the mooted merger of the television interests of Granada and Carlton. At the same time, the plan is that every region would have at least three commercial 'media voices' to ensure 'plurality'. The carefully crafted idea behind the ITV network when it was created by the Television Act of 1954 was to establish a system of local identities for the regions. It is a sign of changed thinking that the restructiuring into a single entity can be contemplated. A generation ago it would have been a vigorously repelled anathema.

The two aforementioned ITV 'giants' are, of course, the partners in ITV Digital, which succumbed at the end of April (137b2). No one could be found to take it on as a going concern. The government denies any responsibility for the failure of ITV Digital, a charge levelled on the grounds that not enough was done to improve and extend coverage by the digital transmitter network (134a4).

A rival, the digital cable operator NTL, had since bought the subscriber database and will try to convert potential punters to the still not entirely convincing benefits of broadband cable. NTL has had its own financial problems which it has partially solved by agreeing to convert debt into equity (136b5). Even after that exercise, the UK's largest cable operator will still be over $6bn in debt. Second-ranking cable operator Telewest is cutting jobs and introducing other cost-saving measures to reduce spending and avoid a similar debt-to-equity swap (135a4).

Between them, NTL and Telewest have extended broadband capability to 56 per cent and 95 per cent of homes passed and the country has just passed the half-million broadband connections mark (140a4). NTL has also done a deal to allow the leading UK Internet service provider (ISP), Freeserve, to offer broadband access over NTL's cable network (137a3). This might be compared with the slow progress other operators have been able to make in using British Telecom's lines to provide broadband connections. A select committee of the Department of Media, Culture and Sport has recommended that regulator Oftel should consider the possibility of splitting British Telecom as a way of encouraging the growth of high-speed Internet connections (135a1). BT recently split itself by hiving off its mobile phone operation as mmO2. With the latter's share price at an all-time low, it has become part of the Europe-wide rebranding of several disparate operations as the O2 service (142a2).

BT's French counterpart, France Télécom, has developed a flexible screen woven from optical fibres and proposes that it will lead to the production of garments with integral displays (143b1). This means that it will be possible to watch horse-racing on the very shirt you are losing.

Digital certification programme announced

Lucasfilm THX has announced certification scheme for digital cinema similar to THX sound certification. Lucasfilm THX (USA; +1/415 492 3900; www.thx.com) hopes exhibitors will realise certified products and services will help them achieve benefits of digital cinema, despite current lack of standards. Certificate has so far been issued to several companies, including Avica Technologies, Barco, Boeing Digital Cinema and Technicolor Digital Cinema. Some confusion could be created by new certificate as announcement comes shortly after re-launch of NewCo (see 2002/105b4). Now known as NDC, company aims to bring open standards and lower costs to digital cinema. US exhibitors may be wary in case two groups work against each other. One point behind drive for single standard before digital cinema roll-out has always been lessons learned from adoption of digital sound. Sony, Digital Theatre Systems (DTS) and Dolby all brought out different sound systems, meaning each cinema needed all three to guarantee they could screen all films.

Dutch DTT to target 'easy markets' first

Dutch commercial digital terrestrial television (DTT) operator Digitenne plans initially to target 'easy markets' such as second homes, caravans, boats and residences and offices out of reach from cable, which dominates Dutch television delivery. Digitenne will offer 25 channels for €9 a month, thus undercutting basic cable subscription price. Only premium tier will be three Canal Plus channels. DTT set-top boxes (STBs) will be available to buy from shops within months for €199, with Haupage first manufacturer announced. Digitenne also plans 'bonus' offering of electronic programme gouide (EPG), special Digitenne info channel and erotic channel.

Digitenne (Netherlands; www.digitenne.nl) was awarded licence earlier this year (see 2002/71b3) and main shareholders include broadcast facilities company NOB, KPN Telecom and transmitter company Nozema, with all Dutch broadcasters minority shareholders. Digitenne hopes to achieve 40 per cent initial penetration of portable market at launch, increasing to 60 per in mid-2003, and complete take-up by end 2004.

DirecTV in successful satellite launch

DirecTV has launched its seventh direct-broadcast satellite. Launch, which followed an aborted attempt 24 hours previously, occurred on 7 May. Satellite will provide capacity for new local channels, as well as serving as a replacement for DirecTV 6, which delivers Spanish-language and high definition television programming. New satellite should be operational in July, at which point DirecTV 6 will become an in-orbit spare. Details: DirecTV (USA; +1/310 662 9670; www.directv.com.com).

Disappointing Star Wars digital cinema reach

George Lucas' hopes of seeing *Star Wars: Episode 2—Attack of the Clones* released on several hundred screens equipped with digital projection (see 1999/97a1) have been dashed. Total number of digital screens in North America are predicted to amount to just 60, with further 30 in Europe and Asia. Texas Instruments claims total will reach 94, with 87 locations listed on: http://www.starwars.com/episode-ii/digitalproj_list.html

Latest installment of space saga was captured and post-produced entirely electronically (see 2000/132a2) and plan was to also screen it digitally wherever possible. Technicolor aims to deploy 16 new systems, bringing its total to 37, with Boeing expected to install 23 new systems in time for its release. Idea floated for only releasing *Episode 2* in THX-certified theatres was, however, never seriously considered. Lucasfilm/THX announced digital certification programme to tie in with premier (see *Digital certification programme announced* in this section). But doubts have surfaced about what technical specifications this involved, as opposed to just approving existing systems willing to pay for certification.

Double-digit screen count digital release of Episode 2 as opposed to four for Episode 1 is blow for Lucas, digital cinema's most arduous cheerleader. Significantly, Lucasfilm were not prepared to aid investment in digital projectors or even offer more favourable rental terms. It was left up to Texas Instruments, Technicolor, Boeing ands cinemas themselves to get installations in place. Episode 3 is unlikely to be exclusively released in digital (as had also been suggested) or see over 1,000 installations by 25 May 2005.

China gets digital cinema—for World Cup

China has placed initial order for 10 digital cinema projectors with intention of using them to screen 2002 Soccer World Cup in cinemas across the country in June. National Film Bureau and State Administration Radio, Film and Television (China; +86/10 6609 3114; www.sarft.gov.cn) have ordered five DLP Cinema projectors each from Barco and Christie Digital, as well as satellite and antenna equipment.

State broadcaster CCTV (China; +86/1 801 1144; www.cctv.com/english/) will transmit high definition television (HDTV) signal from Korea via satellite, and matches will be screened in four cinemas in Beijing, three in Shenzhen and one each in Shanghai, Guangzhou and Chengdu. Chinese government has previously spelt out digital cinema ambitions that include 20 installations before end of 2002, in addition to privately funded initiatives (see 2001/353a2).

Numerous other exhibitors around the world plan to screen World Cup in theatres, possibly making it first large-scale e-cinema event. Its success or failure will have important implications for perception of viability of alternative content in cinemas. 2002 World Cup has advantage of being widely distibuted in HDTV, though a limited HDTV outing in e-cinemas was offered in 1998 by France VTHR.

Asian film market advancing apace

Film industry in Asia is undergoing a process of industrialisation and expansion, on back of rising admissions, cinema builds and expanding outlets for media.

■ Luc Besson's Europa Corp is to launch a distributor in Japan, aiming to release French titles into territory. Europa Corp Japan is a joint venture between Europa and local distributor Asmik-Ace, each holding 35 per cent. Remaining 30 per cent is held by three other Japanese partners. Start-up capital is ¥100m ($750,000). Distributor already has six upcoming Europa titles lined up for distribution. Besson would also like to use structure to bring Japanese films into Europe.

■ Hong Kong outfit Celestial Pictures is putting in place a vertically-integrated structure, appointing a team of veteran film professionals to manage growth. Celestial is sales agent for Shaw Brothers' catalogue of 760 titles. Company is also launching a bouquet of film channels, kicking off with a Chinese-language channel. Company is also a producer, and its films will be channelled through its distribution outlets.

■ Hong Kong and Asian exhibitor Lark Entertainment (Hong Kong; +85/2 2302 3847) has launched a distribution arm, Lark Films Distribution. Company aims to acquire up to 10 films a year, with main focus on US product. Lark manages two circuits in Hong Kong—UA Cinemas and Cityplaza—and sees an opportunity to acquire titles for peak periods when there are not enough titles around. By adding distribution arm, company is now in line with rival exhibitors; Golden Harvest and Edko Films.

■ Japanese distributor Klockworx is becoming involved in film production, boarding a low budget ($1m) US feature *Citizen Zero*. In addition, company is co-producing two international projects. Klockworx believes that as average price of an international feature in Japan is around $1m (which effectively limits access to larger distributors), it is going to enter productions at the beginning in order to obtain all rights and take a share of the back end. Klockworx launched in 1997 and made its name with release of *Blair Witch Project* in Japan.

Copyright is mainstay of US economy

US copyright industries continue to grow and increase their contribution to US economy. Report by International Intellectual Property Alliance (IIPA; US; +1/202 833 4198; www.iipa.org/homepage_index.html) shows that copyright is a growing area of economy, with so-called copyright industries being worth $535.1bn in 2001, compared with $457.2bn in 1999 (see 2001/1a3)—5.24 per cent of USA's GDP (up from 4.9 per cent in 1999). IIPA figures also show that 4.7m people are working in these industries in US, 3.5 per cent of total workforce. Same industries earned $88.97bn in exports last year.

Report indicates that this sector is contributing to job creation faster than traditional areas, such as steelworks and car manufacture. Copyright industries include books, movies, business and entertainment software, music and sound recordings and DVD. Broadening the sector to copyright-related fields, which includes print media, increases worth to $791.2bn and around 8m jobs.

Taiwan's DTT trial goes nationwide

Taiwan is expanding its digital terrestrial television (DTT) trial from capital to entire island. DTT trial using DVB-T system has been operating in Taipei since December 2001. Taiwan presents problematic transmission terrain: Chungyang mountain range (almost 4,000 meters high) divides island territory throughout entire north-south length. Given Taiwan's very high cable penetration (see *Taiwanese cable leader chooses boxes* in this section), focus is expected to be on mobile and portable applications, such as buses and trams—similarly to Asia's DTT pioneer Singapore (see 2000/265b3). Work on three new transmitters along 390km western side are expected to be completed by end of next month (June). Three transmitters are scheduled for more rugged eastern coast of island, with aim of having Taiwan fully covered by end 2002. Taiwan created stir when it abandoned US ATSC system for DTT in favour of European/international DVB-T standard last year (see 2001/321a2).

Taiwanese cable leader chooses digital boxes

Taiwan's largest cable operator China Network Systems (CNS) has selected Advanced Digital Broadcast (ADB) as primary set-top box (STB) supplier for its digital cable roll-out. ADB (Taiwan; +886/22 536 0900; www.adbglobal.com) will supply its low-cost ABQ6H44 STB over four years, making it major supporter of CNS's ambitions to become leader in Taiwan's burgeoning interactive television market. CNS's other major supplier is News Corporation's NDS, which will provide systems integration consulting and end-to-end technology and software.

CNS is joint venture between News Corporation-controlled Asian satellite content provider Star and Taiwanese business conglomerat Koos Group. CNS has over 1m analogue subscribers in Asia-Pacific's densest cable market, with 5m cable subscribers representing around 80 per cent of all households in Taiwan. CNS will begin upgrade in second quarter 2002 and aims to deliver its services to over 1m households within three years. CNS claims it will be Asia's first large-scale digital cable service.

Warner does away with VHS window in UK

Long-suspected move by Warner Home Video (VHS) in UK towards simultaneous retail and rental release strategy for VHS as well as DVD, plus introduction of two-tier pricing is confirmed this month (May). First title released under new strategy will be the Oscar-winning movie *Training Day* on 15 July. Controversy thrown up by WHV's move is not due to decision to dispense with rental window—company already releases its major titles straight to retail—but fact that WHV will continue to charge dealers a premium for rental product, while also introducing one for DVD. At reported £20 ($29), trade price per rental tape will be about one third cheaper than that of product previously released with a window. Price per rental DVD, meanwhile, will rise by nearly half to £16 ($23).

Decision by WHV (UK; +44/207 984 6400; www.warnerbros.com) to exercise European Rental Right—EU law that allows distributors to charge higher prices for videos released to rental—had been expected for some months (see 2002/36b2). However, second part of WHV strategy could prove more problematic. It is reportedly looking to introduce measures that will drastically limit number of ex-rental videotapes and DVDs being sold off in rental stores. However, exactly how it intends to do this remains to be seen. Observers are sceptical of how such a plan could be successfully implemented.

Nationwide plans for Indian exhibition growth

Indian companies are planning nationwide multiplex circuits—rarity in such a large country—with two companies announcing new screens in recent weeks.

■ Inox Leisure, based in Bombay, intends to build 100-screen circuit by 2004, beginning in western region of India. First multiplex site opens this month (May) in Pune, to be followed by further $30m worth of investment. Company has also put aside $20m for expansion into south and east of India. Company aims to create sites capable of running 10 titles a day.

■ Priya Village Roadshow (PVR) is to open its first multiplex outside Delhi next year, with 11-screen site in Bombay. Village Roadshow has pulled out of joint venture by selling share to partner Priya Exhibitors, although name will remain same. Company is to invest up to $30m in expanding its circuit from 12 screens to over 80 by end 2005. Bombay site is budgeted at around $500,000 for each screen.

MPEG-4 may reconsider licensing terms

MPEG LA and patent holders have met to discuss much-criticised licensing terms of MPEG-4 Visual Patent Portfolio (see 2002/47a3). MPEG-LA (www.mpegla.com) appears to have taken use-fee criticisms on board and discussed alternate royalty approaches. These included alternative use-based royalties that place royalties on products and services for which remuneration is received and whose value supports royalties charged. There were also talks on annual limits in certain royalties and threshold levels below which use-based royalties would not be charged.

CEO of RealNetworks recently lambasted MPEG LA, warning that MPEG-4's licensing structure was putting technology on path to become irrelevant in PC industry. MPEG-4's licensing terms have already been rejected by Apple for its future QuickTime versions and Microsoft has refused to sign on to the standards effort. MPEG LA meets again in June and announcement is expected in 'near future', although no final decision has yet been reached.

Film Council boost to UK art-house cinema

Art-house cinema and specialist film are to receive a nationwide boost in UK funded by the Film Council. Plan is to invest £14m ($20m) into a 'virtual circuit' of art-house cinemas over a four-year period. Project will target as many as 150 screens across UK, and aims to sponsor 20 independent specialist films each year. Film Council (UK; +44/20 7861 7861; www.filmcouncil.org.uk) will also continue to support bigger British productions, and acts as an advisory body for National Lottery film funding. (See also *UK funds script development expertise* under Education.)

French majors join to fight piracy

Vivendi Universal and Thomson Multimedia have agreed a three-year deal to fight piracy. Two companies will work together with standards bodies to form copy protection for digital video disks (DVD's), broadband access products, video on demand (VoD), set top boxes, mobile multimedia and digital cinema. Deal also agreed that Thomson's subsidiary Technicolor will become Vivendi's preferred post-production provider and Thomson (France; +33/141 865 003; www.thomson-multimedia.com/gb/00/index.htm) will provide Canal Plus (Vivendi's pay TV arm) with majority of set top boxes. Deal is expected to save Vivendi $50m a year and earn Thomson $500m in extra revenue.

Thailand makes international presence felt

Thailand's bid to become a key overseas production centre is starting to pay dividends. So far this year, data from Thai Film Office show that around 150 projects—features, TV productions, commercials—have been shot in territory in 2002. Latest high-profile project is new *Survivor*, which is bringing in $4.6m income for shoot of 40 days. This compares with 2001 total of $29m for 435 projects. Regarding this year's total, concerns have been voiced by environmental groups as 41 of the 150 have been filmed in protected areas. Obvious parallels are being drawn with *The Beach*, as producers are still engaged in a court action brought by environmental groups.

Spanish film production given slight boost

Spanish digital satellite platform Vía Digital has announced it will continue to help fund production of Spanish films. Despite fears by production companies and distributors that film production may stop (see 2002/105b3). Vía Digital (Spain; +34/ 915 127 467; www.via.tv/prehome.html) has announced backing for up to 40 films. Whilst this is around 50 per cent less than last year, company has already invested €7m in 25 titles in 2002. Vía Digital claims reduction is needed because too many films are being released and they are not able to receive a fair box office share. Vía Digital's sister company Antena 3 has also announced co-production of six films and has acquired rights to a further 16 films.

●●● **MTG Russia go-ahead.** Scandinavian pay and free TV operator Modern Times Group has received regulatory approval from Russian authorities for its proposed acquisition of a 36.6 per cent stake in StoryFirst Communications. StoryFirst operates national commercial Russian channel CTC.

Law & Regulation

Australian viewers to get free channels?

Australian viewers may get free television channels if federal government overturns its digital television strategy. Australian regulators are considering allowing country's free-to-air television networks to broadcast additional channels. Change is aimed at removing regulatory restrictions to provide broadcasters with greater freedom to respond to consumer demand. At present Australian television networks are not permitted to multicast until 2005. Free channels would exclude sport—major force behind consumer take-up of pay and digital television—to protect competitive position of pay TV operators.

Change is expected to bring opposition from country's three commercial broadcasters Seven, Nine and Ten. Opposition has already been expressed by Nine and Ten networks as multi-channelling would reduce their capacity to offer advertisers a mass market on a single channel, while bringing in no extra revenue. Furthermore, if Nine does multicast it would be in direct competition with Foxtel, in which its parent company, Publishing and Broadcasting Ltd (PBL), has a 25 per cent interest. However, pressure for change is expected to come from public broadcasters ABC and SBS. New regime would allow them to offer channels specialising in programmes such as regional and foreign news or education and history.

Brazil eases plans for pay TV tax

Brazil's Congress has approved new tax on foreign pay TV channel providers but slashed planned rate from 11 per cent to just three per cent. Tax will apply to profits remitted out of the country. Money will be invested in local film and television programme production. Tax Bill still requires Senate approval, but local observers expect new rules will be passed unchallenged.

Reduction in tax rate, and dropping of a related duty that was to have been levied on programme imports, counts as triumph for Television Association of Programmers (TAP: USA; +1/786 242 7915; www.taplat.org). Trade body lobbied on behalf of programme providers and was central to negotiations with government body Ancine—recently created government department charged with overseeing film industry. Movie business was not so lucky, however. Proposed 11 per cent tax on re-patriated profits from film industry still stands.

German funding round

German public funder NRW has granted €9m to a range of films, largest award going to German-Spanish co-production *Playa Del Futuro* (€1m). Money was also granted to *Willbur Wants to Kill Himself* for post-production work (€0.23m) to be carried out in region of NordRhein Westfalen.

Actors Guild ruling ires home and away

US body that represents actors launches a global ruling this month, causing fair amount of controversy and disagreement. Ever in the news, Screen Actors Guild (SAG: USA; +1/323 954 1600; www.sag.org) intends to launch Global Rule One in near future—extension of 69-year old domestic version. Ruling states that SAG members must work under SAG contracts anywhere in the world. Proposed internationalisation of SAG sphere of influence has provoked US Alliance of Motion Picture and Television Producers to respond that this is beyond their scope and contravenes their current agreement.

Outside US, reaction has been especially hostile in Australia and New Zealand. In Australia, Premier of New South Wales has labelled action alarming and is looking for clarification that Australian SAG members can work under contract on local films without being paid SAG US rates. This is key point in all countries where SAG members work, as local film industries can ill afford to pay going US actor rates to local talent, and this could have major impact on film production structures.

Canadian Film and Television Producers Association has also voiced concerns and says it is prepared to take legal action if necessary. Key seems to be how strictly Global Rule One will be applied and whether SAG has right to implement such a ruling in other territories.

Canada considers single rating system

Canadian exhibition sector is pushing local authorities to adopt a nationwide ratings system. Whilst videocassettes are rated for release by a single entity, theatrical releases are considered and rated by a board in each province. Criteria differ and differences impose an extra cost burden on distributors. Proposal for a single body is being pushed by British Columbia and has received solid support from other provinces, although plan does not include Quebec. Eventual adoption of plan could be slow, as issue is politically sensitive.

Sonicblue forced to invade viewer privacy

A federal judge has ordered multimedia company Sonicblue to spy on viewing habits of its ReplayTV personal video recorder (PVR) service customers. In latest development in long-running legal dispute over ReplayTV4000 PVR, Sonicblue has been ordered to collect data on how subscribers use device and to turn data over to broadcasters. Disney, Viacom, NBC and General Electric sued Sonicblue (USA; +1/408 588 8000; www.sonicblue.com) for potentially threatening free broadcast business model (see 2001/326a2).

Order requires company to ensure mandatory tracking of customer behaviour. Move would signal major invasion of privacy as federal court maintains its liberal stance towards consumer's rights in favour of broadcasters' and content-owners' business models. Case is likely to come to trial in 2003.

UK broadcasting open to foreign investment

UK's government has issued draft of new Communications Bill that will remove restrictions on creation of a single ITV operator and free the way for more foreign investment in UK broadcasting. Bill also proposes scrapping rules that prevent major newspaper groups from investing in Channel Five. Overhaul stopped short of allowing cross-media ownership of ITV, however, stressing that the network was the only commercial broadcaster with universal access to a mass audience. Under proposals, 'inconsistent' rules that prevent non-European investment in some broadcasting assets would be dumped. Newspaper groups with 20 per cent or more market share would be free to invest in national commercial television stations (except ITV); joint ownership of television and radio stations would be allowed; and necessity to license telecommunications services would be ended.

Culture Secretary said UK's media has been long 'over-regulated and over-protected from competition'. New act would give UK one of the most de-regulated communications markets in the world. However, the BBC would be subject to tighter regulation. With the freeing of cross-media ownership, plurality would be encouraged by introducing a scheme to ensure at least three commercial local 'media voices' (newspaper, TV or radio) existed in addition to the BBC in every regional community. As previously suggested (see 2000/357b3), a single regulatory body—Office for Communications (Ofcom)—would replace five regulators currently overseeing media regulation. Details: Department of Trade and Industry; UK; +44/20 7215 5000; www.dti.gov.uk.

FCC and FAA approve new satellite services

US Federal Communications Commission (FCC) has granted licences to seven companies to offer Internet-over-satellite services. Shared use of Ku-band frequencies (10.7 GHz-14.5 GHz) was granted to Hughes Electronics, Boeing, Teledesic, Virtual Geosatellite, Denali Telecom, SkyBridge and Loral Space & Communications. FCC (USA; +1/202/655-4000; www.fcc.org) also approved sharing system that addresses problem of interference between satellites freely orbiting Earth. In case of an 'in-line interference event', systems involved will split frequency band for duration of event to avoid disrupting communication.

Licensees such as Boeing will be looking to target both broadband-to-home market, as well as business applications such as aircraft communication and entertainment services like Connexion by Boeing (see 2001/204b2). In sepparate development Federal Aviation Administration (FAA) certified Connexion by Boeing (www.connexionbyboeing.com) in first of its kind for broadband network linking satellite and ground networks to commercial aircraft during flight. Trials are scheduled for late 2002 with German airline Lufthansa after US partners United, American and Delta airlines withdrew following 11 September attacks (see 2002/11a3).

On-line cinema ticket sellers sue

Fandango.com on-line company selling cinema tickets has issued law suit against rival firm Moviefone. Fandango.com (US; +1/866 688 6675; www.fandango.com) claims AOL Time Warner's ticketing service has interfered with a ticketing arrangement it had with Loews cinema chain. Fandango.com claims costs incurred while adapting cinemas to enable Loews' customers to use service are so high that if deal is not honoured, company may go out of business. Deal signed in March 2001 to begin in February 2002 (see 2001/237b1) took contract away from Moviefone.

Loews, which has recently emerged from US Chapter 11 bankruptcy protection, is now under controlling interest of Canadian conglomerate Onex, which has also been named in the lawsuit. Cinema chain, hesitant to launch deal, had pulled out altogether by mid April 2002 and now has similar arrangement with Moviefone.

Canadian exhibitor forced to divest circuit

One of Canada's leading cinema circuits has sold off a stake in smaller operator after monopoly concerns were aired by authorities. Competition Bureau of Canada has ordered that major chain Famous Players must divest its stake in smaller regional circuit Galaxy Entertainment. Galaxy is backed 75 per cent by Onex Corporation, which has just taken over Loews Cineplex and Cineplex Odeon chain. Thus Famous Players, backed by Viacom, was seen as excessive concentration of ownership and must be unravelled. Original referral to authorities was for larger deal. Galaxy is aiming for 136 screens by end 2002. Company linked up with Famous Players (Canada; +1/416 969 7800; www.famousplayersmovies.com) in order to capitalise on and learn from latter's $440m update of equipment and facilities.

HK endorses two certification authorities

Hong Kong's Information Technology Services Department (ITSD) has endorsed two private companies as licensed national certification authorities. HiTrust.com and Joint Electronic Teller Services (Jetco) were recognised as certification authorities under Electronic Transactions Ordinance. A certification authority issues digital certificates to Internet users, allowing them to conduct electronic transactions with other parties in a secure manner. Recognition by ITSD (Hong Kong; +852/2582 4520; www.itsd.gov.hk) boosts number of companies recognised as a certification authority to four. Digi-Sign Certification Services was licensed in July 2001 and until now was sole competitor to Hong Kong Post Certification Authority, who commenced operation in January 2000.

UK digital collapse: government not guilty

UK's Culture Secretary has denied that government's failure to increase digital terrestrial signal strength was partly to blame for collapse of ITV Digital. Speaking on BBC's current affairs programme *Breakfast with Frost*, Culture Secretary Tessa Jowell said accusations to the contrary, levelled by ITV Digital, were unfounded. Independent Television Commission (ITC) had already given approval for a 25 per cent increase in signal strength, but decision to act on that was left to broadcasters, she argued. Signal strength was anyway due to be increased to about 50 per cent of the country.

Culture Secretary also said government target for a digital switch off between 2006 and 2010 could still be met, but re-iterated that it was still subject to two conditions: affordability and accessibility. (See also: *UK digital terrestrial platform closed* under Finance & Business.)

Telecoms shareholders slap suit on UPC

Troubled European cable giant UPC is at the centre of $200m lawsuit brought by former shareholders of telecoms group Cignal Global Communications. Shareholders claim UPC failed to honour certain option rights granted in connection with acquisition of Cignal by UPC subsidiary Priority Telecom. UPC (Netherlands; +31/20 778 9840; www.upccorp.com) had an agreement to pay Cignal shareholders $200m if it failed to float Priority Telecom before October 2001. It met the obligation, taking the telecoms unit public 27 September 2001, just days before deadline (see 2001/297a2).

UPC described the lawsuit as 'without merit' and said it would defend itself vigorously. But the challenge comes at an awkward time: UPC is mired in negotiations with Liberty Media to restructure its debt for equity, seen as essential to keep the company afloat.

Negative response to Swedish DTT study

Official responses to report by Sweden's digital television committee (Digital TV kommittén) on future of digital terrestrial television (DTT) in Sweden *Digital TV—modernisering av marknätet* have largely been negative to findings and proposals. Of more than 40 replies, sole positive response came from Konkurrensverket (Competition Authority), whose head also chaired digital television committee. Riksrevisionsverket (RRV, National Audit Authority) claims alternatives to terrestrial distribution were not sufficiently explored.

Public broadcaster Sveriges Television (SVT) wants government to spend Skr 5bn ($490m) to provide each household with 'people's box'. This would free analogue spectrum and cut transmission costs. Transmission operator Teracom supports idea of such set-top box (STB), as do many other bodies in their replies, though Teracom wants reception of such STB restricted to DTT over cable or satellite. Report is available on http://kultur.regeringen.se/propositionermm/sou/.

Canada clarifies foreign satellite ban

Canada has shored up its broadcasting regulations to ensure that a ban on reception of US satellite television signals cannot be misinterpreted. Move is attempt to end 'grey market' in reception equipment able to receive US pay TV signals of Echostar and DirecTV. Laws are designed to protect Canadian programming and broadcast investment. Industry sources estimate there are up to 700,000 Canadian homes using equipment capable of receiving US pay TV. Neither major US pay TV service is licensed in Canada and vast majority of Canadian viewers do not pay subscription fees.

Clarification in law will help efforts of DirecTV (USA; +1/310 662 9670; www.hughes.com) which has invested heavily in stopping Canadian piracy of its signals. Company has raided several suppliers of illegal reception equipment in recent years (see 2001/358a2). Clarification was also welcomed by Canadian cable operators, which claim reception of US signals robs them of millions of dollars a year in potential subscription income.

Non-EU countries to pay online tax

As of July 2003 all companies from non-European Union (EU) states will have to charge value added tax (VAT) on any entertainment goods sold online. Decision at beginning of May 2002 by EU (www.europa.eu.int) will bring firms from non-EU countries under same tax rules as those from EU countries that also sell online. Products covered by tax are pay-per-view and subscription-based entertainment, sales of downloadable music and software, games and films. Non-EU companies can chose to register for tax in any of 15 member states. US is expected to raise issue with World Trade Organisation claiming rules discriminate against non-EU countries. EU companies that already pay VAT have welcomed decision but want tax on such products to be lowered to same rate as books.

Armenians protest closing of channel

Armenians in capital Yerevan have protested against government's closure of independent channel A1+. Official reason for closure is because all channels are said to have to re-apply for licences. Critics claim that government did not like critical coverage of president and his cabinet on A1+ (Armenia; +3741/564299; www.a1plus.am).

Oz exhibitor responds to disability concerns

Australian cinemas are bracing themselves for possibly costly compliance with disability legislation. Reading Cinemas (Australia; +61/2 9232 6522; www.readingcinemas.com.au) was obliged to shut down and refurbish a relatively new multiplex cinema in Mandurah after conceding a legal challenge brought under Human Rights legislation. Complaint was lodged to cinema by a disabled teenager, on grounds that she was obliged to sit very close to screen or be carried further back. Cinema did not act on this and case was taken to court, where Reading Cinemas reached an out-of-court agreement. Result was that lifts were installed in building and extra seating added at back of auditorium. Move has reduced overall number of seats. Six-screen site was opened less than five years ago. Ironically, company uses services of a paralympian athlete at design stage to respond to disability concerns. Reading now controls over 90 screens and is Australia's fourth largest exhibitor.

UK government urges regulator to split BT

UK government has pressed telecom regulator Oftel to split incumbent operator British Telecom (BT) in a bid to encourage competition and growth of high-speed Internet access. In supporting a proposal by Cable & Wireless, select committee on Culture, Media and Sport has requested Oftel to pay special attention to possibility of splitting BT's network division from rest of business. News comes only weeks after BT's consumer and wholesale broadband price-cuts were approved by Oftel (see 2002/101a3). BT (UK; +44/20 7356 5000; www.bt.com) has announced its intention to resist proposals.

Vietnam regulator ends Internet monopoly

Vietnam telecommunications regulator has ended monopoly on Internet access provision by awarding two state-controlled firms licences to provide Internet gateways. Directorate General of Posts and Telecommunications (DGPT) ended the monopoly on Internet access provision by awarding Internet Exchange Provider (IXP) licences to military-run Vietel and Corporation for Financing and Promoting Technology (FPT). Vietnam Posts and Telecommunications (VPT) previously held Internet access monopoly through affiliate Vietnam Data Communication (VDC). Move follows decision by DGPT (Vietnam; +84/4 8226621; fax +84/4 8 226590) in August 2000 to allow all businesses—including foreign firms—of all economic sectors to become Internet Service Providers (ISPs). Vietnam has just 250,000 Internet subscribers among its 80m population, largely due to high fees and poor connections.

Finance & Business

Cable operator signs deals to advance strategy

US cable operator Insight Communications has made several major deals this month (May) as part of its ongoing strategy to offer bundled analogue and digital video, high-speed data, and voice telephony services to its customers in mid-sized communities.

- Five-year video-on-demand (VoD) partnership with digital content distributor TVN Entertainment Corporation. Under partnership TVN will be programming, transport and asset management provider for Insight's VoD services. Both companies will aggregate content to be distributed and managed using TVN's suite of VoD services.
- Digital-carriage deal with Public Broadcasting Service (PBS) and Association of Public Television Stations (APTS) whereby digital signals of 31 US public television stations will be carried on Insight's cable systems.
- Distribution agreement with Rainbow Media Holdings' VoD service named Mag Rack. Under agreement, Mag Rack VoD programming will be rolled out across Insight's digital subscriber base. As part of deal, portfolio of 25 video magazines will be packaged as value-added feature of Insight's digital service.

Founded in 1985, Insight Communications (USA; 1/917 286 2300; www.insight-com.com) is ninth largest cable operator in US, serving around 1.4m customers.

Telewest scrambles to avoid debt-equity swap

Cable group Telewest has launched series of measures designed to cut costs and streamline the company as it struggles to avoid following NTL down the debt-for-equity swap road. Announcing strong first quarter results, Telewest said its plans would result in savings of £40m-£50m a year on top of capital expenditure cuts that would reduce annual spend below £500m a year. Telewest (UK; +44/1483 750900; www.telewest.co.uk) will cut 1,500 jobs, slashing its workforce to 9,000. Business and consumer cable divisions will be merged under single management.

Measures did little to quell concerns of analysts who are eager to see company execute an NTL-style debt swap or sell channel group Flextech, which could be worth up to £1bn. Telewest's total debt burden stands at £5.3bn. Telewest's results showed record average monthly revenue per subscriber of £41.97 and a rise in earnings before interest, taxes and depreciation of 34 per cent year-on-year. Company now has 107,000 'triple-play' customers taking TV, phone and Internet services, representing five per cent of customer base. Cable TV subscriber numbers rose to 1,358,200, of which 793,000 were digital.

EM.TV's resurrection on track

German kids content group EM.TV & Merchandising says it has made significant progress in its 'restructuring and strategic re-orientation' since nearly going bust last year. Company said it was on track to achieve positive earnings before interest and tax by 2004, despite a difficult market. EM.TV (Germany, +49/89 957 150; www.em-ag.de) reduced its losses after tax to €374m from €1.35bn in 2000, despite exceptional write-offs of €240m, mainly relating to reduced value of programme stocks.

Company has re-focused on its core children's content business having shed high-risk assets, including most of its stake in Formula One rights unit SLEC (see 2001/329a5). Remaining 23.3 per cent of SLEC still on books is pledged to banks financing sale to Kirch holding company KirchBeteiligung. But EM.TV still wants to shed more assets. It is seeking buyers for its wholly-owned Muppet company Jim Henson, and German content and channel group Tele Munchen. It also said it was open to foreign investment in its business.

Alliance formed for digital content distribution

Following two-year period of collaboration Sony and RealNetworks have formally announced a strategic alliance. Sony (USA; +1/212 833 6800; www.sony.com) will also purchase one per cent share in RealNetworks. As a result of previous working relationship, Sony installs products such as RealPlayer and RealJukebox in products, and Sony's sound compression and copyright formats have been used by RealNetworks. Companies hope that by integrating simple solutions, digital distribution will be encouraged to develop further.

Euro screen ad group acquired by rival

Major pan-European screen advertising circuit RMB and associated companies have been acquired by a UK-based rival and a digital cinema pioneer. Carlton Communications and Thomson Multimedia have acquired RMB Cinema, RMB International and French screen ad partner Circuit A through a joint venture, for a total of £62m (€100m, $97m). RMB (Belgium; +32/2 730 4506; www.rmb.be), currently owned by Belgian broadcaster RTBF and French cinema chain UGC (see also *UK screen ad company teams up with UGC* in this section), is present in 16 territories and dominant in many of them. Price is relatively low considering RMB Belgium had a consolidated turnover of $145m in 1999 and company advertises to over 370m viewers in a year and ties up 7,300 screens across Europe.

Move, expected to be completed by end June 2002, will overturn cinema advertising landscape in Europe, as up until now Carlton has been content to dominate in English-speaking markets of UK, US and Ireland. Carlton will continue to operate separately and singly in UK and Ireland. US screen ad outfit Screenvision is already jointly owned by Carlton and Thomson. Importantly, tie-up in Europe will give access to key international and domestic circuits, including AMC, Ster Kinekor, Warner Village, Kinepolis and UGC. Also a key driver of deal, Thomson is actively engaged in digital cinema and this gives it access to exhibitors and advertisers needed to push new technology.

Studio pulls out of Internet VoD project

Fox Entertainment has decided to pull out of Movies.com venture with Disney. Deal announced last year (see 2001/303a1) has seen launch of website Movies.com offering film news, trailers and general film information but as yet no video-on-demand (VoD) via Internet delivery. Withdrawal of Fox (USA; +1/212 556 2400; www.fox.com) is due to potential regulatory process, logistics, technological and marketplace developments.

Regulatory concerns arose around Fox/Disney decision to offer exclusive films for first 30 days. Department of Justice anti-trust division, which launched an investigation into this proposal (see 2002/6a2), wants service to be non-exclusive. Disney will continue to operate website but has no plans to launch rest of service as yet. Disney will license films via Internet to cable and satellite television services.

Other Hollywood studios launched competitive service Movielink (see 2001/303a1) with similar results to Movies.com. MGM is only studio to allow Internet downloading so far in a 30-day trial (see 2002/77a1). Issues holding up Internet delivery are fears of studios over Internet piracy and download speeds which can take anywhere between five and 25 hours. Broadband connections can download an average film in 45 minutes.

FilmFour loss adds to Channel Four woes

Pay TV channel FilmFour has reported operating losses in 2001 almost double those of 2000. UK terrestrial broadcaster Channel Four has also reported its first loss in 10 years, said to be directly linked to its pay TV and online service 4Ventures, which includes FilmFour (UK; +44/800 441234; www.filmfour.com).

FilmFour has announced a loss of £5.4m ($7.9m), and Channel Four has reported a complete group loss of £20.6m ($30m), after 10 years of profit-making. Advertising slump and high investment in 4Ventures has been blamed. Channel Four claims loss was expected as part of investment in digital market, and has laid groundwork for progress in 4Ventures. Cable market leader NTL has withdrawn FilmFour (but no other premium channel) from its analogue service as a way of encouraging switch to digital.

Glut of US fibre claims aother victim

Telecommunications group Williams Communications has filed for Chapter 11 bankruptcy protection after failing to restructure $6bn in debt. Move follows hard on the heels of similar filings by Global Crossing and other erstwhile stars of the 1990s' telecom boom. In face of the current glut in network capacity, Williams, like other struggling carriers, has been struggling to generate enough revenues to pay down debts incurred in building out its network infrastructure. Survival of Williams, whose 33,000-mile network connects 125 US cities and five continents, is now largely dependent on its ability to retain SBC Communications as a customer. SBC, which accounts for roughly one third of Williams' revenues, uses the company to provide long-distance voice services to its customers.

Hong Kong production company floats

Production company Milkyway Image is planning to float itself on the Hong Kong Growth Enterprise Market (GEM). Milkyway Image (Hong Kong; +852/029 822 5133; www.ledworld.com/English.htm) was formed six years ago by producer/director Johnnie To hopes to float by June 2002. Move is expected to raise $7.7m so company can continue to finance own features and retain rights to films. Last year company produced Hong Kong's second highest grossing film *Love on a Diet*.

Another Hong Kong company also joining GEM is distributor Panorama International Holdings. Company want to expand into Chinese market so are selling 100m shares to raise $4.2m. Money will be used to expand companies video library as well as enabling entry into its sixth South East Asian market.

Interactive TV content developer folds

Interactive TV content developer Spiderdance is to suspend operations until television networks and MSOs start committing substantial budgets to iTV content. In the meantime, company will retain rights to its technology and intellectual property. Spiderdance (USA; +1/310 396 0090; www.spiderdance.com) is also exploring possible mergers or selling its technology. Spiderdance's technology was used to create MTV interactive game show *WebRiot*, as well as interactive elements for NBC's *The Weakest Link* and Warner's *No Boundaries*.

Intertainer in satellite VoD pact

IP-based video-on-demand (VoD) operator Intertainer (USA; +1/310 202 2900; www.intertainer.com) is to partner satellite delivery firm PanAmSat in an agreement that will enable delivery of content to cable TV operators via satellite, thus eliminating the need for manual input. Combination of the two companies' technology will enable cable operators offering their own VoD content using Intertainer's delivery system to manage their programming via satellite using a Web-based interface.

●●● **Yes to content.** UK Video-on-Demand (VoD) company Yes Television has launched new unit, Yes Media, specialising in content licensing and management services for broadband operators. Yes Media will offer consultancy on programme acquisition, broadband strategies, digital technology and encoding security. Yes operates ADSL VoD services in Hong Kong and Australia and acts as VoD provider to UK's Kingston Communications.

Israeli cable firm's woes could hinder merger

UPC-backed Israeli cable operator Tevel has had to apply for creditor protection to allow it to execute a recovery plan and continue operations. Tevel approached Tel Aviv District Court for protection same day that country's anti-trust chief approved three-way merger of Tevel with cable operators Golden Channels and Matav. Tevel lost I£854m ($181m) in 2001 and has debts of I£3.075bn ($650m), prompting fears that its precarious financial position could put success of planned merger in jeopardy Tevel said it needed a four-month grace period to allow time to negotiate a rescue plan with banks. Court granted protection only until end June 2002.

UPC has a 46.5 per cent stake in Tevel. Remainder is owned by local partner Discount Investment Corporation. Discount has said it will pump $5m into Tevel (Israel; +972/3 638 2401) to keep it running during restructuring. At end 2001 it said it had set aside $42m for the business. UPC, however, has been reluctant to join in refinancing while it sorts out its own debt restructuring currently under negotiation. Anti-trust officials gave the go-ahead for merger of all three cable companies on condition that they enter the telephony market within two years. Merged company will provide first true competition to incumbent telecoms group Bezeq.

Matsushita selects Seagate for 'ep Station'

Japanese giant Matsushita Electric has selected component manufacturer Seagate Technology to provide hard drive for new multimedia set-top box, 'ep Station'. Similar to recent home media server offerings by companies such as Moxi Digital (see 2002/15b2), Matsushita (Japan; +81/6 908 1121; www.panasonic.co.jp) is positioning ep Station as all-in-one set-top device offering digital TV, personal video recorder (PVR), online gaming, as well as music and content storage. Move throws Matsushita's weight amongst companies developing their own multimedia server systems, including Sony, Microsoft, Philips, Pioneer and Motorola.

TechTV reshuffles programming output

US technology-focused cable network has laid off 50 employees and is to introduce more entertainment-based shows. TechTV (USA; +1/415 355 4000; www.techtv.com) has scaled back its live technology programming output, and will replace this content with new acquisitions and commissions that reflect the increasing interest of its audience in entertainment-flavoured tech programming. Layoffs are a reflection both of the steep decline in advertising revenues registered by most media and Internet companies over the past 18 months and of declining consumer interest in technology matters since the pricking of the dot-com bubble in mid 2000.

New Australian distributor launches

Concentrated Australian theatrical distribution market has a new player: an old player. Recently departed from Oz distributor Dendy Films (Australia; +61/2 9233 8558; www.dendy.com.au), Troy Lum has launched a film distribution/marketing company in partnership with another local distributor New Vision. Newly-formed Hopscotch will begin with a library of 150 films, transferred from New Vision. Intention is to acquire international titles for local distribution, releasing up to 10 films a year. Company also aims to back development of a number of Australian titles.

NTL agrees debt for equity swap

Cable company NTL has agreed a debt-swap restructuring that will convert $10.6bn of its $17bn debt burden to equity. Plan was first announced in April this year (see 2002/104a4). Bondholders will gain 100 per cent control of new NTL UK and Ireland (UK; +44/1962 823434; www.ntl.com) and 87 per cent of NTL Euroco, which will operate company's European holdings. Bondholders have agreed $500m liquidity facility to keep companies running through restructuring. NTL will file for Chapter 11 bankruptcy protection in US.

Agreement focused scrutiny on UK's other major cable group Telewest, which is struggling with its own debt burden. Telewest responded with cost-cutting measures that could save the company £50m a year, but pressure is mounting for group to seek a similar debt-for-equity swap, or to shed assets to bring its debt-to-earnings ratio down (see *Telewest scrambles to avoid debt-equity swap* in this section).

Spain's satellite operators merge

Spain's two digital satellite pay TV platforms have agreed to merge, following collapse of country's digital terrestrial service Quiero TV, subject to approval of both regulator and Sogecable board.

Telefónica, largest shareholder in Vía Digital, approached government in hope of smoothing way for combination with Canal Satélite. Via Digital, smaller of the two platforms with 806,000 subscribers, lost €162m in 2001, having spent big on a selection of prime sports rights, including 2002 soccer World Cup. Canal Satélite is owned by Sogecable (Spain; +34/91 396 5687; www.sogecable.es), in which Vivendi Universal's Canal Plus Group has only 25 per cent stake. Platform has a higher degree of autonomy than most of Canal Plus's European platforms.

Merger would doubtless be welcomed by Canal Plus Group, which has begun to see success in consolidating its pay TV holdings in other core markets. Pair have previously explored merger options but failed to agree on management issues.

New company would serve more than 2.5m households and have annual revenues of €1.3bn. Under terms of deal, shareholders in Vía Digital will swap their shares for those in Sogecable. This will see Telefónica to take up to a 23 percent stake in Sogecable, similar to that held by Spanish media group Prisa and Canal Plus. Telefónica, Canal Plus and Prisa would each have board representation in Sogecable corresponding to their shareholdings, but Telefónica will be responsible for naming chairman.

Specialist film channel signs two distributors

Specialist film channel has secured US pay TV rights to films from distributors Lot 47 Films and Zeitgeist Films. Under deal, Sundance Channel (USA; +1/212 654 1613; www.sundancechannel.com) has acquired rights to seven features and one short film from Zeitgeist as well as six Lot 47 movies. Launched in 1996, Sundance Channel—joint venture between Robert Redford, Showtime and Universal—aims to support independent artists and provide them with wider opportunities to present their work to audiences.

UK cable group in deal with ISP

UK's leading Internet service provider (ISP) Freeserve is to offer broadband access through cable group NTL. Move will be first coalition of ISP with cable group for wholesale of broadband services. NTL (UK; +44/800 052 0800; www.ntl.com), owned by French group Wanadoo, filed for bankruptcy in US this month, and is in debt to sum of £11.6m ($17m). Freeserve deal may help alleviate debts, through targeting up to 70,000 new broadband subscribers.

NTL announced move just as Freeserve launches digital subscriber line (DSL) broadband service. Competitive prices are expected, with broadband subscription being tied to NTL's landline phone service and cable TV package. Parent company Wanadoo is employing similar tactics in France, and has secured more than 500,000 broadband subscribers through cable TV companies. Group is pushing for expansion in bid to make first profits.

UK screen ad company teams up with UGC

UK cinema advertising outfit Pearl and Dean has won a major contract to provide screen advertising across UK and Ireland. Pearl and Dean (UK; +44/207 882 1100 ; www.pearlanddean.com) has been appointed exclusive provider of advertising by UGC for its UK and Irish sites.

Deal gives Pearl and Dean a foothold in relatively small yet strategically important Irish market, in the form of UGC's nine-screen Dublin site. Dublin admissions have recorded a 25 per cent year-on-year increase in first quarter 2002, and Dublin site is attracting around 90,000 admissions a month. Ireland is important as it adds an extra market for Cinnenium Alliance, a strategic venture built around France's Mediavision, which used to own Pearl and Dean. UGC is current joint owner of European screen advertising circuit RMB (see also *Euro screen ad group acquired by rival* in this section).

Pearl and Dean has also recorded some success in UK in recent years, taking its market share from 30.2 per cent in 2000 to 44.4 per cent in 2001, to the detriment of Carlton Screen Advertising, which still has majority market share (69.8 per cent in 2000 to 55.6 per cent in 2001). In UK, cinema advertising expenditure in February 2002 stood at £16.4m ($25m).

USA Networks backers say yes to Vivendi

Shareholders of USA Networks have given approval for $10.3bn acquisition of the cable channel and content group by Vivendi Universal. Vivendi (France; +33/1 71 71 10 00; www.vivendiuniversal.com) plans to merge USA with Universal's film and TV assets to create new Vivendi Universal Entertainment.

UK digital terrestrial platform closed

UK digital terrestrial pay TV platform ITV Digital shut down its service 30 April 2002 after administrators failed to find a buyer for the business. Company's licences were immediately re-advertised by the Independent Television Commission (ITC), which expects to reassign them as early as June. ITV Digital was brought to its knees by a £315m rights deal with Nationwide Football League signed in 1999. It still owes £179m on the contract.

Administrators were called in after negotiations to reduce the payments failed (see 2002/102a1). ITV Digital owners Carlton and Granada (UK; +44/20 7620 1620; www.granadamedia.com) now face prospect of lawsuit from football league for breach of contract despite claims by the pair that they are not responsible for covering ITV Digital's debts. Timing coincides with recent retail release of £99 free-to-air receivers from Pace Micro Technology and Nokia (see 2002/78b5).

ITV Digital's 1.2m subscribers will continue to receive free-to-air digital channels through their set-top boxes. Scramble for customers still wanting pay TV has begun in earnest with cable companies NTL and Telewest and satellite service BSkyB launching press campaigns targeting ITV Digital's former customers. (NTL has bought ITV digital's subscriber/target database.)

Conundrum remains of how to make digital terrestrial pay. ITC has said it is willing to split the licence to allow up to three separate companies to take a portion of spectrum. But such a split will make pay TV less attractive. It will also be difficult to justify an entirely free-to-air replacement given current state of the TV advertising market and low penetration of digital terrestrial. BBC is a strong supporter of free-to-air digital, however, and will be a front-runner to take over a portion of the bandwidth.

Warner has new video partner in India

Warner Home Video (WHV) has new licensee in India: major music software distributor Saregama. Company previously responsible for distributing Warner's VCD and DVD product in India was Ultra, which by end 2001 had released more than 300 Warner titles. First batch of 10 titles was released by Saregama in March. WHV (UK; +44/20 7984 6304; www.warnerbros.com) has been active in India for some time and has long been recognised as the most pro-active of the majors for retail video there. Deal with Saregama (www.saregama.com) also covers Bangladesh.

Echostar links for ISP and VoD

US satellite broadcaster EchoStar Communications has formed strategic marketing alliance with EarthLink, one of America's largest Internet Service Providers (ISPs). EchoStar will offer bundled service packages through Dish Network whereby consumers taking bundled services will receive credits up to $10 on monthly service charges for package of EarthLink DSL Internet and Dish Network satellite television programming. EchoStar expects to begin offering EarthLink DSL service late this summer.

EchoStar Communications (USA; +1/303 799 8222; www.echostar.com) has similarly partnered SBC Communications in hope of developing DSL-powered video-on-demand (VoD) services in future. Alliance will see both companies marketing EchoStar's Dish Network with SBC's digital subscriber line services in bundled packages. Subscribers who purchase satellite television and DSL bundles will get price break of $10 a month.

●●● **Wrestlers' F off.** World Wrestling Federation Entertainment (WWF) has simplified its name to World Wrestling Entertainment (WWE). Last year, wrestling federation lost a battle with charity World Wide Fund for Nature over use of initials WWF and was banned from using the name in certain situations. New WWE moniker is designed to emphasise entertainment aspect of the content, company said.

Web VoD operator offers regional protection

CinemaNow, provider of Internet-based video-on-demand services, has signed five-year agreement to use Digital Envoy's geo-location technology for managing territorial rights of video content. Digital Envoy's software enables CinemaNow to control distribution of content to consumers based on their geographic location, in accordance with the preferred licensing terms of content owners.

CinemaNow (USA; +1/310 314 2000; www.cinemanow.com) has also partnered broadband entertainment network provider Cflix to offer CinemaNow films to Duke University students. Films are to be delivered by Cflix over the university's closed network at 700 kbps. CinemaNow and Cflix will monitor users' online behaviour patterns in preparation for scheduled future roll-outs.

●●● **Universal rationalises.** US distributor Universal Pictures is to shut down its niche arm, Universal Focus, established in mid 2000. Decision is a further step in strategic rationalisation programme following Vivendi Universal's merger with USA Networks and theatrical distributor USA Films.

Entertainment & Leisure

File-sharing boosts music sales

Online file-sharing services such as Kazaa, Morpheus, BearShare and AudioGalaxy have had a beneficial effect on sales of music, according to a report by Jupiter Media Metrix. Based on a sample of 3,319 people, survey presents experienced file-sharers as being 75 per cent more likely than the average online music fan to buy music. 'Hardcore' file swappers with CD-burning capability and broadband access are an amazing 95 per cent likelier to buy music than the average fan.

Jupiter's finding that usage of online file sharing sites is a strong predictor of increased consumer purchasing is likely to be contested by the music industry, which has blamed online file-sharing for its recent slump in sales. Jupiter blames instead a variety of non-file sharing related factors, including an overall decrease in consumer spending, competition from other entertainment products, normal market cyclicity and the industry's reliance on a relatively small number of huge hits to generate the bulk of revenues.

Record companies' focus on real or imagined detrimental effects of Napster-style piracy has caused them to spend far more energy and resources on initiating suits against the likes of Kazaa and Morpheus than on launching coherent online music distribution initiatives of their own that match the usability of the best free alternatives. Report highlights the industry's need to extract to the full promotional benefits of Internet distribution.

Wizard film sets UK video sales record

Harry Potter and the Philosopher's Stone has broken UK video saleson its release this month. Video's distributor, Warner Home Video (www.warnerbros.co.uk), clocked up sales of 1.25m copies on first day of release, breaking record for number of copies sold within 24 hours of release. Record-breaking was aided by 700 retailers opening their doors from midnight on 10 May 2002 to accommodate anticipated high demand. Previous record-holder was *Titanic* with 1.1m copies sold on day of release.

Asia World Cup satellite scam

Increasing number of Asian viewers are turning to illegally obtained satellite channels to watch the imminent World Cup broadcasts. Illegal sales of satellite decoding devices are rising due to a narrow choice of channels in rural areas, and limitations on distribution. Decoders imported from other territories allow users to gain viewing access to international satellite channels.

Decoders do not come cheaply. Priced around $2,000, this black market illustrates demand for broader distribution rights in certain Asia-Pacific regions. Broadcasters are taking legal action to curtail infringement of copyright, and suppliers could face five-year prison sentences. Meanwhile, soccer fans in these areas are left with little option.

Record sales expected for PPV boxing

Heavyweight bout between Mike Tyson and Lennox Lewis on 8 June is almost certain to be the highest-grossing pay-per-view TV event of all time, with nearly $80m in combined TV and attendance revenue. HBO and Showtime, rival pay TV companies that are collaborating to broadcast the fight in an unusual arrangement, have set a record-high pay-per-view-price of $54.95. Event will be available to about 32m cable customers and 18m satellite subscribers, and is expected to generate at least one million buys. In addition, 2,000 closed-circuit venues will be carrying the fight.

Scandinavian pay and free TV operator Modern Times Group (Sweden; +46/8 562 00050; www.mtg.se) has bought Scandinavian TV broadcasting rights to Tyson/Lewis fight. MTG will broadcast fight on a pay-per-view basis over its Viasat digital pay TV platform. Viasat claims it set a Nordic pay-per-view buy-rate record with broadcast of Mike Tyson versus Denmark's Brian Nielsen in October 2001. It sold 75,0000 pay-per-view tickets and attracted 400,000 viewers.

In UK, satellite pay TV operator BSkyB has bought rights to the title fight from Germany's EM.TV & Merchandising. Financial details were not released, but EM.TV said the deal with BSkyB (UK; +44/20 7705 3200; www.sky.com) accounted for a substantial portion of the $15m it expects to make from worldwide sales of rights.

Arachnid movie has legs, yes eight of them

US weekend box-office records have been broken with the release of *Spider-Man*. Title took $114m in its opening three days. Film also broke single-day ticket sales record, and speed in breaking through the $100m mark. Film has also taken record for highest second weekend ever, grossing $72m, for a cumulative gross of $223m.

Latest hit US movie is also proving a consistent success in international opening. After successful US launch, *Spider-Man* has now opened in 17 further territories, mainly small markets. In all, film has grossed over $13m from 17 territories and 700 screens in its first foreign weekend. Title set three-day records in Thailand, Taiwan, Malaysia and three other territories. It posted second-best spot in three territories, including Korea and Singapore, and third-best in Russia and Yugoslavia. In Japan, a pre-release of 420 paid previews grossed $2.7m. Film is released by Columbia-TriStar Distributors International (USA; +1/310 280 8000; www.spe.sony.com). Rest of world release is due on or before first week of June.

Compressed international release is partly to avoid piracy, as well as increasing perception of film as an event movie, although this hasn't deterred Internet users downloading illegal copies of film on file-swapping systems. One site registered 12,000 downloads of a film that exceeded 2 GB, in either AVI or MPEG formats.

'Spider-Man' gets online sales boost

Columbia-TriStar's blockbuster hit *Spider-Man* (see *Arachnid movie has legs, yes eight of them* in this section) is also registering record-breaking online ticket sales. Fandango.com has reported that ticket sales on its site totalled $3m in the weeks leading up to the movie's release. Fandango rival AOL Moviefone has not provided specific figures, but claims to have sold hundreds of thousands of tickets already, putting *Spider-Man* in its top five best ticket sellers of all time alongside *Titanic*, *Harry Potter and the Sorcerer's Stone*, *Lord of the Rings* and *Star Wars Episode I: The Phantom Menace*.

Movietickets.com, which has also declined to give detailed figures, claims that opening weekend ticket sales for *Spider-Man* were the highest ever in the company's two-year history. Nielsen/NetRatings reports that Fandango.com received 108,000 unique visitors on the day of the film's debut, while rivals Moviefone.com and Movietickets.com received 268,000 and 84,000 unique visitors respectively.

These figures highlight how the Web is becoming an integral part of the movie experience. Co-ordinated online marketing efforts are spurring consumers to visit a wide range of websites, where they can obtain information, news and gossip about movies and stars, as well as tickets. A viable alternative to queuing in the rain.

●●● **Web flaws for Spider-Man.** Box-office record-breaking release of *Spider-Man* has made an impact on viewers with its poor continuity. Flaw-spotting website www.movie-mistakes.com reports that it also broke the record for number of errors noted in an opening weekend. Its 77 mistakes spotted jumps it into ninth position overall.

Mothers club dominates Internet usage

Mothers dominate family Internet usage, according to survey by Digital Marketing Services (DMS) for Internet service provider America Online. Survey of more than 8,000 American mothers indicates mothers average nearly 17 hours a week online compared with just over 12 hours that teenagers spend. America Online (USA; +1/212 484 7458; www.corp.aol.com) survey also found most popular online activities for mothers—predominantly between 20:00 and 22:00—include communicating via email/instant messaging, accessing news, current events and local information and researching health information. Mothers are finding Internet useful way to save time and stay informed. Over half of mothers surveyed indicate time-savings of at least two hours a week.

Emerging trend may result in rise of applications, services and advertising targeted toward 'mother's' segments, especially since trend is likely to increase as mothers have indicated they would like to do even more 'chores' online. For example, whilst only six per cent of mothers use Internet to establish appointments, 62 per cent indicated they would like to do so. Trend is also backed by US study conducted by Jupiter Media Metrix, which states number of women online has surpassed number of men accessing Internet.

New Zealand under siege from DVD pirates

New Zealand is under seige from DVD pirates, according to Motion Picture Association (MPA). New Zealand customs has reportedly seized hundreds of counterfeit DVDs—mainly from China and Malaysia—from postal packages and market stalls. Despite efforts by customs it is believed an increasing number of illegal poor quality DVD units have entered New Zealand.

Counterfeit product of Hollywood titles such as *Black Hawk Down*, *Panic Room* and *Serendipity* arrived in New Zealand within a week of their domestic theatrical release. MPA (USA; +1/818 995 6600; www.mpaa.org) estimates that counterfeit product sales in Asia-Pacific region potentially cost distributors $600m a year in lost revenue. Problem is exacerbated by parallel imports of Region 1 DVDs into New Zealand (see 2001/293b1 and 2002/5a1).

Nintendo off to strong start in Europe

Nintendo was claiming sales of 400,000 GameCubes across Europe as of 14 May 2002, having launched its new console on 3 May. This represents an 80 per cent sell-through from the 500,000 shipped at launch. In UK, Nintendo machine recorded first week sales ahead of the comparable launch-week figures for both Sony's PlayStation 2 and Microsoft's Xbox. UK sales of the latter quadrupled after the price was cut from £299 to £199 on 26 April (see 2002/99a2).

However, Xbox sales in the UK have now dropped to a weekly rate of about 80 per cent of that of PlayStation 2. Two weeks after the price cut, Microsoft claimed that European Xbox sales were running neck-and-neck with PlayStation 2. Based on week-on-week sales since launch, Microsoft reckoned that the Xbox: PlayStation 2 ratio was 49:51 in the UK, 46:54 in France, and 55:45 in Germany.

Nintendo (Germany; +49/60 26 9 500; www.nintendo.com) reports that, on average, gamers are buying 2.3 games with each GameCube bought, with the best-selling games being Nintendo's *Luigi's Mansion* and *Star Wars Rogue Leader: Rogue Squadron II*. By comparison, Microsoft reports that an average of 3.7 games have been sold for each Xbox console in UK. Interestingly, Nintendo also says that average age of the early GameCube owner is 23 years, higher than the demographic normally associated with the firm's products.

North American box office on upward curve

Canada's box office jumped sharply in 2001. Motion Picture Theater Associations of Canada puts box office at record C$732.8m ($470m) in 2001—increase of 11 per cent on previous year. Percentage increase is slightly higher than in neighbouring US, which rose by 10 per cent. Increase in 2001 means that sector has now undergone longest period of expansion since 1945, beating period of sustained growth between 1963 and 1970.

In US, several records have been shattered. April box office result of $606.6m, a record for the month, is up 19 per cent on last year's total. Before 2001 total, April box office had never exceeded $500m, let alone $600m. April admissions stood at 102.2m, beating record of 97.2m set in 1984. First four months of year have all produced box office grosses of over $600m, which is also an industry record.

Blockbusters threatened by online piracy

Hollywood studios are expressing concern over increasing availability of films online pre-release. Much anticipated *Star Wars Episode II: Attack of the Clones* has already reached an estimated 1m viewers, despite release date being set for later in month. Similar concerns were raised over *Spider-Man*, though box-office coups have dispelled theories of lost ticket revenue in that case (see *Arachnid movie has legs, yes eight of them* in this section).

Studios' objections fall into two main categories. Lost profits from ticket and DVD sales will have a directly detrimental effect on profits, and negative publicity from uncontrolled online reviews and discussions pre-release may deter audiences. Studios are motioning for legal action against online piracy, following precedent from last year's piracy ruling against music-sharing website, Napster (see 2001/70a2).

Cannes festival embraces digital cinema

Cannes Film Festival has embraced concept of digital projection. Barco Digital Cinema is official sponsor and supplier of digital cinema projectors to all digital screenings. Both Lumière and Buñuel auditoria have been equipped with Barco's D-Cine Premiere and used to show wide variety of film. In addition to special screening of *Star Wars: Episode 2—Attack of the Clones* (followed by discussion by film makers Lucas and McCallum) four classical titles in digital: *Pepe le Moko*, *Max et les Ferrailleurs*, a restored *Singing in the Rain* and *Goodbye Mr Chips*. Only digitally screened film in competition is *Russian Arc aka Waterloo*.

Other films screened out of competition are documentaries *History of Cannes* and tribute to Billy Wider by Martin Scorsese, as well as special screening of Dreamwork's animated film *Stallion*. Last year Dreamwork's *Shrek* was allegedly prevented from digital screening in competition to prevent it getting unfair advantage over other film-based titles.

Digital screenings will run from different sources, including EVS 24p CineServe server and Sony HD CAM via ACSAR Alternative Content router and switcher by Barco (Belgium; +32/56 233 211; www.barco.com).

Major DVD markets still breaking records

Development of globe's main DVD markets continues to go from strength to strength, according to latest figures for period January-March 2002 for US and UK.

Disc shipments to US market grew 74 per cent to 120m units during first quarter, DVD player shipments rising by almost a third to 3.6m, according to DVD Entertainment Group (DEG), format's trade body in US.

Video rental market figures from Video Software Dealers' Association (VSDA) paint similarly rosy picture for DVD format in US. Country's consumers spent $634m on rental of 199m DVDs during first quarter 2002—increase of 126 per cent and 120 per cent respectively compared with same period in 2001.

In UK, DVD sales increased by 132 per cent to 14.6m units, according to British Video Association (BVA: UK; +44/207 436 0041; www.bva.org.uk), and DVD rentals grew to 12.3m—up 185 per cent.

While market performance of the digital format was breaking yet more records, fortunes for analogue VHS sector were mixed. In UK, low prices helped retail VHS sector sales remain pretty stable at 17.3m, but VHS rentals fell by a quarter, to 33m. VHS rental transactions in US fell by 20 per cent, to 579m.

German box office rises as admissions fall

German cinemas have registered a box office increase while suffering a drop in admissions for first quarter 2002. Figures from federal film agency Filmförderungsanstalt (FFA: Germany; +49/30 254 09020; www.ffa.de) show that a new box office record has been set in first quarter, reaching €271.4m ($247m), or a year on year rise of 6.3 per cent, driven by good showing of titles such as *Lord of the Rings*, *Monsters Inc* and *Ocean's Eleven*. However, whilst box office was rising, admissions were down 1m on same period last year, standing at 45.2m visitors for first quarter. This suggests an increase in average ticket price of around 45 cents on last year. However, the real reason is probably the success of *Lord of the Rings* to which ticket price supplement applied, due to extended running time. German productions took a market share of 15.9 per cent in quarter.

Canadian Internet homes opt for broadband

Canadian households with narrowband Internet access are increasingly opting to switch to high-speed broadband connection, according to report by Ipsos-Reid. Figures indicate that nearly 48 per cent of all on-line Canadian households now use high-speed Internet connection. Number of Internet homes in Canada connected with broadband Internet access—either digital subscriber line (DSL) or cable modem service—has doubled since 2000, says Ipsos-Reid (Canada; +416/324 2900; www.ipsos-reid.com). Furthermore, report found Canadian broadband users are online for longer—an average of 14.3 hours a week, compared with 8.6 hours a week for dial-up users—and are more inclined to try different activities such as online banking and shopping.

Cable movie sets record in Taiwan

Asia's leading multi-platform content and service provider has premiered most watched movie of all time among Taiwan's Chinese and Western cable movie channels. Wholly-owned subsidiary of News Corporation, Star Mandarin Movies set record with premiere of *Shaolin Soccer* when it attracted over 2.2m viewers early this month (May). Second broadcast of *Shaolin Soccer* also topped its day's cable ratings chart, attracting around 1.8m viewers. Record follows deal in December 2001 whereby Star (Hong Kong; +852/ 2621 8888; www.startv.com) was granted permission to broadcast customised Mandarin-language channel in China (see 2001/355a1).

Streaming media more popular on the Internet

Survey by the Cable and Telecommunications Association for Marketing (CTAM) finds 56 per cent of Internet users access streaming media, and 27 per cent are either somewhat or very likely to pay fees to view full-length movies on their PCs. Based on a sample of 771 US Internet users, study also says 23 per cent of consumers would be somewhat or very likely to pay for music on the Internet, whilst 20 per cent would be willing to pay for live sports events. Findings indicate that the Internet is increasingly being perceived as a viable medium for accessing the sort of mainstream entertainment content that has hitherto been seen as the exclusive preserve of television.

UK passes half million broadband connections

Broadband connections in UK have passed 500,000, according to telecom regulator Oftel. As of April 2002, there were 211,000 subscribers to ADSL and 328,000 to cable modem services. Oftel (UK; +44/207 634 8991; www.oftel.gov.uk) has also announced that 60 per cent of all UK households (around 15m homes) are covered by ADSL.

Meanwhile, cable operators Telewest and NTL are available to 4.9m and 8.4m homes respectively, with respective 95 per cent and 56 per cent broadband capability. Demand has been stimulated since BT's broadband price drop (see 2002/101a3) and introduction of self-install systems. Most recent figures released show over 20,000 connections being made a week. Current level of demand for broadband oustrips that for mobile phones when first introduced.

New Products & Services

Comcast to offer NBC content on demand

NBC is to provide free network content, including programmes such as *The Show* to cable operator Comcast. Deal is part of Comcast's plan to roll out a trial 1,500-hour VoD and subscriber VoD package on its Philadelphia cable system in September 2002. Package will also include local news broadcasts of NBC's WCAU-TV broadcast station. Roll-out will provide 260,000 Comcast digital subscribers with 24-hour access to 750 hours of digital VoD for a monthly subscription fee of $14.95. Subscribers will also have access to another 750 hours of SVoD programming.

Comcast (USA; +1/215 665 1700; www.comcast.com) plans to deploy these services nationwide shortly after it completes its proposed merger with AT&T Broadband, which will make the company largest MSO in US with over 22m subscribers.

AT&T in wireless Internet launch

AT&T Wireless has launched MMode, a wireless Internet service modeled on Japanese operator NTT DoCoMo's successful I-mode service. MMode will offer mobile phone users the ability to use their phones to send e-mail, get driving directions, play games, receive news and sports updates and check flight information. AT&T Wireless (USA; +1/425 580 6000; www.attws.com) will charge users $2.99 a month plus usage charges, which equate to about $8 a month to download 1Mb of data and $12.50 a month to download 2Mb. Company plans to offer digital photo messaging and location-based services in the near future.

AT&T to launch subscription VoD trial

Largest US cable operator AT&T Broadband is to launch six-month market trial of subscription video-on-demand (SVoD) services. Featuring content from premium networks Showtime and Starz, trial service will be supplied on cable systems in California. Trial is expected to help companies better understand consumer interest and demand for subscription on-demand services as well as test added value of SVoD as an enhancement to a video-on-demand service. AT&T Broadband (USA; +1/720 875 5500; www.attbroadband.com) launched video-on-demand service in California during 2001, enabling customers to stream video titles via their digital set-top boxes (STBs). New SVoD service will be available free for 90 days to Starz and Showtime with VoD services. AT&T Broadband expects to sign further content providers, with intention eventually to charge customers $8 a month flat fee on top of exisiting package. Trial follows $72bn acquisition of AT&T Broadband by Comcast in December 2001 (see 2001/361a3).

France's TPS launches PVR for World Cup

French satellite operator TPS is set to launch a second generation set-top box (2G STB) incorporating personal video recorder (PVR) capability at end May. To be made available in time for World Cup 2002, STB, called 'TPS Platinium', will be first such service in France. Device is Sagem's PVR 5110-S, which has an 80 Gb hard disk allowing 40 hours of recording. TPS (France; www.tps.fr) has confirmed order of 5,000 units from Sagem, following a successful trial of 50 homes.

Company is expecting to have all 5,000 boxes in subscribers' homes by giving them away free for three-month trial basis on first-come first-served basis. Thereafter, subscribers have choice whether to continue on a subscription basis or return box. After UK's BSkyB, TPS is second satellite operator to launch PVR services over DTH. Announcement has stolen march from rival French operator Canal Plus, whose own PVR plans have provisionally been set for October 2002.

Free Fox shows in VoD trial on US cable

Fox and Cablevision have agreed to run trials using two of Fox's top television shows via video-on-demand (VoD). iO Cablevision's digital cable service will offer *24* and *The Shield* free of charge to VoD users just 24 hours after they appear on Fox network. Cablevision will show trailers for final episode of each TV show in return. Trial is to test how many consumers are interested in VoD and then help develop a business plan for future, one aspect being whether to charge via subscription or pay-per-view for service.

Fox (USA; +1/310 369 3900; www.foxhome.com) is not only company interested in VoD developement. Comcast and NBC announced a similar scheme with NBC's evening news programme and Cox Communications are discussing VoD trials with programmers.

Microsoft releases iTV programme guide

Software giant Microsoft has introduced new interactive programme guide (IPG) technology that is compatible with set-top boxes made by Motorola. Microsoft TV IPG will compete with the guide offered by Gemstar-TV Guide International, which works with middleware from Liberate Technologies, Microsoft's major set-top box operating system rival.

Microsoft (USA; +1/206/882-8080; www.microsoft.com) has also released an upgrade to its set-top box software, Microsoft TV Advanced 2.0, which now includes integrated video-on-demand and support for enhanced digital video recording features.

Deutsche Telekom launches satellite broadband

German incumbent Deutsche Telekom (DT) has commercially launched its T-DSL via satellite broadband service. Carried by Astra satellites, service has two main packages, one at €19.90 a month allowing 500 Mb of downloads, the other at €39.90 a month allowing unlimited downloads. Offer complements T-DSL terrestrial broadband product already provided by DT (Germany; +49/228 181 4949; www.dtag.de), and is intended to extend broadband reach to users everywhere in Germany. Last month (April) British Telecom unveiled similar service in UK (see 2002/109a3).

BTopenworld to launch gambling service

BTopenworld, broadband services division of British Telecom, is to launch an online gambling site. New service, called 'Sports and Bets', will focus on four core gaming areas: sports betting, lotteries, bingo and casinos. BTopenworld will combine with Rank Group and casino operators Station Casinos and Sun International Hotels Online to develop the site, which will also offer downloadable online casino games. BTopenworld (UK; +44/20 7356 5000; www.btopenworld.com) is also partnering UKbetting.com, Coral Eurobet and Oddschecker for the sports betting element of the site. Unit is also planning to launch a broadband sports subscription service that it hopes will increase group's overall betting revenues by autumn 2002.

Digital TV to be launched in Iceland

Digital television is to be launched in Iceland under plans announced by country's incumbent telecom operator. Iceland Telecom (Iceland; +354/550 6000; www.siminn.is) plans to start broadcasting digital television around late September 2002 as part of its service enhancement to customers across Iceland. Availability of digital television is expected to provide subscribers with more foreign channels and interactive services such as shopping, e-mail and playing video games through television. Iceland Telecom—owned 95 per cent by state, five per cent by public—plans to use conditional access technology from Norwegian supplier Conax.

Greenland to get digital terrestrial TV

Greenland is set to get digital terrestrial television (DTT), ahead of its mother country Denmark. Tele Greenland (Greenland; +299/34 12 55; www.tele.gl) has successfully completed trials using DVB-T standard in Nuuk, in co-operation with Nuuk TV, Nota Bene and KNR between October 2000 and November 2001, using equipment from Barco, Tandberg, ABS and PTV (Protelevision). Programming for DTT service will be 2-5 channels per multiplex, which will include some local channels or programming for individual towns. Service will cover all 56,000 inhabitants of 12 communities on Greenland's west coast. Conditional access wil be supplied by Swedish company Conax. Tele Greenland is owned by Greenland Home Rule and has concession for all forms of telecommunications in Greenland.

Movie swap site Kazaa to launch paid service

Sharman Networks, which administers Kazaa, most popular client software on FastTrack file-sharing network, is to launch DoubleClick advertisements on its service as well as a separate advertising-free subscription service. Company, whose Kazaa software has been declared legal by a Dutch court, is also lobbying for an initiative called the Intellectual Property User Fee (IPUF), which would add a fee to a user's ISP bill that would go towards compensating artists, record labels and other rights holders for media downloaded over peer-to-peer services.

Sharman Networks (Australia; www.sharmannetworks.com) has also announced plans to launch Altnet, a second network that facilitates delivery of secured content from third parties. In a separate development, company may be facing competiton from a renegade software application known as Kazaa Lite, which connects to FastTrack using a similar interface but without installing third-party software or serving banner ads to its users. In just over two weeks, 80,000 people have downloaded Kazaa Lite, which was created by hackers aggrieved at the growing commercialisation of Kazaa. In the same way as content owners tried to stamp out the first generation of peer-to-peer file swapping sites, Sharman is now preparing to deliver cease-and-desist letters to the creators and distributors of Kazaa Lite.

Tech Foundries reveals Spanish PVR

Spanish interactive firm Tech Foundries has announced imminent launch of multimedia personal video recorder (PVR) system, I-Out TV, in Spain. Seeking to capitalise in period prior to TiVo's entry into Europe, Tech Foundries (Spain; +34 93 238 77 66; techfoundries.inouttv.com) has set aggressive target of 200,000 subscribers within three years. Company, run by entrepreneur Eudald Domenech and ex-minister for Industry Joan Majo, has dedicated €8m to developing its I-Out TV system, which has similar characteristics to recent spate of multi-tasking unveiled by likes of Digeo's Moxi Digital (see 2002/15b2). Device, which will cost approximatly €1,000 plus monthly €10 subscription fee, has digital tuner, DVD-player, modem, and intelligent hard-disk recording, allowing full PVR and content-storage functionality. Initially Tech Foundries will manufacture boxes itself, but hopes to license its model to other hardware in near future, as well as striking agreements with content providers. Expected launch is summer 2002.

TV4 gets room for new(s) channels

Swedish commercial terrestrial broadcaster TV4 has taken over digital terrestrial television (DTT) frequency slot previously occupied by failed education broadcaster K-World (see 2001/229a3). TV4 will use slot to broadcast its new dedicated news channel, which will be operated in collaboration with CNN. Failed applicants include TV4's sports channel, entertainment channel E! and premium movie channel Cinecinemas.

TV4 (Sweden; +46/8 459 40 30; www.tv4.se) will also soon launch interactive channel Mediateve. Channel will allow television, SMS services and voting to take place in one frame. Channel is expected to cost Skr 5m ($0.5m) annually and will be distributed digitally via Canal Digital (satellite), Com Hem (cable) and DTT.

UK broadband rental fee reduced for trial

Telewest is offering broadband Internet connection in UK for less than average dial-up connection fee. Telewest (UK; +44/20 7693 8800; www.telewest.co.uk) has launched comprehensive scheme to combat British Telecom's much publicised reduction in ADSL line rental. Company is offering three months' connection at £13.48 a month with a £50 connection fee. Customers who sign for digital television, telephone and broadband package receive service for £25 a month and reduced connection fee. Once trial offer is over line rental rises to £29.99 a month but Telewest is hoping customers will be so impressed with connection they will carry on using service.

US and Japan console price war heats up

After Europe, its now the turn of US and Japanese game console markets to experience a price war. Microsoft has responded to Sony by dropping the price of its Xbox in the US and Japan by 33 per cent and 29 per cent respectively. Effective 14 May 2002, Sony reduced US price of PlayStation 2 from $299 to $199—same price point as Nintendo's GameCube. Two days later, Microsoft cut Xbox price to the same level. Microsoft has also cut Japanese price of Xbox to ¥24,800 ($193.12) from ¥34,800 ($271). Sony also said it would allow retailers to begin discounting in Japan. Moves come after 26 April Xbox price cut in Europe and pre-launch European price cut by Nintendo (see 2002/99a2).

Video-on-demand system launched for HDTV

Supplier of digital video server systems is to launch video-on-demand (VoD) system for high definition television (HDTV). Seachange (USA; +1/978 897 0100; www.schange.com) expects high definition-capable digital set-top box (STB)—aimed to empower cable operators to include high definition movies and programming in their VoD services—to be available by mid 2002. At present, six of the eight largest cable operators in North America have selected Seachange's VoD system, bringing potential residential subscribers of new system to over 12m.

Launch follows development of Channel Link by company's subsidiary Digital Video Arts. New software platform enables cable networks to extend their brand to subscription VoD services and virtual channels such as do-it-yourself cooking, health and fitness. Cable operators require software upgrade to their Seachange VoD system to support Channel Link.

European model mooted for US sat service

European satellite giant SES wants to take its Astra satellite network business model to US and has applied to Federal Communications Commission (FCC) to launch a new satellite television platform that would compete directly with Echostar and DirecTV. Through its US subsidiary, SES Amercicom, company would offer a platform for channel providers, content owners and interactive service providers to beam directly in to customers' homes rather than being offered as part of a package. Model is identical to that used in Europe, where viewers can receive a wide range of free-to-air channels, or selected pay services with a suitable smart card, directly from Astra satellites. New service is to be called Americom2Home and would also provide pay-per-view content.

SES Americom (USA; +1/609 987 414; www.sesamericom.com) would act solely as technical service provider, with content providers managing their own customer relationships. Included in the business model is a plan to use two satellites, one Ku-Band and one Ka-Band, in adjacent orbital slots. This will allow Americom2Home also to offer full two-way broadband services including high-speed Internet and interactive TV. If company receives licence approval, it expects to launch new platform by 2004.

Separately, Echostar has teamed with telecoms group SBC Communications to bundle ADSL broadband Internet services with its digital television offer. Bundled option will be marketed by both companies with a $10 monthly credit incentive for customers taking both TV and Internet. Plan is similar to one already operated by DirecTV which offers ADSL services from Worldcom. Bundling is intended to bring satellite offers in-line with services offered by cable. Echostar and DirecTV are awaiting approval to merge.

Europe-wide brand launch for mobile phones

Wireless telephony operator MmO2 has launched its O2 brand into mobile phone market in Europe this month. BT Group spin-off business has incorporated mobile network providers across Europe, shedding old names for the Europe-wide O2 brand (see 2001/366a2).

European mobile competitors have adopted similar policies. German group Deutsche Telekom has dropped national provider names for the continental T-Mobile. Market dominator Vodafone and French-owned Orange are also bringing subsidiary companies into their European group names.

Launch of O2 comes at an uncertain time for wireless industry, particularly for smaller providers such as mmO2 (UK; +44/121 415 7102; www.mmO2.com). Even bigger players like Vodafone have seen significant drops in share priced this year, suggesting a less bright future for wireless businesses.

New online gaming empire

International grid for video games which will support millionsof players has been launched. Computer giants IBM have linked with online gaming company Butterfly.net in a move to bring together players using open source software, rather than using internet platform. Butterfly Grid (US; +1/304 870 1234; www.butterfly.net) is accessible through plug-in software for PC and console games, and will not be affected by speed of Internet providers or web traffic. Grid can also accommodate millions of players, whereas similar web-based programs can hold only hundreds of thousands. Game producers will pay a percentage of game sales to finance Butterfly Grid. Production costs will be decreased, because plug-in system will eliminate need for game/web compatibility. Butterfly Grid will theoreticlly make online gaming reliable and uninterrupted.

Spain gets free-to-air DTT channels

Despite collapse of commercial digital terrestrial television (DTT) platform Quiero (see 2002/97a2), Spain's analogue terrestrial broadcasters launched DTT version of their existing free-to-air channels on 3 April 2002. RTVE, Antena 3, Tele 5 and Canal Plus have each launched their main channel (two in the case of RTVE) on single DTT multiplex in accordance with original plan(see 1998/246b2). Channels reach just 200,000 of Quiero's subscribers out of over 11m television house-holds. Limited number will hamper prospects of commercial DTT channels Net TV and Veo TV, both obliged to launch this June. Spain's FTA broadcasters have complained that cramped frequency sharing on single multiplex may in some cases lead to worse audio and picture quality than for same channels in analogue.

New free German TV channel launched

Germany gained another free-to-air television channel last month (April) with launch of Tele 5. Channel, backed by Herbert Kloiber'sTele München Gruppe, will target young male demographic with movies, series and cartoons. It was launched on analogue cable and satellite and claimed reach of 16m households (43 per cent) at launch.

Kids TV programmer EM.TV holds a 45 per cent stake in Tele München and has agreed a multi-year licensing, beginning with 300 hours of programming in 2002. Tele München is the biggest programme rights holder in Germany after KirchMedia, but it has reduced its interest in the broadcast market in recent years. It sold its stake in women's interest channel TM3 to News Corporation last year. That stake has since been taken over by ProsiebenSat1 Media's Sat 1 and the channel re-branded NeunLiveFernsehen.

For EM.TV, deal represents a stand of independence from KirchMedia. KirchMedia owns 50 per cent of EM.TV's JuniorTV content arm and has been the group's major customer. Kirch was instrumental in a rescue plan that saved EM.TV from bankruptcy last year (see 2000/262b3).

Following collapse of KirchMedia (see 2002/103a2), EM.TV (Germany, +49/89 957 150; www.em-ag.de) has expressed interest in buying back the 50 per cent of Junior owned by Kirch. It is also seeking to sell its stake in Tele München, although any buyer must be approved by Kloiber, who holds veto rights on the sale. (See also *EM.TV's resurrection on track* under Finance & Business.)

Developments in digital cinema

Despite Geroge Lucas's disappointment at not being able to screen the latest Star wars episode on a large number of digital cinema screens (see *Disappointing Star Wars digital cinema reach* under General), groundwork is being laid by leading exponents for future development.

■ Digital audio specialist Dolby (USA; +1/415 558 0200; www.dolby.com) has signed agreement with digital cinema division of aircraft major Boeing Digital Cinema for use of its Digital Media Adapter (DMA8) cinema interface units and has also hired its Technical Services Group for initial implementation of Boeing's In-Cinema Equipment (ICE) suite for upcoming digital cinema presentations. Work also includes site surveys, system integration testing, and other content management functions.
■ In turn, Boeing Digital Cinema (USA; +1/562 797 7159; www.boeing.com/defense-space/space/cinema/flash.html) has bought servers from Avica and EVS to supports its initial network of 23 screens. EVS will support single UK site while Avica servers are used in all US sites. First movie played will be *Star Wars: Episode 2*.
■ UK's largest exhibitor Odeon (UK; +44/20 7930 6111; www.odeon.co.uk) has signed agreement with Technicolor Digital Cinema for its flagship Leicester Square cinema in London. Site was previously part of the Texas Instruments digital cinema test network and screened several films and one Broadway show digitally. Site will use Qualcomms ABS server and system instead of previously used QuBit.
■ Japanese digital multiplex consortium T-Joy (Japan; + 81/824-93-6779; www.tjoy.net) has purchased two further QuVis QuBit digital cinema servers. First server will be installed in Park Place Theatre, Ohita. Second server has been purchased by group of Japanese companies and will be used in Umeda Buruku 7 cinema at Osaka. Both cinemas operate a Digital Light Processor (DLP) projector supplied by Digital Projection (DPI).

VoD Web channel for indie filmmakers

Digital cable content provider Intertainer is to launch new Web-based video-on-demand (VoD) channel in mid 2002 to boost enthusiasm and revenue for independent filmmakers. New channel—Film Marketplace—allows filmmakers to submit their short and feature-length films on Intertainer's website for flat fee based on length of film. In exchange, Intertainer (USA; +1/310 895 2112; www.intertainer.tv) allows filmmakers to set the price of their film and guarantees 100 per cent of revenues generated by film are returned.

Company claims films—which may currently be submitted—will be showcased in high-quality, secure environment alongside major Hollywood films. By early 2002, Intertainer was serving top 35 US markets with over 70,000 hours of content from 70 providers. Move follows company's deal with MGM for rights to many new releases as well as selection from its 4,100-title strong library (see 2002/72b1).

PlayStation One price slashed
To boost sales of re-designed original PlayStation console (known as PSone), Sony (Japan; +80/5448 2111; www.sony.co.jp) has cut its price significantly. As of 18 May in the UK, price of PSone games console is being cut from around £80 to £49, and in rest of Europe to €89, effective by end May. In US, the machine will now cost just $49, down from $99. PlayStation and PSone together have achieved worldwide shipments of close to 90m units.

Google in pioneering Web services drive
Online search enabler Google has built a user-friendly Web services platform that points the way forward for giants like Microsoft, AOL and Yahoo. Google (USA; +1/650 330 0100; www.google.com), which is exploring ways of increasing its revenues in advance of an IPO later this year, has opened its technology so that other developers can tie in to its catalogue of 2bn documents. When Google released the application programming interface (API) in April 2002, 10,000 developers signed up to use it in just four days.

Developing an easy-to-use Web services platform has long been a primary objective of giants like AOL and Microsoft, which are keen to enable their customers to conduct a wide range of computing functions online. What separates Google's approach from those of its competitors is its focus: it concentrates on helping third-party developers to tap into its search franchise. Current uses of the Google Web API include a tool that can search the company's database through instant messenger or notify users of search results by e-mail. As part of its broader strategy, Google is also looking to strike more deals with third parties that need search services. Company recently won a contract to supply AOL with search services from competitor Overture, and is looking to retain the services of Yahoo when its deal comes up for renewal in June. Inktomi, another competitor, is also pitching for the Yahoo contract.

Education

UK funds script development expertise
UK film agency Film Council is to fund a programme for potential script development executives, in partnership with Film and Television Freelance Training. Film Council (UK; +44/20 7861 7861; www.filmcouncil.org.uk) is to invest $350,000 into project, as part of overall training funding programme. Six people will receive funding within programme. (See also *Film Council boost to UK art-house cinema* under General.)

Technical developments

Pace and Philips develop home media centre
UK-based hardware firm Pace is to develop home multimedia centre with consumer electronics manufacturer Philips. Pace (UK; +44/1274 532 000; www.pace.co.uk) plans to bring its Pace Home Media Center (PHMC) to partnership, whilst Philips will forward its Nexperia-based Home Entertainment Engine (HEE), designed for use in advanced set-top boxes, digital consumer systems and networked applications. Companies aim to have working model of home network system, much like that unveiled by Digeo's Moxi Digital in January 2002, allowing wireline and wireless connectivity around home (see 2002/15b2).

Sony plans ultra-fast chip for next PlayStation
Sony is developing the next generation of its PlayStation line of video game consoles, reportedly for a release date in 2005. Sources within the company have indicated that the device will be based on a chip 200 times faster than the one used in its current PlayStation model. Sony (Japan; +81/3 3448 2111; www.playstation.com) has committed itself to spending $400m to develop the chip, which it hopes will give it a dominant share of the burgeoning market for online console gaming. Next PlayStation will reportedly also function without the need for game discs, operating instead over high speed, fibre-optic networks that allow for multi-player broadband gaming.

France Télécom wears screen on its sleeve
France Télécom's research and development unit has created a flexible screen made of woven optical fibres that allows downloading of animated graphics directly to clothing. Thanks to its innovation, France Télécom said, clothing could now offer access to all telecoms services, including Internet, streaming video, e-commerce and 3G mobile applications.

France Télécom (France; +33/1 44 44 22 22; www.francetelecom.com) says market for intelligent, communicating garments would span safety applications, advertising, interior decoration and leisure activities. Information can be downloaded to the clothing via the Internet or over mobile devices. Citing research by Gartner Group, France Télécom said 60 per cent of the population in the developed world was likely to own a communicating garment by 2010.

IBM to help Viacom deliver digital content
Computing giant IBM is to provide technology and consulting services to Viacom that will enable the media company to deliver its properties over digital platforms. IBM (USA; +1/978 493 5111; www.ibm.com) will deploy a team of consultants with expertise in media and entertainment to help Viacom to develop digital asset management solutions for PC, TV and wireless platforms. Deal includes services for MTV Networks, Showtime Networks, Paramount and CBS. IBM has separately signed a 10-year deal with wireless software developer Openwave Systems that will help both companies to supply data applications, products and services to mobile operators. Openwave provides software and services that wireless operators use to give customers Internet and intranet access from their mobile phones. Openwave's software will be deployed on top of IBM's to develop applications such as wireless e-mail.

Video text messaging in development
SMS text-messaging is set to progress to a multimedia platform. Newly developed technology called multimedia messaging (MMS) has capacity to send audio-visual clips, graphics and photographs between mobile devices. Despite technology being ready for launch, networks and handsets are not yet geared up for such a progression. Leading European network provider Vodafone (UK; +44/1635 33251; www.vodafone.com) has suggested introduction of MMS later this year, but will not give a date. Only two European providers support service at present: Norway's Telenor and Westel in Hungary.

Price is also contentious, as MMS would cost more than SMS, and users would need MMS compatible WAP handsets. Nokia's 7650, only MMS handset, is on market at $500. However, companies are investing heavily in developments, suggesting MMS will overcome teething-problems and be a success.

Philips HomeLab to pilot smart homes
Dutch electronics company Philips has opened its 'HomeLab' in Eindhoven, Netherlands. Laboratory is intended as fully-functional study of intelligent consumer technology in controlled environment. Prototypes in development and testing phase include entertainment systems capable of, for example, human voice recognition or ability to generate digital fantasy environments for virtual reality gaming. More conceptual trials will see technology embedded into household items or centralising multiple home devices into single interface. Through HomeLab, Philips (Netherlands; +31/20 59 77 914; www.philips.com) hopes to generate better understanding of home electronics and its potential uses, allowing for quicker time for development and introduction of products to market.

Broadband wireless system within a year
First high-speed broadband wireless network access system for business and residential customers is ready to launch in 2003, following industry partnership between three electronics and communications majors. Wireless Multimedia System (WIMUS) is jointly owned by Thales and Thomson, which further includes involvement of Nextream (Alcatel-Thomson Multimedia's interactive video networks joint venture). Commercial launch is set for autumn 2003, and will be priced to compete with existing multi-channel satellite receiver equipment.
continued

Compact base-stations will offer bi-directional transmission within 2-3 km radius in compliance with DAVIC standard. Small 15cm cylinder receiver antenna will be connected to PCs or television set-top boxes (STBs). Services will include traditional television, video-on-demand services (VoD and NVoD), interactive television, and interactive multi-media services. Users access high-speed return paths via Internet for all these services, for which European Conference of Postal and Telecommunications Administrations (CEPT) has already allocated 3 GHz in 40 GHz spectrum.

Advertising

New guidelines in place for online advertising

Interactive Advertising Bureau (IAB) and American Association of Advertising Agencies (AAAA) have released second version of their terms and conditions for Internet advertising. New standards will help regulate agreements between advertisers, agencies and publishers for online ads. Parties to the agreement include Yahoo, AOL, Walt Disney Internet Group and DoubleClick. Rules address problematic issues such as legal status of third-party deliverers of advertising, as well as stipulating when lawsuits are admissible for breach of contract. Participants hope the agreement has streamlined online ad booking process by addressing the most common business issues facing publishers and agencies. They have provided a uniform template that can be used as the basis for most normal contracts.

US company launches website for TV ads

US Internet media company has launched website for accessing television commercials and related promotional information. Ads.com claims new site—believed to be first of its kind—enables consumers to view commercials by brand or product name as well as by particular television programme in which commercial was screened. Site will record consumer's viewing interests and response data to help advertisers better target consumers and gauge effectiveness of their commercials. New site follows company's agreement with Screen Actors Guild (SAG) and American Federation of Television and Radio Artists (AFTRA) last month (April) to show commercials legally on the Internet. Ads.com (USA; +1/206 938 4031; www.ads.com) has also signed promotional agreements with WindowsMedia.com and ABC.com. According to Media Metrix, WindowsMedia.com attracts more than 8m unique users per month.

Wink seals iTV advertising deals with majors

Wink Communications, provider of interactive TV programming and advertising services, has signed deals with a number of television networks that will offer them the opportunity to use Wink's interactive spots in their 'upfront' advertising sales campaigns. Upfront ads are pre-sold to advertisers before programmes air during their normally scheduled seasons. ABC, CNBC, ESPN and ESPN2, NBC, TechTV and The Weather Channel have signed on to offer Wink ads in their upfront bundles, while CNN, CNN Headline News, The Discovery Channel and TLC will include interactive element from Wink (USA; +1/510 337 2950; www.wink.com) this season, as part of their standard upfront offering.

Publications & media

Essential guide to UK's VHS and DVD markets

British Video Association Yearbook 2002. Ninth edition of annual UK video market handbook is essential source for wide range of statistics on Europe's largest video market. UK consumers' spending on video software grew by more than a third in 2001, with DVD acting as the main engine for growth (see 2002/75b2). Includes comprehensive statistical breakdown of shipments, sales/rentals, distributor shares, genres, consumer demographics and viewing habits for both rental and retail video, plus core data on market value and volume (current and historical). Also has features on UK's growing DVD piracy problem and update on technologies lining up to replace VCR. Available from BVA: UK; +44/207 436 0041; www.bva.org.uk. Price: £50.

Perspective

Digital cinema—all eyes on the ball?

Few can have escaped noticing the publicity machine working overtime in the run-up to the premiere of *Star Wars: Episode 2—Attack of the Clones*. Apart from being the latest instalment in one of the most lucrative cinema franchises of all time, this was supposed to be the film that heralded the death of film. Not only was it shot completely digitally, using special high definition cameras from Sony and lenses from Panavision, and post-produced in an all-digital environment. But it was also going to be screened digitally in hundreds of theatres (growing to thousands for *Episode 3*), so that movie-goers could see it 'the way it was intended to be seen'.

But something funny happened on the way to that all-digital galaxy far away. Nobody installed the digital projectors.

Or rather, those who did had done so in the last desperate month before the 16 May premiere. All-in-all only between 60 and 80 screens will show the digital epic digitally—ie, between one and two percent of all screens showing the space opera, mainly thanks to heavily subsidised efforts of Texas Instruments, Technicolor and Boeing.

Episode 2 is thus more of a milestone for digital cinematography than for digital cinema. Not least if we compare it to *Episode 1*, which was the first ever major motion picture screened digitally in a commercial cinema environment (two screens in Los Angeles and two in New Jersey) back in the summer of 1999.

This is not to belittle its achievements. Whilst not being the first film released that was shot on Sony-Panavision's 24p CineAlta camera (that was Sweden's *Livvakterna*, August 2001) or even the first big-budget film (that was France's *Vidocq*, November 2001), it has created more awareness for high-end digital film making than anything else before or after it.

This was in no small part due to George Lucas's statement that he 'will probably never shoot another film on film'. The use of digital for post-production further allowed the filmmakers to make seven inter-negative prints of the film, from which they struck over 5,000 showprints. This means that millions of regular cinema goers will get to see prints of a quality normally reserved for Hollywood studio executives. But George would still have preferred them to see it in digital.

In many ways, *Star Wars: Episode 2* illustrates that it is still very much early days for digital cinema. Knowledgeable Hollywood studio insiders claim that no mass conversion is likely to start for at least another two to three years. George Lucas will thus be lucky to have over 1,000 screens for the last instalment of his *Lebenswerk*.

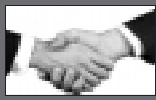
Meanwhile, there are dark mutterings that he may have inadvertently tarnished the good name of his THX brand by 'certifying' any operational digital cinema equipment vendor or system willing to sign a cheque.

So if *Episode 2* was always going to be the digital red herring of 2002, what film will make the difference? The answer is, none—or rather, all, more or fewer. Digital cinemas need a constant supply of digital titles, and this is where Hollywood studios will gradually have to contribute to the process most immediately. One swallow does not make a spring, nor does one space epic make digital cinema. While work on digital cinema standardification gets under way, business terms agreed and more technology competition takes place, the few existing digital screens will need a constant supply of digital titles.

The digital event of 2002 may, in fact, not even be a film. Instead it could end up being what comes before the film—cinema advertising—or replaces it—soccer. Specifically the 2002 World Cup.

In Norway, all major cinemas are screening pre-film adverts electronically as of January this year, following a rapid digital switch-over by cinema advertiser CAPA. More countries look set to follow this example soon. There are also early indications that there will be more screens showing the World Cup digitally to paying cinema audiences than *Star Wars* in countries as diverse as China, Italy, Brazil and UK.

'Great drama' as the BBC is currently advertising the World Cup on billboards all across the UK—'coming soon to a cinema near you' they should perhaps have added.



Business

Mergers, takeovers and investments

Activeworlds
USA; +1/978 499 0222
www.activeworlds.com

Developer of 3D imaging software is to merge with **Aladdin Systems**, developer of digital video compression software. Shareholders of Activeworlds will own 60 per cent of merged company. Activeworlds has a market capitalisation of $3.7m.

Big Band Networks
USA; +1/510 818 7400
www.bigbandnet.com

Provider of broadband multimedia routers to broadcast TV industry has raised $27m in venture capital financing. Charles River Ventures led the round, with participation from Lauder Partners and CommVest, as well as previous investors Redpoint Ventures, Pilot House Ventures, Cedar Fund and Evergreen Investments. Big Band's product integrates video, audio and data in their native formats, helping service providers to deliver broadcast-quality content as well as advanced, interactive services. Big Band will use funds for sales, marketing and product development.

Film Roman
USA; +1/ 818 761 2544
www.filmroman.com

US animation company, responsible notably for *The Simpsons*, has acquired **VanHook Studios**, a visual effects studio. Outfit is to be integrated into Film Roman and will become Forum Visual Effects, aiming to widen range of services offered to clients.

Highlight Communications
Switzerland; +41/55 415 68 18
www.highlight-communications.ch

Movie rights licensing and distribution company from Switzerland has acquired 23 per cent of shares in German film producer **Constantin Film**. Stake was purchased from Kirch Beteiligungs, holding company for Kirch Media. Highlight bought around €29.3m worth of Constantin shares with combination of cash and rights from Highlight's portfolio.

Infogrames
France; +33/ 4 72 65 50 00
www.infogrames-finance.com

French games publisher has acquired **Shiny Entertainment**, games developer owned by Interplay, for $47m. Purchase gives the games giant lucrative worldwide rights to follow-up games under *The Matrix* movie franchise. Xbox maker Microsoft was until recently regarded as possible buyer of Shiny (see 2002/105/a3).

Kinoton
Germany; +49/30 6 36 32 38
www.kinoton.com

German film projector and console manufacturer has invested unspecified amount into fellow-German server specialist **DVC Digitalvideocomputing**. Companies see synergies in field of 'digital systems' business, combining know-how in storage and transmission of digital picture and sound information and audiovisual reproduction systems. Companies have previously collaborated at trade shows and international events.

Nintendo
Japan; +81/75 3541 6111
www.nintendo.com

Maker of GameCube video game console has become majority owner of **Retro Studios**. Retro is developer of *Metroid Prime*, based on an original Nintendo console title, scheduled for release on GameCube later this year.

Signpost Films
USA

Distributor has established an Australian division, Signpost Films Australia, in partnership with **Hoyts Cinemas**. Under deal, Hoyts will provide office space for UK company, and will undertake theatrical booking for Signpost's slate. Signpost Films Australia will control marketing and distribution strategies in Australia and New Zealand.

Snell & Wilcox
UK; +44/23 9248 9051
www.snellwilcox.com

UK format converter equipment manufacturer has received £22m funding injection from several investors, including £13m from private equity firm **Advent Venture Partners**. Company recently also announced USA Studios as first US customer of Snell & Wilcox Alchemist Platinum standards converter.

Stellent
USA: +1/952 903 2000
www.stellent.com

Enterprise content management solutions provider has acquired assets of **Kinecta**, provider of software infrastructure for content distribution. Stellent will continue marketing existing Kinecta product line while integrating technology into own Stellent Content Management system. Initial product integration will be released in mid 2002. Stellent will hire Kinecta's core development team and retain Kinecta's San Francisco office.

Yes
Israel; +972/9 761 6175;
www.yestv.co.il

Israeli digital satellite pay TV platform has received $70m cash injection from shareholders and investment banks in return for new shares. Cash will finance platform for about four months while bigger credit facility is negotiated. Banks involved where Bank Leumi, Discount Bank and First International Bank. Resulting share dilution means Bezeq's stake in company has risen to 45 per cent, other shareholders maintained shareholdings as follows: Eurocom Communications 30 per cent; Polar Investments 10 per cent; Leader-Kardan eight per cent; and Gilat seven per cent.

Zoom Culture
USA; +1/919 960 9100
www.zc.tv

Digital video content producer for broadcast, pay TV and online platforms has raised $7m in second-round financing. Participating were new investor Chrysalis Ventures and existing investors Tristate Investment Group, Charlotte Angel Partners, Intersouth Partners, Cordova Ventures and the Atlantis Group. Zoom Culture produces digital video programming created collaboratively by young trainee videographers. Company has sold programming to NBC and Fox networks.

On the money markets

Regal Entertainment
US; +1/303 792 3600;
www.regalcinemas.com

Largest US cinema chain has raised $342m in first public stock flotation of this kind in five years. RGC traded 18m shares at $19 each—up to $3 higher than expected. Chain has a total of 5,886 screens in 561 cinemas throughout US.

Software deals

America Online
USA; +1/212 484 7458
www.corp.aol.com

AOL Time Warner's Internet service provider America Online has signed privately held Internet search engine **Google** to become company's online search service. Under agreement, Google will also replace Overture Services as US provider of sponsored links—advertisements featured on search display pages—for America Online. Founded less than four years ago, Google responds to more than 150m search queries a day and offers users access to 2bn web pages, 700m message board postings and 330m images.

BSkyB
UK; +44/20 7705 3200
www.sky.com

UK satellite pay TV operator ■ has signed a deal with Internet travel and entertainment ticket service **Lastminute.com** to sell its products on the Sky Active interactive TV service. Sky Active is available in 5.5m homes across UK. More than 7m Sky digital viewers used interactive services in 2001. ■ has bought rights to the Mike Tyson/Lennox Lewis heavyweight title fight scheduled for 8 June 2002 from Germany's **EM.TV & Merchandising**. Financial details were not released, but EM.TV said the BSkyB deal accounted for a substantial portion of the $15m it expects to make from worldwide sales of rights.

Eastman Kodak Company
USA; +1/716/724 4000
www.kodak.com

Film and image specialist has selected **Modem Media** to develop and implement its online marketing strategies. Under partnership, Kodak's online initiatives will be redesigned and developed to better execute an overall interactive marketing and customer relationship management (CRM) strategy for the company. Financial terms were not disclosed.

e.Biscom
Italy; +39/02 45 451
www.ebiscom.it

Italian broadband and multimedia provider has signed deal with **Discovery Networks Europe** for content over its video-on-demand (VOD) services. Deal will allow subscribers of FastWeb, e.Biscom's broadband subsidiary, to order Italian-dubbed content on demand from Discovery's catalogue of documentary programming.

Fox
USA; +1/212 556 2400
www.fox.com

Fox Entertainment has signed distribution deal with pay-per-view network **In Demand**. Commencing in July 2002, Fox will distribute titles such as *Behind Enemy Lines*, *Shallow Hal* and *Ice Age* for In Demand's VoD service. Financial terms were not disclosed. Deal follows Fox's move out of Internet VoD venture with Disney (see also *Studio pulls out of Internet VoD* under Finance & Business).

Hallmark Channel
USA; +1/303 220 7990
www.hallmarkchannel.com

Cable television programme service has signed long-term programming deal with **Paramount Domestic Television**. Launched August 2001 by owner Crown Media Holdings, Hallmark Channel gains rights to Paramount's films, comedies, dramas, westerns and series including 30 titles from Perry Mason's mystery film series. Hallmark—which has US audience of nearly 45m—intends to run movies in primetime night slots, whilst series will appear mostly during daytime.

International Broadcasting Convention (IBC)
UK; +44/20 7611 7500
www.ibc.org

International conference and trade show organisation has signed strategic co-operation agreement with **Midexpo**. Company is responsible for Cable & Satellite, TeleRadioFilmTechnology and Broadband Communication (CSTB Russia) annual exhibition and conference in Moscow. Aim is to initiate cross-promotional activities, raise visibility of IBC within Russian market and in return facilitate CSTB profile within European market.

Modern Times Group Sweden; +46/8 562 00050 www.mtg.se	Scandinavian pay and free TV operator ■ has bought Scandinavian TV broadcasting rights to 8 June world heavyweight championship fight between Mike Tyson and Lennox Lewis. MTG will broadcast fight on a pay-per-view basis over its Viasat digital pay TV platform. Viasat claims it set a Nordic pay-per-view buy-rate record with broadcast of Mike Tyson versus Denmark's Brian Nielsen in October 2001. It sold 75,0000 pay-per-view tickets and attracted 400,000 viewers. ■ has bought exclusive broadcast rights to the America's Cup sailing championship. MTG bought the rights for Sweden, Denmark, Norway, Finland, Estonia, Latvia, Lithuania, Hungary, Russia and Luxembourg. America's Cup will be broadcast on MTG's TV3 channel which operates in eight of these markets. ■ has launched its own video e-commerce operation, DVDON.com. Site will attempt to build on success of company's existing online CD shop, CDON.com.
News Corporation Australia; +61/2 9288 3000 www.newscorp.com	Multi-media giant is currently negotiating deal with US cable operator **Cablevision** to carry two of its shows, Fox's *24* and FX's *The Shield*, on video-on-demand (VoD) format. Agreement will be a carefully monitored experiment in VoD for media giant, which should, if successful, lead to future programmes being licensed out.
Palm Pictures Home Entertainment US; +1/212 320 3600 www.palmpictures.com	Music/video group has signed US video distribution deal with AOL Time Warner owned **WEA Distribution** to handle current and future releases from its Palm Pictures and Manga Entertainment labels. Palm/Manga catalogue consists of more than 300 titles (60 on DVD). Another 20 are scheduled for release on the digital format by end 2002.
Sega Japan; +81/3 3743 7522 www.sega.co.jp	Japanese video game publisher has signed sports licensing agreement with Disney's owned sports network **ESPN** after rival Konami terminated its deal. Sega Sport games for PlayStation 2, Xbox and GameCube will carry ESPN logo as of autumn 2002. Sega will cross-promote ESPN titles on ESPN-branded TV, Web and print outlets, and incorporate ESPN talent into future game installments. Konami released 10 ESPN-branded games in last three years, including core sports and extreme sports games.
Senator Entertainment Germany; +49/30 880 91700 www.senatorfilm.de	German production-distribution group has sold a package of 10 movies to German pubcaster **ZDF**. Due to ongoing negotiations, titles were not released but deal is second to German public television this year, following a seven-title deal with ARD buying agency.
Sky Active UK; +44/171 705 3200 www.sky.co.uk	BSkyB's interactive television service has formed partnership with **Lastminute.com**, European online provider of travel and leisure solutions. Various lastminute.com product offers, from travel deals to theatre tickets and retail products, will be offered in Sky Active's 5.5m households. Partnership significantly boosts lastminute.com's 2.1m UK newsletter subscribers. One quarter of all package tours are currently sold in UK through analogue Teletext service.
Spafax USA; + 1/212 972 0335 www.spafax.com	In-flight entertainment system and content provider has signed agreements with **China Airlines** and **Korean Air** to provide in-flight entertainment. Spafax will supply short feature programming, mainly Chinese and internationally sourced television-originated, on board Taiwanese carrier. Spafax was re-appointed to provide movies shown on Korean Air's fleet for further extended period.
Twentieth Century-Fox USA; +1/212 556 2400 www.fox.com	Studio has agreed a two-year first-look deal with **Icon Entertainment**, production outfit founded and run by Mel Gibson. Icon previously had a similar deal with Paramount. Actor must star in a minimum of one movie in two-year deal.
UGO Networks USA; +1/212 624 3300 www.ugo.com	Online youth-oriented entertainment network is to partner **Gigex** to offer video game downloads on its websites. Gigex will provide UGO with its Top 50 game demos and trailers to make available to ugo.com visitors.
Universal Studios USA; +1/818 777 1000 www.universalstudios.com	Hollywood major has agreed a four-year first-look deal with newly-launched **Strike Entertainment**. Deal is for co-financing, co-producing and co-development of a slate of movies. Strike will be expected to establish an in-house production and business affairs unit.
Vía Digital Spain; +34/91 512 9214 www.viadigital.com	Spanish pay TV platform has signed deal with **All England Lawn Tennis Club** for exclusive three-year (2002-2004) rights to Wimbledon tennis tournament. Vía Digital plans to broadcast 10 hours of Wimbledon tennis a day during the two weeks of tournament. Vía Digital also has rights to Tennis Masters Series.
Warner Bros France; +33/1 4401 4999 www.warnerbros-france.com	French subsidiary of US major has agreed a four-film deal with French producer **Christian Fechner**. Deal is not exclusive and may be extended after titles are delivered. Fechner is known for higher budget comedy films, many using special effects for extra effect. He left UGC nearly one year ago. Warner releases around 20 films a year, of which current head wants up to six to be French mainstream titles.

Technology deals

Barco Belgium; +32/56 233 211 www.barco.com	Digital cinema projector manufacturer has announced sales of 16 of its D-CineStar projector to **Boeing Digital Cinema**, as well as sale to Major Cineplex Group in Thailand and UCI Slovenia. Company has also provided projectors for *Star Wars: Episode 2—Attack of the Clones* screenings to exhibitors in Finland, Italy and France this month (May).
DivXNetworks USA; +1/858 909 5301 www.divxnetworks.com	Developer of video compression technology has integrated its software into microchips by Texas Instruments. This will allow for DivXNetworks' proprietary video format to be used in digital set-top boxes, digital video cameras, handheld video players and next-generation DVD players.
Myrio USA; +1/425 897 7200 www.myrio.com	Enabler of broadband video for digital TV platforms has bundled **RealNetworks**' RealPlayer video technology into its software. This will enable Myrio to deliver streaming media through RealPlayer to Linux-based set-top boxes.
NasionCom Malaysia; +603/2938 3888 www.nasioncom.com.my	Multimedia solutions provider has selected **Compaq Computers** to help deploy its broadband access services. Compaq will provide storage and messaging services equipment to help develop Nasioncom's broadband infrastructure network. Under RM15m ($3.9m) agreement, Compaq will also provide consultative services to help create a delivery platform that will enable Nasioncom to lease its broadband network to other broadband content and service providers.
nCube USA; +1/650 593 9000 www.ncube.com	Video-on-demand (VoD) systems provider has entered co-operative partnership with **Everstream**, interactive advertising solution provider, to offer advertisers new opportunities to reach viewers. Marketing and technology alliance will enable companies to integrate their software to provide advertisers a highly targeted and interactive advertising platform through VoD.
NetRatings USA; +1/408 941 2900 www.netratings.com	Provider of Internet audience measurement services has purchased the **AtPlan** audience measurment division of online advertising firm DoubleClick for $18.5m. AtPlan is a syndicated survey-based measurement tool for Internet media planning and transactions with 200 clients. Under separate multi-year research partnership NetRatings and AtPlan research data will be integrated into DoubleClick's service offering.
OpenTV USA; +1/650 849 5500 www.opentv.com	Interactive television software develop OpenTV has signed agreement with Sony to distribute its HTML-based Device Mosaic for electronic giant's non-PC devices. Deal extends agreement between Sony and interactive browser provider Spyglass, latter of which OpenTV acquired in April 2000 (see 2000/105a3). Deal is expected to allow Sony to use browser—which optimises content for interactive television products—to help reduce development costs and time to bring new products to market.
Pacific Internet Australia; +61/3 9674 7661 www.pacific.net.au	Australian ISP has formed partnership with wholly-owned subsidiary of NEC Corporation to provide broadband DSL service. Pacific Internet will deliver service over NEC Australia's fibre-optic network that covers 60 per cent of Australia's population. Offering speeds up to 6 Mbps, new service will allow customers to utilise Virtual Private Network (VPN), e-commerce, voice-over IP media streaming and video-on-demand (VoD) services.
ThomasTech USA; +1/215 682 5000 www.thomastechsolutions.com	Information packaging solution provider has signed deal with US cable network C-Span to develop programming and scheduling management system. Planned unified content management system will collect, manage, and distribute programming and scheduling information, thus allowing for searching, browsing, as well as repackaging and delivering through multiple channels, including video and streaming media.
WebWare USA; +1/866 932 9273 www.webwarecorp.com	Brand Resource Management (BRM) software technology provider has signed contract with Scripps Networks to create repository for its library of digital assets. WebWare will be indexing Scripps' existing digital and analogue assets, and entering them into WebWare's Mambo software. Scripps Networks current media archives contains 15,000 hours of edited video content, primarily from HGTV and Food networks, and 200,000 hours of raw footage.

■ Except as otherwise specified, numbers are in units, for full year or as of year-end.
■ Comparisons are with the corresponding period a year earlier, except as stated.

Databox

Screen Digest data conventions

:	not available	e	estimate
—	not applicable	f	forecast
0	zero	r	revised

Advertising

US: advertising spending by media

	2000 $m	2001 $m	change %
network TV	21,195	19,477	-8.1%
magazines	17,840	16,476	-7.7%
spot TV	18,171	14,869	-18.2%
cable TV	10,316	10,416	1.0%
Sunday newspapers	11,366	10,507	-7.6%
daily newspapers	8,453	7,923	-6.3%
syndication (national)	3,188	3,192	0.1%
national newspapers	3,826	2,947	-23.0%
outdoor	2,475	2,456	-0.8%
national spot radio	2,724	2,167	-20.5%
Sunday magazines	1,126	1,114	-1.1%
network radio	954	834	-12.6%

[CMR]

Cable

France: subscribers by operator Dec 2001

000s	*total subs*	*TV subs*	*digital TV subs*	*Inter-net subs*	*tele-phone subs*
Noos	898.8	878.9	352.5	92.6	2.2
France Télécom Câble	823.7	805.8	122.4	45.3	—
NC Numéricâble	737.9	721.1	161.8	16.8	—
UPC France[1]	504.8	425.1	8.8	19.9	59.8
Est Vidéocommunictn	138.4	137.5	7.6	10.1	—
NTL France	76.4	76.4	7.0	1.1	—
World Satellite Guadeloupe	24.3	24.3	—	—	—
Martinique TV Câble	19.8	19.8	—	0.1	—
Vialis	15.1	14.6	0.6	0.0	0.8
Valvision	15.0	15.0	0.5	—	—
UEM (Usine d'Electricité de Metz)	9.2	9.2	0.4	—	—
SCGS	5.1	5.1	—	—	—
GER-TV	2.2	2.2	—	—	—
Région Communication	1.6	1.6	—	—	—
Cuvelle	0.8	0.8	0.1	0.0	0.0
others	102.0	102.0	2.6	0.9	—
total	3,375.2	3,239.4	664.2	188.5	62.0

[1]31 Sept 2001
[Aform]

Film

Italy: number of films produced and investment in film

	2000 no	*2001 no*	*change %*
films produced by Italy inc. co-productions	103	103	0
majority coproductions	8	22	14
minority coproductions	9	13	4
films financed by national cultural interests	29	31	2
	2000 L bn	*2001 L bn*	*change %*
contribution of national cultural interest	95	100	5
total Italian investment	336	354	5.25%
average Italian investment per film	3.26	3.44	+5.25%

[Anica]

North America: European films ranked by admissions 2001

	origin	*admissions*
The Others	ES	17.9m
Bridget Jones's Diary	UK/US	13.3m
Chocolat	UK/US	12.5m
Snatch	UK/US	5.6m
Captain Corelli's Mandolin	FR/UK/US	4.7m
Le fabuleux destin d'Amélie Poulain	FR/DE	3.0m
Shadow of the Vampire	UK/US/LU	1.5m
Sexy Beast	ES/UK	1.3m
Billy Elliot	UK	0.9m
Just Visiting/Les visiteurs en Amérique	FR/US	0.9m

[European Audiovisual Observatory]

Cinema

France: number of French releases reaching admissions milestones

	1997	1998	1999	2000	2001
More than 2m	4	3	3	3	10
More than 1m	12	6	9	8	10
More than 500,000	21	15	25	16	11

[CNC]

Spain: distributor market shares

	distributor mkt share 2000 %	*2001 %*	*total revenue €m*	*revenue/ release €m*
Utd Internat'l Pictures	15.6%	19.8%	120.1	1.38
Warner Sogefilms	14.0%	19.3%	117.0	1.43
Hispano Foxfilm	8.0%	10.2%	61.8	1.06
Laurenfilm	8.8%	9.3%	56.2	0.51
Columbia Tri-Star	14.5%	8.2%	49.9	0.71
Buena Vista	16.2%	6.0%	36.4	0.81
Lolafilms	1.9%	5.1%	30.9	0.97
Aurum	7.7%	4.7%	28.4	0.58
Sherlock Media	1.5%	3.9%	23.7	0.55
Tripictures	3.2%	3.6%	21.6	0.63
Sociedad General	2.7%	3.1%	18.6	0.35
Vertigo Films	1.1%	1.6%	10.0	0.18
other	5.0%	5.2%	31.4	
	100.0%	100.0%	605.8	

[ICAA, Screen Digest analysis]

Interactive

India: DSL subscribers December 2001

business	8,000
residential	12,000
total	20,000

[Point-Topic]

UK: adults who have used the Internet by their characteristics February 2002

	%
all adults	56
by age	
16-24	82
25-44	74
44-54	58
55-64	41
65 and over	12
by sex	
male	58
female	54

[National Statistics Omnibus Survey]

US: forecast top online content revenue categories 2006

$m	*revenues*
online games	1,800
online music	1,700
audio-visual entertainment	600
adult content	400
business-financial	350
children's content	95
sports content	95
consumer shopping aids	85

[Jupiter Media Metrix]

US: PC sales

	2000	*2001*	*2002f*
PC sales	16.4m	14.4m	14.4m

[Consumer Electronics Association]

Television

US: forecast iTV revenue 2001-2005

$m	*2001*	*2002*	*2003*	*2004*	*2005*
t-commerce	12.5	69.1	292.3	1,029.0	3,928.5
interactive advertising	95.3	221.0	601.0	1,356.0	2,619.0
subscription	360.0	858.0	1,747.0	3,204.0	5,022.0
total	467.8	1,148.1	2,640.3	5,589.0	11,569.5

[eMarketer]

Europe: penetration of digital TV* Dec 2001

	penetration
UK	37%
Denmark	26%
Sweden	23%
Norway	23%
Spain	20%
Ireland	17%
Europe average	16%
France	16%
Italy	13%
Netherlands	10%
Germany	8%
Switzerland	8%
Portugal	6%
Austria	5%
Finland	4%
Greece	3%
Belgium	3%

*includes all platforms—cable, satellite, terrestrial, DSL
[Strategy Analytics]

Satellite

US: subscribers to DTH satellite platforms December

000s	*1998*	*1999*	*2000*	*2001*	*change*
C-band	1,922	1,649	1,196	842	-29.6%
DirecTV	4,458	6,679	9,544	10,746	+12.6%
Echostar	1,940	3,410	5,260	6,830	+29.8%
Primestar	2,296	1,400			
total	10,616	13,138	16,000	18,418	+15.1%

net monthly change in subscribers

000s	*1999*	*2000*	*2001*
C-band	-22.8	-37.7	-29.5
DirecTV	185.1*	238.8*	100.2
Echostar	122.5	154.2	130.8
Primestar	-74.7	-116.7	

* Primestar subscribers converted to DirecTV
[SkyTrends, *Screen Digest* analysis]

Video

Germany: share of VHS and DVD market accounted for by e-commerce

	VHS	*DVD*
1999	1.3%	2.7%
2000	5.7%	14.7%
2001	7.7%	19.3%
Q1 2001	8.3%	18.3%
Q2 2001	8.0%	19.5%
Q3 2001	8.7%	22.9%
Q4 2001	6.7%	17.7%

[Gfk/BVV]

General

World: CD & DVD replication

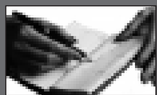
m	*2000*	*2001*	*2002*
CD-Audio	4,537	4,375	4,350
CD-ROM	3,608	3,350	3,245
CD-Video	1,076	1,104	1,129
DVD-Video	474	849	1,320
DVD-ROM	21	63	140
DVD-Audio	4	16	50
world total CD/DVD	9,720	9,757	10,234

[IRMA]

Europe: audiovisual sector revenue growth

€m	*1997*	*1998*	*1999*	*2000*	*growth*
net public revenues	15,586	15,718	16,936	17,224	1.7%
advertising/ sponsorship	18,486	21,076	23,726	25,683	8.2%
home shopping	385	491	755	921	21.9%
TV subscription	5,791	6,996	8,744	10,719	22.6%
other income	3,952	4,266	4,873	6,838	40.3%
theatrical box-office	3,752	4,212	4,252	4,503	5.9%
VHS software	5,475	6,172	5,744	5,362	-6.7%
DVD software		56	420	1,148	173.3%
total	5,342	58,988	65,450	72,398	10.6%

[European Audiovisual Observatory]



Events diary

For a full events listing visit www.screendigest.com
All events in 2002 unless otherwise stated

Conf Conference FF Film Festival
Exhib Exhibition Int International

Markets & exhibitions

ShowBiz Expo Los Angeles, *1-3 June; e-mail* sales@showbizexpo.com; www.showbizexpo.com

DVD 2002 Conf & Exposition Maryland, *2-4 June;* +1/301 975 2869; *e-mail* kimberly.snouffer@nist.gov; www.nist.gov

Cable-Tec Expo 2002 San Antonio, *4-7 June; e-mail* expo@scte.org; http://expo.scte.org

Bluetooth Congress 2002 Amsterdam, *11-14 June;* IBC Global, +44/1932 893855; *fax* +44/20 7636 1976; *e-mail* cust.serv@informa.com; www.ibctelecoms.com/bluetoothcongress

Infocomm 2002 Las Vegas, *11-14 June;* +1/703 273 7200; *fax* +1/703 278 8082; *e-mail* bfrantz@infocomm.org; www.infocomm.org

BroadcastAsia and CommunicAsia 2002 Singapore, *18-21 June;* www.broadcast-asia.com

M3/Replitech Europe Amsterdam, *24-26 June;* PBI Media, +1/914 328 9157; *fax* +1/914 328 2020; *e-mail* kipi.event@pbimedia.com; www.replitech.com/europe

Cinema Expo 2002 Amsterdam, *24-27June;* www.cinemaexpo.com

Bilisim Istambul, *3-8 September;* Deans Gate; www.deansgate.com

World Summit on Financing for Satellite Communications and Broadcasting Paris, *5-6 September;* Euroconsult, +33/1 49 23 75 23; *fax* +33/1 48 05 54 39; *e-mail* remblier@euroconsult-ec.com; www.euroconsult-ec.com

IBC 2002 Amsterdam, *13-17 September;* +44/20 7611 7500; *fax* +44/20 7611 7530; *e-mail* show@ibc.org; www.ibc.org

Nordic Interactive Media Expo 2002 Gothenburg, Sweden, *3-5 October;* G:son International AB, +46/31 150 680; *e-mail* press@nime.se; www.swefair.se/eng/index.asp

ShowEast 2002 New York, *9-12 October;* +1/646 654 7680; *fax* +1/646 654 7694; *e-mail* showeast@sunshineworldwide.com; www.showeast.com

CeMAT China Shanghai, *15-18 October;* Deans Gate; www.deansgate.com

CeBIT Istanbul 2002 *17-20 October;* Deutsche Messe AG, +49/511 89 33 177; *fax* +49/511 89 33 140; *e-mail* stefanie.kappmeyer@messe.de; www.cebit-events.com

144th SMPTE Technical Conf & Exhib California, *23-26 October;* +1/914 761 1100; *fax* +1/914 761 3115; www.smpte.org

20th Int Sport Movies & TV Festival Milan, *30 October -4 November;* Ficts, +39/2 8940 9076; *fax* +39/2 8375 973; *e-mail* ficts@starlink.it; www.ficts.com

Satis Paris, *5-8 November;* Deans Gate; www.deansgate.com

Conventions & conferences

Internet World London, *11-13 June;* Penton House, +44/20 8232 1600; *fax* +44/20 8232 1650; www.pentonsjunecluster.co.uk

Contagious Creativity Bristol, *12-13 June;* Nesta, +44/117 930 0234; *e-mail* info@nestafuturelab.org; www.nestafuturelab.org

Broadband/iTV Advertising Barcelona, *13-14 June;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

2nd Interactive Kiosks London, *19-20 June;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

5th iTV Advertising Conf London, *20-21 June;* Access Conferences, +44/20 7840 2750; *fax* +44/20 7840 2751; *e-mail* marketing@access-conf.com; www.accessconferences.com

Smart Kids: Online Spending II London, *10-11 July;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

ITV Show USA III New York, *15-16 August;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

ITV Show Europe London, *16-18 August;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

Game Developers Conf Europe London, *30-31 August;* +44/20 7490 1323; *fax* +44/20 7490 1323; *e-mail* charlotte@bastion.co.uk; www.bastion.co.uk

Mobile Commerce World Europe London, *24-26 September;* Terrapinn, +44/20 7827 5952; *fax* +44/20 7242 1508; *e-mail* jaimie.brook@terrapinn.com; www.mobilecommerceworld.com

M3/Replitech Asia Bangkok, *6-8 November;* +1/914 328 9157; *fax* +1/914 328 2020; *e-mail* kipi.event@pbimedia.com; www.replitech.com/asia/

Mobile Entertainment London, *9-11 April;* IBC Global, +44/20 7636 1976; *fax* +44/20 7453 2135; *e-mail* julia.goddard@informa.com; www.ibctelecoms.com/mobents

Telecoms Regs III Brussels, *28-29 November;* Access Conferences, +44/20 7840 2700; *fax* +44/20 7793 7189; *e-mail* hannah@access-conf.com; www.accessconferences.com

Film festivals: general

Filmstock Int FF Bedfordshire, *1-15 June;* +44/1582 752 908; *e-mail* filmstock@grouchomarx.co.uk; www.filmstock.co.uk

Open Russian & Int FFs in Sochi Moscow, *1-14 June;* +7/95 248 1027; *fax* +7/95 248 0556; *e-mail* kinotavr@dol.ru

Newport Int FF New York, *4-9 June;* +1/401 261 1054; *e-mail* newportff@aol.com; www.newportfilmfestival.com

Lake Placid Film Forum New York, *5-9 June;* +1/401 261 1054; *fax* +1/401 245 5011; *e-mail* adkfilm@adelphia.net; www.lakeplacid-filmforum.org

CineVegas International FF Las Vegas, *8-15 June;* +1/702 368 2890; *fax* +1/702 898 5190; *e-mail* cinevegas@aol.com; www.cinevegas.com

Flickapalooza FF Los Angeles, *9-13 June;* +1/323 654 5809; *e-mail* info@flickapalooza.com; www.flickapalooza.com

Banff Television Festival Canada, *9-14 June;* +1/403 678 9260; *fax* +1/403 678 9269; *e-mail* info@banfftvfest.com; www.banff2001.com

Provincetown Int FF USA, *12-16 June;* +1/508 487 3456; *e-mail* connie@beaconcinema.com; www.ptownfilmfest.com

Maui FF Hawaii, *12-16 June;* +1/808 579 9996; *fax* +1/808 579 9552; *e-mail* festivals@mauifilmfestival.com; www.mauifilmfestival.com

Nantucket FF New York, *20-23 June;* +1/212 708 1278; www.nantucketfilmfestival.org

AngelCiti Chicago FF *20-28 June;* +1/323 461 4256; *fax* +1/323 461 4007; *e-mail* adam@angelciti.com; www.angelciti.com

Los Angeles FF *21-29 June;* +1/323 951 7090; www.lafilmfest.com

Moscow Int FF *21-30 June;* +7/095 917 2486; *fax* +7/095 916 0107; *e-mail* miff@cityline.ru; www.miff.ru

Manchester FF UK, *27-30 June;* +1/802 362 9960; *fax* +1/802 362 9984; *e-mail* info@manchesterfilmfest.com; www.manchesterfilmfest.com

Commonwealth FF Manchester, *28 June - July;* +44/161 953 4059; *fax* +44/161 953 40556; *e-mail* info@commonwealthfilm.com; www.commonwealthfilm.com

La Rochelle Int FF *28 June- 8 July;* +33/1 48 06 16 66; *fax* +33/1 48 06 15 40; *e-mail* organisation@festival-larochelle.org; www.festival-larochelle.org

Film Fest Vaduz-Liechtenstein *28 June -14 July;* +423/232 7777; *fax* +423/232 5253; *e-mail* qpr@qpr.li; www.filmfest.li

IL Cinema Ritrovato Bologna, Italy, *29 June- 6 July;* +39/51 20 4820; *fax* +39/51 20 4821; www.cinetecadibologna.it

Munich FF *29 June-6 July;* +49/89 3819 040; *fax* +49/89 3819 0426; *e-mail* festivalleitung@filmfest-muenchen.de; www.filmfest-muenchen.de

Monte Carlo Television Festival *1-6 July;* +377/9310 4060; *fax* +377/9350 7014; *e-mail* info@tvfestival.com; www.tvfestival.com

37th Karlovy Vary Int FF Praha, *4-13 July;* +420/2 2423 5412; *fax* +420/2 2423 3408; *e-mail* press@kviff.com; www.kviff.com

6th Hollywood FF *1-20 August;* www.hollywoodfestival.com

Shanghai Int FF *8-16 June;* +86/21 6253 7115; *fax* +86/21 6255 2000; *e-mail* siff@public4.sta.net.cn; http://ww.siff.com

Rhode Island Int FF Newport, *7-12 August;* +1/401 861 4445; *fax* +1/401 847 7590; *e-mail* flicksart@aol.com; www.film-festival.org

Odense FF Denmark, *12-16 August;* +45/6613 1372; *fax* +45/6591 4318; *e-mail* off.ksf@odense.dk; www.filmfestival.dk

Crested Butte Reel Festival USA, *14-18 August;* +1/970 349 2600; *fax* +1/970 349 1384; *e-mail* cbreelfest@webcom.com; www.crestedbuttereelfest.com

Norwegian Int FF Haugesund, *18-25 August;* www.filmfestivalen.no

Red Bank Int FF New York, *21-25 August;* +1/732 741 8089; *e-mail* contact@rbiff.org; www.rbiff.org

Gulf Coast FF Clear Lake Texas, *20-22 September;* +1/281 333 5804; *fax* +1/281 333 5804; *e-mail* whiteriverrock@webtv.net; http://.gulfcoastfilmfest.com

22nd Netherlands FF Utrecht, *25 September-4 October;* +31/30 232 2684; *fax* +31/30 231 3200; *e-mail* info@filmfestival.nl; www.filmfestival.nl

Valladolid International FF Spain, *25 October- 2 November;* +34/983 426 460; *fax* +34/983 426 461; *e-mail* festvalladolid@seminci.com; www.seminci.com

Ajijic Int FF Jalisco, Mexico, *19-24 November;* +52/333 685 0423; *e-mail* aficpr@mexconnect.com; http://ajijicfest.org

Festivals: specialised/thematic

Brazilian FF of Miami Miami, *2-9 June;* +1/305 899 8998; *fax* +1/305 899 8959; *e-mail* festival@inffinito.com; www.brazilianfilmfestival.com

Festival Int du Film d'Animation Annecy, France, *3-8 June;* CICA, +33/4 50 10 09 00; *fax* +33/4 50 10 09 70; *e-mail* info@annecy.org; www.annecy.org

Nashville Independent FF USA, *5-9 June;* +1/615 742 2500; *fax* +1/615 742 1004; *e-mail* niffilm@bellsouth.net; www.nashvillefilmfestival.org

Prix Jeunesse Int Munich *5-12 June;* +49/89 5900 2058

US Int Film and Video Festival Chicago, *5-6 June;* +1/630 834 7773; *e-mail* filmfestinfo@filmfestawards.com; www.filmfestawards.com

New York Lesbian & Gay FF New York, *6-16 June;* +1/212 254 7228; *fax* +1/212 254 8655; *e-mail* info@newfestival.org; www.newfestival.org

Int Kurz Short FF Hamburg, *8-15 June;* +49/40 39 10 63 25; *fax* +49/40 39 10 63 20; *e-mail* presse@shortfilm.com; www.shortfilm.com

Int Short FF Hamburg *8-15 June;* +49/40 391 0630; *fax* +49/40 3910 6320; *e-mail* kfa@shortfilm.com; www.shortfilm.com

San Francisco Black FF *12-16 June;* +1/415 346 0199; *fax* +1/415 775 1332; *e-mail* sfbff@hotmail.com; www.sfbff.org

Cannes Lions Int Advertising Festival *13-26 June;* +44/20 7291 8444; *fax* +44/20 7291 8400; *e-mail* press@canneslions.com; www.canneslions.com

Latin American Filmdays Hamburg, *13-26 June;* +49/40 430 2694; *fax* +49/40 430 3150; *e-mail* festival@cinelatino.de; www.cinelatino.de

San Francisco Int Lesbian & Gay FF *20-30 June;* +1/415 703 8650; *fax* +1/415 861 1404; *e-mail* info@frameline.org; www.frameline.org

Art FF Bratislava, Slovakia, *21-29 June;* +1/421 2 5441 9481; *fax* +1/421 2 5441 1679; *e-mail* festival@artfilm.sk; www.artfilm.sk

Int Festival of New Cinema Pesaro, Italy, *21-29 June;* +39/6 491 156; *fax* +39 6 491 163; *e-mail* info@pesarofilmfest.it; www.pesarofilmfest.it

Avignon FF France, *24-29 June;* +33/4 90 25 93 23; *fax* +33/4 90 25 93 24; *e-mail* jhr2001@aol.com; www.avignonfilmfest.com

Munich Int Festival of Film Schools *26 June- 4 July;* +49/89 3819 040; *fax* +49/89 3819 0426; *e-mail* festivalleitung@filmfest-muenchen.de; www.filmfest-muenchen.de

Newark Black FF New Jersey, *26 June-31 July;* +1/973 596 6550; *fax* +1/973 642 0459; *e-mail* nbff@newarkmuseum.org; www.newarkmuseum.org

Dahlonega Int FF Georgia, *27-30 June;* +1/770 998 2288; *fax* +1/770 998 2288; *e-mail* michael@d-i-f-f.com; www.d-i-f-f.com

ZIDFF Festival of the Dhow Countries Zanzibar, *28 June -13 July;* +255/4 747 411 499; *e-mail* ziff@ziff.or.tz; www.ziff.or.tz

Vila do Conde Int Short FF Portugal, *2-7 July;* +351/252 646 516; *fax* +351/252 248 416; *e-mail* festival@curtasmetragens.pt; www.curtasmetragens.pt

Int Three Continents Festival of Documentaries Buenos Aires, *3-9 September;* +54/11 4382 5957; *fax* +54/11 4382 5957; www.documentalistas.org.ar

4th Int Festival of Women in Cinema Bordeaux, *23-29 September;* +33/1 56 36 17 91; *fax* +33/1 56 36 17 91; *e-mail* cdc@cinemafeminin.com; www.cinemafeminin.com

Toronto Int Environmental Film & Video Festival *27-29 September; e-mail* piffest@hotmail.com; www.planetinfocus.org

Ottawa Int Animation Festival *2-6 October;* +1/613 232 8769; *fax* +1/613 232 6315; *e-mail* oiaf@ottawa.com; www.awn.com/ottawa

Wildscreen 2002 Bristol, *13-18 October;* +44/117 915 7217; *fax* +44/117 915 7105; *e-mail* info@wildscreen.org.uk; www.wildscreen.org.uk

45th Int Leipzig Festival for Documentary and Animated Film Germany, *15-20 October;* +49/341 980 3921; *fax* +49/341 980 6141; *e-mail* dok-leipzig@t-online.de; www.dokfestival-leipzig.de

Latino FF San Francisco, *1-17 November;* +1/415 454 4039; *e-mail* zuleyka11@yahoo.com

Int Black Women's FF San Francisco, *8-24 November; e-mail* ibwff@filmfestivals.net; http://ibwff.filmfestivals.net

Holland Animation FF Utrecht, *13-17 November;* +31/30 2331 733; *fax* +31/30 2331 079; *e-mail* info@haff.nl; www.awn.com/haff

Brief Encounters Int Short FF Bristol, *20-24 November;* +44/117 927 5102; *fax* +44/117 930 9967; *e-mail* festival@brief-encounters.org.uk; www.brief-encounters.org.uk

Cinemagic Belfast, *29 November-9 December;* +44/28 9031 1900; *fax* +44/28 9031 9709; *e-mail* info@cinemagic.org.uk; www.cinemagic.org.uk

EUROPEAN TELEVISION MOVIE RIGHTS
Most deals have some time to run

Movies, like sport, are a mainstay of television programmers for which competitive bidding has driven up prices in recent years. The television sports rights market, which we reviewed two months ago (see 2002/85-92), has run into problems that have led broadcasters as well as analysts to conclude that rights have escalated beyond a reasonable level and that a period of stability and even price reduction is called for.

Nowhere has this been more evident than in the UK, where the digital terrestrial television (DTT) service ITV Digital has had to renege on its commitment to pay the Nationwide Football League for its three-year contract. The sums did not add up. Such is the potential pitfall for start-up services that rely on bought-in programming for which premium prices can be charged in advance of building up a loyal audience.

So far movies have not suffered the same fate and, indeed, there is as yet no reason to think this may happen. If there has been failure, it is not specifically related to movies, even if that is where much of the outcome will be felt.

It is estimated that the Hollywood majors may have lost as much as $4bn over five years because of the collapse of KirchMedia's activities in Germany. Kirch's outstanding debt to the studios was put at €500m when the company collapsed last month (see 103a2). However, no one expects that new buyers will not be found.

Not much sense of urgency

Another difference from the sport market is that few movie deals expire imminently. The market will thus remain relatively stable at least while sports rights are re-negotiated. The majority of deals, especially for pay TV, run to 2005/06.

An exception arises in the UK, not just because of the collapse of ITV Digital, whose pay-per-view deals were set up only last year.

Commentary continues on page 154

Key to abbreviations in regional tables

rights		*deal type*	
M	movies	C	co-financing
S	series	L	library
TVM	TV movies	O	output
		P	package
		Pr	production
		V	volume

WORLDWIDE MOVIE LIBRARIES

company	*base*	*no of movies*	*TV movies/series*	*notes*
Canal Plus Image	France	5,200 features	3,300 hours	Canal Plus's rights division
Carlton Communications	UK	2,200 films	18,000 hours	includes ITC library bought from Universal (via Polygram) in early 1999 for $150m. Also includes Rank, Korda, Rohauer and Romulus libraries
Cecchi Gori	Italy			
CLT-Ufa	Germany	3,250 hours	3,250 hours	
Columbia-TriStar	USA	4,000+	25,000 hours	
Crown Media Holdings	USA	700 titles		acquired from Hallmark Oct 2001 for $820m
Dreamworks	USA	40 features	—	recent/future movies
Kirch	Germany	16,000 features	10,000 hours	rights managed in partnership with Mediaset
Mediaset	Italy	5,950 titles	15,332 episodes	additional 1,693 TV movies plus 28,250 episodes of animation, soaps, telenovelas and mini-series
MGM	USA	4,100 films	8,200 episodes	bought Polygram Library (less ITC library) through Orion Pictures for $235m cash plus $15m future revenue, boosting library to 5,100 titles.
Miramax	USA	390 films		
Modern Times Group	Sweden	500 titles		includes international (non-US) rights to 100-title Crown Film Library (20-year distribution deal signed Nov 2000)
Paramount	USA	2,500 titles	16,000 episodes	
Svensk Filmindustri	Sweden	1,200 titles		
Sogepaq	Spain	1,000 features		Sogecable's rights division
Tele Munchen	Germany	2,700 films	10,606 episodes (includes animation)	
Twentieth Century-Fox	USA	2,500 films	many	
Universal	USA	3,101 films	24,000 episodes	TV distributed by USA Networks (USA), Universal elsewhere; Universal Film Library valued at $300m
Walt Disney	USA	410 films		
Warner Bros	USA	5,700 features	32,000 TV titles; 13,500 animated	

Source of all tables: *Screen Digest* from company information

Television movie rights: PAN-EUROPEAN

buyer	*channels/platforms*	*seller/rights holder*	*rights*	*deal type*	*territories*	*from*	*to*	*details*
free-to-air								
emotion (Kirch/Mediaset)	ProSieben; Kabel 1; Sat 1	Spyglass	M	C	various	1998	2003	theatrical, video, pay, free
emotion (Kirch/Mediaset)	ProSieben; Kabel 1; Sat 1	New Regency	M	stake	German-speaking, IT	1996		theatrical, video, pay, free
emotion (Kirch/Mediaset)	ProSieben; Kabel 1; Sat 1	Franchise	M	C	continental Europe	2000		theatrical, video, pay, free
emotion (Kirch/Mediaset)	ProSieben; Kabel 1; Sat 1	Wildwood	M	C	various	1999		theatrical, video, pay, free
emotion (Kirch/Mediaset)	ProSieben; Kabel 1; Sat 1	Hydepark	M	C	continental Europe			theatrical, video, pay, free
SBS Broadcasting	various	Walt Disney	M,S	O	BE,DK,NL,SE	2000	2010	
SBS Broadcasting	various	Universal	M,S	O	BE,DK,NL,SE	2000	2010	
Telepool	German public stations BR, MDR, SDR and SWF, Swiss TV	Warner Bros	M,S	O/V	DE,CH	2000	2004	features 1996-1999; series 1998-2001; library
pay TV								
Canal Plus	Canal Digital	Warner Bros	M	V	SE,DK,NO, NL,BE	1998	2003	+PPV
Canal Plus	Canal Plus platforms	Private Media	M	V	FR, ES, IT, Scand, Bnlx	2000	2005	75 adult movies
emotion (Kirch/Mediaset)	Premiere	Spyglass	M	C	various	1998	2003	theatrical, video, pay, free
emotion (Kirch/Mediaset)	Premiere	New Regency	M	stake	German-speaking, IT	1996		theatrical, video, pay, free
emotion (Kirch/Mediaset)	Premiere	Franchise	M	C	continental Europe	2000		theatrical, video, pay, free
emotion (Kirch/Mediaset)	Premiere	Wildwood	M	C	various	1999		theatrical, video, pay, free
emotion (Kirch/Mediaset)	Premiere	Hydepark	M	C	continental Europe			theatrical, video, pay, free

Television movie rights: FRANCE

buyer	*channels/platforms*	*seller/rights holder*	*rights*	*deal type*	*from*	*to*	*details*
free-to-air							
France 3	France 3	Universal	M	V	2001	2006	
M6	M6	MGM	M	V	1999	2004	$20m
TF1	TF1	Walt Disney	M	V	1997	2002	
TF1	TF1	Fox	M	V	1999	2004	$60m
TF1	TF1	Universal	M,S	V	1997	2007	$100m
TF1	TF1	Carlton America	M	V	2001	2006	10 movies
pay TV							
TPS	TPS	Regency Entertainment	M	O	1997	2002	
TPS	TPS	MGM	M	O			
Canal Plus France	Canal Plus	Warner Bros				2006	
Canal Plus France	Canal Plus	Universal				2006	
Canal Plus France	Canal Plus	Columbia-TriStar				2006	
Canal Plus France	Canal Plus	Fox				2006	
Canal Plus France	Canal Plus	Walt Disney				2006	
TPS	TPS	Walt Disney	M	V		2006	
pay-per-view							
Canal Plus	CanalSatellite	Playboy International	M	V	2000		

Television movie rights: BENELUX

buyer	channels/platforms	seller/rights holder	rights	deal type	territories	from	to	details
free-to-air								
SBS Broadcasting	SBS6; Net 5	Sony Pictures/ Columbia-TriStar	M	V	NL	1999	2004	first run/library
VMM Belgium	VTM; Kanaal 2	Warner Bros	M,S	O	BE	2001	2005	releases 1999-2002, series and library
Holland Media Group	RTL 4; RTL 5; Veronica	Fireworks International	M,S	V	NL	2000	2005	500 hours
pay TV								
Canal Plus Belgium	Canal Plus	Columbia-TriStar			BE			
Canal Plus Belgium	Canal Plus	Fox			BE			
Canal Plus Belgium	Canal Plus	Universal			BE			
Canal Plus Belgium	Canal Plus	Warner Bros			BE			
Canal Plus Benelux	Canal Plus	Warner Bros			NL, LU			
Canal Plus Benelux	Canal Plus	Fox			NL, LU			
Canal Plus Benelux	Canal Plus	Universal			NL, LU			
Canal Plus Benelux	Canal Plus	Paramount			NL, LU			
Canal Plus Benelux	Canal Plus	MGM			NL, LU			

Television movie rights: GERMANY

buyer	channels/platforms	seller/rights holder	rights	deal type	from	to	details
free-to-air							
CLT-Ufa (RTL Group)	RTL; RTL2; Super RTL	Walt Disney	M,S	O	1995	2003	exclusive; renewed 1998
CLT-Ufa (RTL Group)	RTL; RTL2; Super RTL	Warner Bros	S,TVM	Pr	1999		co-production deal giving Ufa second-cycle German rights (after commissioning broadcaster); Warner takes international rights
CLT-Ufa (RTL Group)	RTL; RTL2; Super RTL	Fox	M,S	O	2000	2005	DM500m
CLT-Ufa (RTL Group)	RTL; RTL2; Super RTL	Universal	M,S	O	1996	2006	
Kinowelt Medien	n/a	Warner Bros	M	O	2000	2003	$300m; theatrical 1996-1999; series 1999-2002; library (deal cancelled end 2001)
Kirch Group	ProSieben; Kabel 1; Sat 1	Columbia-TriStar	M,S	O	1995	2005	$1bn
Kirch Group	ProSieben; Kabel 1; Sat 1	Paramount	M,S	O	1996	2006	$2bn
Kirch Group	ProSieben	Dreamworks	M	V	1997	2007	DM200m; 86 titles
RTL	RTL	Disney	M,S	O	1998	2003	
RTL	RTL	MCA-Universal	M,S	O	1996	2006	$1.5bn; includes co-production deal
Tele München Group		Lions Gate TV	S,TVM	O	2001	2006	
Tele München Group	TM3; RTL2, TV2	Warner Bros	M,S	V	1998	2003	
ZDF	ZDF	Hearst Enterprises	M	O	1996	2006	
pay TV							
Kirch Group	Premiere World	Dreamworks	M	O	1997		first 40 features; exclusive
Kirch Group	Premiere World	MCA-Universal	M,S	O	1996	2006	
Kirch Group	Premiere World	Warner Bros	M,S	O	1996	2006	$800m
Kirch Group	Premiere World	Disney	M,S	O	1996	2006	$1bn
Kirch Group	Premiere World	Columbia-TriStar	M,S	O	1995	2005	$1bn
Kirch Group	Premiere World	Paramount	M,S	O	1996	2006	$2bn
pay-per-view							
PrimaCom	PrimaCom	Universal	M	O	2001		

Television movie rights: ITALY

buyer	channels/platforms	seller/rights holder	rights	deal type	from	to	details
free-to-air							
Mediaset	Italia 1; Rete 4; Canale 5	Fox	M	V	2001	2004	
Mediaset	Italia 1; Rete 4; Canale 5	Sony Pictures/Columbia-TriStar	M	V	1998	2003	
Mediaset	Italia 1; Rete 4; Canale 5	Warner Bros	M	V	2000	2002	$198m; 670 titles of which 100 recent
Mediaset	Italia 1; Rete 4; Canale 5	Epsilon Motion Pictures (Kirch)	M	O	1999	2010	
Mediaset	Italia 1; Rete 4; Canale 5	Hallmark Entertainment	M,S	O	1998	2004	
Mediaset	Italia 1; Rete 4; Canale 5	Universal	M,S	V	1998	2004	
RAI	RAI 1; RAI 2; RAI 3	Paramount	M	O	1999	2004	
RAI	RAI 1; RAI 2; RAI 3	RTL Productions	M,S	V	2001	2003	
RAI	RAI 1; RAI 2; RAI 3	Le Studio Canal Plus	M	O	1999	2004	
pay TV							
Canal Plus	Telepiù	Dreamworks	M	O	1997		exclusive (first 40 features)
Canal Plus	Telepiù	Walt Disney	M	V	1996	2006	$1bn; live action movies plus library; +PPV
Multithematiques Italia	CineCinemas; Cine Classics; Canal Jimmy	Universal	M,S	V	2001	2006	library
Telepiù	Telepiù	Warner Bros				2006	
Telepiù	Telepiù	Columbia-TriStar				2006	
Telepiù	Telepiù	Fox				2006	
Telepiù	Telepiù	Walt Disney				2006	
Telepiù	Telepiù	Paramount				2006	
Telepiù	Telepiù	MGM				2006	
pay-per-view							
e.Biscom	e.Biscom	Universal	M	V	2001	2006	+VoD

Television movie rights: OTHER COUNTRIES

buyer	channels/platforms	seller/rights holder	rights	deal type	from	to	details
GREECE							
free-to-air							
Star Channel	Star Channel	Warner Bros	M,S	V	2001	2005	
POLAND							
free-to-air							
Polsat	Polsat	Fox	M,S	O	1998	2008	
pay TV							
Canal Plus	Canal Plus Polska	Fox	M	O	1998	2008	
Canal Plus	Canal Plus Polska	MGM	M	O	1998	2008	
Canal Plus	Canal Plus Polska	Paramount	M	V	1998	2008	50 per cent recent; 50 per cent library
Canal Plus	Canal Plus Polska	Universal	M	V	1998	2008	50 per cent recent; 50 per cent library
Canal Plus	Canal Plus Polska	New Line Cinema/Morgan Creek	M	V	1998	2003	
TURKEY							
pay TV							
Zone Vision	Showtime Turkey	Universal	M	V	2001	2006	

Television movie rights: SPAIN

buyer	channels/platforms	seller/rights holder	rights	deal type	from	to	details
free-to-air							
free-to-air							
RTVE	RTVE1; La 2	Universal	M	O	1999	2004	
RTVE	La Primera; La 2	Warner Bros	M,S	V	2000	2003	extension of existing deal
TeleCinco	TeleCinco	Alliance Atlantis	M	O	2000	2005	
Telefónica Media	Antena 3	Warner Bros	M,S	V	2001	2006	includes non-exclusive pay TV rights to some movies
Antena 3	Antena 3	Fox	M	O			
pay TV							
Cinemania	Cinemania	Fox	M	O		2002	second window
Cinemania	Cinemania	Paramount	M	O		2003	second window
Cinemania	Cinemania	Sony Pictures/Columbia-TriStar	M	O		2002	second window
Cinemania	Cinemania	Universal	M	O		2002	second window
Cinemania	Cinemania	Warner Bros	M	O		2002	second window
Media Park	ViaDigital	Fox	M	O	1998	2008	non-exclusive: +PPV
Multithematiques Spain	CineClassics	Universal	M	V	2001	2006	70 B&W movies
Quiero	Quiero Cine	Universal	M	O	2000	2005	non-exclusive rights, includes carriage deal for Universal movie channel
Sogecable	Canal Satélite	Walt Disney	M	V/O	1996	2006	non-animated product only; +PPV
Sogecable	Canal Satélite	Fox	M,S	O	1998	2005	includes channel carriage deal for Fox Kids; +PPV
Sogecable	Canal Satélite	Aurum (for New Line Cinema)	M	V	1999	2005	25 titles a year
Sogecable	Canal Satélite, Canal Plus	Warner Bros	M	V	1997	2007	+PPV
Sogecable	Canal Satélite, Canal Plus	Paramount	M	O	1997	2007	$300m; +PPV
Sogecable	Canal Satélite, Canal Plus	Columbia-TriStar	M	O	1997	2007	+PPV
Vía Digital	Vía Digital	MGM	M	V	1998	2003	350 titles
Vía Digital	Vía Digital	Tornasol Films (Spain)	M	V	2000	2002	12 titles plus two-year first look
Vía Digital	Vía Digital	Lauren Films	M	V	2000	2004	68 movies
Vía Digital	Vía Digital	Sogedesa	M	O	2000	2003	
Sogecable	Canal Plus España	Walt Disney					
Sogecable	Canal Plus España	Warner Bros					
Sogecable	Canal Plus España	Paramount					
Sogecable	Canal Plus España	Universal					
Sogecable	Canal Plus España	Fox					
Sogecable	Canal Plus España	Columbia-TriStar					
pay-per-view							
Estreno Digital	Auna cable companies	Universal	M	V	2000		
Estreno Digital	Auna cable companies	Fox	M	V	2000		
Estreno Digital	Auna cable companies	Paramount	M	V	2000		
Estreno Digital	Auna cable companies	Columbia-TriStar	M	V	2000		
Estreno Digital	Auna cable companies	MGM	M	V	2000		
Ono	Ono	Paramount	M	V	2000		
Ono	Ono	Fox	M	V	2000		
Ono	Ono	Universal	M	V	2000		
Ono	Ono	MGM	M	V	2000		
Ono	Ono	Lauren Films	M	V	2000		
Vía Digital	Vía Digital	Universal	M	P	1999	2004	

Television movie rights: SCANDINAVIA

buyer	channels/platforms	seller/rights holder	rights	deal type	territories	from	to	details
free-to-air								
NRK	NRK1; NRK 2	Warner	M	O	NO	1995	2002	
Alma Media	MTV3	Fox	M	V	FI	1998	2003	exclusive; recent titles
Alma Media	MTV3	Universal	M	P	FI		2002	
Danmarks Radio og Television	DR1; DR2	Warner Bros	M	O	DK		2005	
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	Walt Disney	M	V	NO,DK,FI	1999	2004	30 titles; joint deal with TV4 Sweden; exclusive
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	MGM	M	P	SE,DK,NO,FI	2000	2005	exclusive
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	Paramount	M	P	SE,DK,NO,FI	2002	2003	exclusive
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	Sony Pictures/ Columbia-TriStar	M	V	SE,DK,NO,FI	2001	2005	exclusive
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	Universal	M	V	SE,DK,NO,FI	1998	2003	exclusive
Modern Times Group	TV3S, TV3D, TV3N, ZTVS, 3+D, ZTVN	Warner Bros	M	V	SE,DK,NO,FI	2002		Joint deal with SBS/SVT/NRK; exclusive
Nelonen	Nelonen	Sony Pictures/ Columbia-TriStar	M	V	FI	1998	2002	
SBS Broadcasting	TV Danmark	Paramount	M	O	SE,DK,NO,FI	1995	2005	
TV Danmark	TV Danmark	Warner Bros	M	V	DK			
TV Danmark	TV Danmark	Paramount	M	V	DK			library
TV4	TV4	Fox	M	O	SE	1999	2004	
TV4	TV4	Granada Media	S,TVM	V	SE	1999	2004	
SVT	SVT1; SVT2	Walt Disney	M	O	SE	1999	2004	non-exclusive
TV4	TV4	Walt Disney	M	O	SE	1999	2004	non-exclusive
pay TV								
Modern Times Group	ViaSat/TV 1000	Walt Disney	M	O/L	SE,DK,NO,FI	1999	2004	all future product plus 30 library titles; exclusive
Modern Times Group	ViaSat	MGM	M	O	SE,DK,NO,FI	1998	2003	
Modern Times Group	ViaSat	Paramount	M	V	SE,DK,NO,FI		2003	
Modern Times Group	ViaSat	Universal	M,S	O	SE,DK,NO,FI		2005	
Modern Times Group	ViaSat/TV 1000	Sony Pictures/ Columbia-TriStar	M	O	SE,DK,NO,FI	2000	2005	slate 2000; second window to 1997 theatrical releases; library; exclusive
Canal Plus Nordic	Canal Plus	Warner Bros			SE,DK,NO,FI			
Canal Plus Nordic	Canal Plus	Fox			SE,DK,NO,FI			
Canal Plus Nordic	Canal Plus	Universal			SE,DK,NO,FI			
Canal Plus Nordic	Canal Plus	Paramount			SE,DK,NO,FI			
Canal Plus Nordic	Canal Plus	MGM			SE,DK,NO,FI			

YLE (Finland, free-to-air) has no volume or output deals with Hollywood studios

Source of all tables: *Screen Digest* from company information

rights		*deal type*	
M	movies	C	co-financing
S	series	L	library
TVM	TV movies	O	output
		P	package
		Pr	production
		V	volume

BSkyB's contracts for premium and pay-per-view movies with all but one of the Hollywood majors run out next year. The company has been openly questioning the cost of sports rights deals and has stated that it does not expect previous pricing levels to be acceptable.

The same has not been said of movies, although it is, of course, likely that arguments about the continuing viability of pay TV in an increasingly competitive market will be deployed. The resulting deals could set a benchmark for the next round of negotiations by European broadcasters.

In Spain, Cinemedia's second-window pay TV deals with the majors are also about to expire. Here again, the market has seen upheavals followign the collapse of Quiero TV,

Television movie rights: UNITED KINGDOM

buyer	channels/platforms	seller/rights holder	rights	deal type	from	to	details
free-to-air							
BBC	BBC1	Walt Disney	M	V	2001	2006	live action movies 2000; additional deal signed end 2001 for five animated features
Channel 5	Channel 5	Walt Disney	M	V	1998	2003	£35m; 100 recent; 30 library
Channel 5	Channel 5	Sony Pictures/Columbia-TriStar	M	V	1998	2003	$10m; 144 titles
Channel 5	Channel 5	Warner Bros	M	V	2001	2006	$130m; 60 titles from 1997/8 and 190 library
Channel 5	Channel 5	Warner Bros	M	V	2002	2007	£13m; all 1999 theatrical releases
Channel 5	Channel 5	Sony Pictures/Columbia-TriStar	M	V	2000		$10m; acquired from Unilever in return for advertising airtime
Channel 5/BBC	Channel 5; BBC1; BBC 2	Fox	M	V	1999	2004	
ITV	ITV	Universal	M	V	2000	2005	$80m; 32 movies including all 1997/98 releases; library
ITV	ITV 1	Walt Disney	M	V	2001	2006	live action movies 2000
ITV/Channel Four	ITV 1; Channel Four	MGM	M	O	1999	2004	$40m
pay TV							
BSkyB	BSkyB	Warner Bros	M,S	V	2002	2010	
BSkyB	BSkyB	Walt Disney	M,S	O		2003	+PPV
BSkyB	BSkyB	Columbia-TriStar	M,S	O		2003	+PPV
BSkyB	BSkyB	MGM	M,S	O		2003	+PPV
BSkyB	BSkyB	Universal	M,S	O		2005	+PPV
BSkyB	BSkyB	Paramount	M,S	O		2003	+PPV
Carlton Communications	Carlton Cinema	Walt Disney	M	V	1999	2005	
Carlton Communications	Carlton Cinema	Morgan Creek	M	V	1999	2004	non-exclusive
Carlton Communications	Carlton Cinema	Hearst Enterprises	M	V	1999	2004	non-exclusive
Carlton Communications	Carlton Cinema	Canal Plus	M	V	1999	2004	non-exclusive
OnDemand Management	Front Row	MGM	M	V	1999		
pay-per-view							
ITV Digital*	ONRequest	Walt Disney	M	V	2001		
ITV Digital*	ONRequest	Universal	M	V	2001		
ITV Digital*	ONRequest	Paramount	M	V	2001		
ITV Digital*	ONRequest	Fox	M	V	2001		
ITV Digital*	ONRequest	MGM	M	V	2001		
ITV Digital*	ONRequest	Pathé	M	V	2001		
On Demand Management	Front Row	Walt Disney	M	V	1998		
Video Networks	HomeChoice	Universal	M,S	V	2001		+VoD
Yes TV	Yes TV	Warner Bros	M	V	2000		+VoD

*see text

the digital terrestrial opersator, and the agreement of the two satellite operators, Vía Digital and Canal Satélite to merge (see *Spain's satellite operators merge* under Finance & Business).

Package deals preferred to output

One change that has been occurring in recent contracts has been a change from output deals to package volume deals. The tables on these pages indicate the type of deal.

Germany and Spain still have predominantly output deals. The same applies to the BSkyB pay TV deals in the UK mentioned above. However, the remainder of the UK arrangements are volume packages, as are the majority of deals in France, Italy and the Netherlands. Scandinavia is more evenly balanced between output and packages.

FORTHCOMING REPORTS

Screen Digest will publish a second edition of its report on the *European Programme Rights Market* in third quarter 2002. For more information contact Screen Digest (details on page 130) or visit www.screendigest.com

HOLLYWOOD MAJORS' MOVIE RIGHTS LICENSEES

Dreamworks		
Germany	free	Kirch Group
	pay	Kirch Group
Italy	pay	Canal Plus
MGM		
Benelux	pay	Canal Plus Benelux
France	free	M6
	pay	TPS
Italy	pay	Telepiù
Poland	pay	Canal Plus
Scandinavia	free	Modern Times Group
	pay	Canal Plus Nordic
	pay	Modern Times Group
Spain	pay	Vía Digital
	PPV	Estreno Digital
	PPV	Ono
UK	free	ITV/Channel Four
	pay	BSkyB
	pay	OnDemand Management
	PPV	ITV Digital
Paramount		
Benelux	pay	Canal Plus Benelux
Germany	free	Kirch Group
	pay	Kirch Group
Italy	free	RAI
	pay	Telepiù
Poland	pay	Canal Plus
Scandinavia	free	Modern Times Group
	free	SBS Broadcasting
	free	TV Danmark
	pay	Canal Plus Nordic
	pay	Modern Times Group
Spain	pay	Cinemania
	pay	Sogecable
	pay	Sogecable
	PPV	Estreno Digital
	PPV	Ono
UK	pay	BSkyB
	PPV	ITV Digital
Sony Pictures/Columbia-TriStar		
Benelux	free	SBS Broadcasting
	pay	Canal Plus Belgium
France	pay	Canal Plus France
Germany	free	Kirch Group
	pay	Kirch Group
Italy	free	Mediaset
	pay	Telepiù
Scandinavia	free	Modern Times Group
	free	Nelonen
	pay	Modern Times Group
Spain	pay	Cinemania
	pay	Sogecable
	pay	Sogecable
	PPV	Estreno Digital
UK	free	Channel 5
	free	Channel 5
	pay	BSkyB

Twentieth Century-Fox		
Benelux	pay	Canal Plus Belgium
	pay	Canal Plus Benelux
France	free	TF1
	pay	Canal Plus France
Germany	free	CLT-Ufa (RTL Group)
Italy	free	Mediaset
	pay	Telepiù
Poland	free	Polsat
	pay	Canal Plus
Scandinavia	free	Alma Media
	free	TV4
	pay	Canal Plus Nordic
Spain	free	Antena 3
	pay	Cinemania
	pay	Media Park
	pay	Sogecable
	pay	Sogecable
	PPV	Estreno Digital
	PPV	Ono
UK	free	Channel 5/BBC
	PPV	ITV Digital
Universal		
Benelux	pay	Canal Plus Belgium
	pay	Canal Plus Benelux
Europe	free	SBS Broadcasting
France	free	France 3
	free	TF1
	pay	Canal Plus France
Germany	free	CLT-Ufa (RTL Group)
	free	RTL
	pay	Kirch Group
	PPV	PrimaCom
Italy	free	Mediaset
	pay	Multithematiques Italia
	PPV	e.Biscom
Poland	pay	Canal Plus
	free	Alma Media
	free	Modern Times Group
	pay	Canal Plus Nordic
	pay	Modern Times Group
Spain	free	RTVE
	pay	Cinemania
	pay	Multithematiques Spain
	pay	Quiero
	pay	Sogecable
	PPV	Estreno Digital
	PPV	Ono
	PPV	Vía Digital
Turkey	pay	Zone Vision
UK	free	ITV
	pay	BSkyB
	PPV	ITV Digital
	PPV	Video Networks

Walt Disney		
Europe	free	SBS Broadcasting
France	free	TF1
	pay	Canal Plus France
	pay	TPS
Germany	free	CLT-Ufa (RTL Group)
	free	RTL
	pay	Kirch Group
Italy	pay	Canal Plus
	pay	Telepiù
Scandinavia	free	Modern Times Group
	free	SVT
	free	TV4
	pay	Modern Times Group
Spain	pay	Sogecable
	pay	Sogecable
UK	free	BBC
	free	Channel 5
	free	ITV
	pay	BSkyB
	pay	Carlton Communications
	PPV	ITV Digital
	PPV	On Demand Management
Warner Bros		
Benelux	free	VMM Belgium
	pay	Canal Plus Belgium
	pay	Canal Plus Benelux
Europe	free	Telepool
	pay	Canal Plus
France	pay	Canal Plus France
Germany	free	CLT-Ufa (RTL Group)
	free	Kinowelt Medien
	free	Tele München Group
	pay	Kirch Group
Greece	free	Star Channel
Italy	free	Mediaset
	pay	Telepiù
Scandinavia	free	Danmarks Radio and Television
	free	Modern Times Group
	free	NRK
	free	TV Danmark
	pay	Canal Plus Nordic
Spain	free	RTVE
	free	Telefónica Media
Spain	pay	Cinemania
	pay	Sogecable
	pay	Sogecable
UK	free	Channel 5
	free	Channel 5
	pay	BSkyB
	PPV	Yes TV

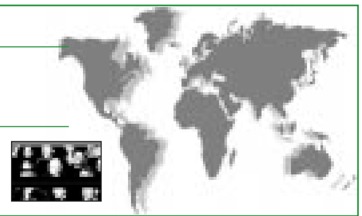
US POWERS GLOBAL CINEMA BOOM

France passes billion euro milestone

- Most major theatrical markets grew at double-digit rates last year
- Growth rates in US cinema spending are the highest since 1989, and continue in 2002
- France became the Eurozone's first ever billion market
- This year France is slowing, however, and may be overtaken in value by Germany
- Despite ticket-price deflation, Japan bounced back to post large gains in 2001
- Spain overtook Italy to fourth-place in Europe for the first time in history

Territories
World

Sectors
Cinema



Provisional estimates show that there was a return to double-digit growth in the world cinema market last year, as all major cinema nations except one recorded growth levels above (or very close to) 10 per cent. There was a particularly sharp rebound in territories which had declined in 2000.

These days the **US—**a relatively saturated market that already dominates global theatrical spending—rarely shows anything more than modest growth. But last year it returned to the kind of growth rates last seen at the end of the 1980s. Whether this can be sustained this year is yet to be seen, but on the evidence of the 15 per cent surge in the first four months of 2002, it seems it can. The US already accounts for 57 per cent of the total market in the listed countries.

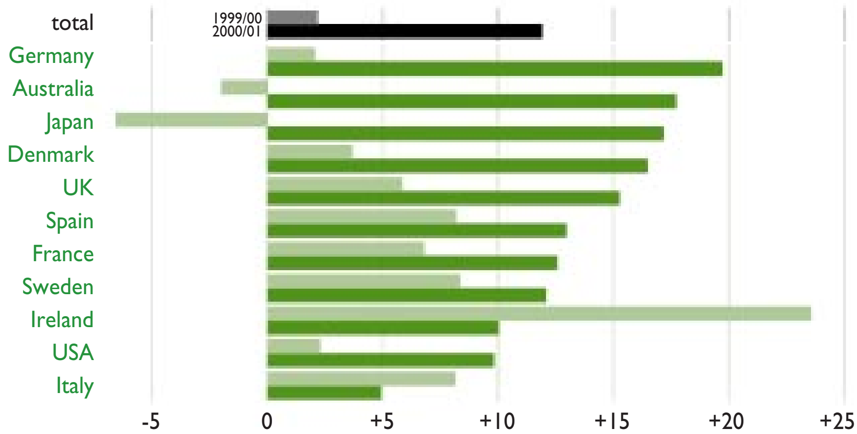
Meanwhile in Europe, on provisional data it appears that **France** has become the first ever billion euro market in the Eurozone area. Although growth was lower than achieved by other big markets in Europe, it was still about double that achieved in 2000. Unlike in the US, growth has not carried forward into 2002. France is off by around four per cent in the first quarter.

Europe's largest market in value terms, the **UK**, grew by over 15 per cent. But this was exceeded by the 20 per cent gain in **Germany**, the largest in any market for the year and the highest jump nationally since 1993. Germany is close to being the second biggest value market in Europe, and with France cooling off this year this could be achieved soon. Germany is up by about 3-4 per cent so far in 2002.

The two markets which declined last year—**Australia** and **Japan**—bounced back strongly in 2001 with gains of 18 and 17 per cent respectively. Growth in the value of the Japanese market is even more impressive given the impact that deflationary pressures are having on prices. Ticket prices in Japan have fallen two years in a row, and last year were down by three per cent.

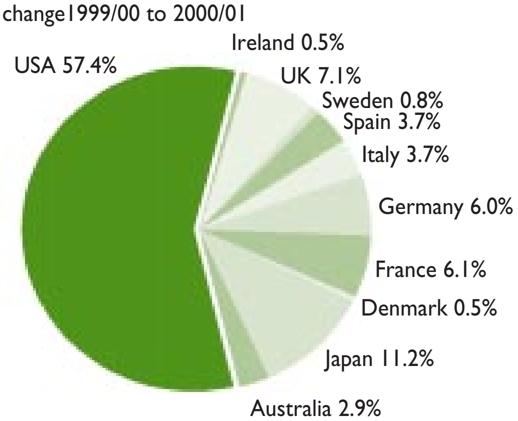
It was a disappointing year for **Italy**, however, which saw growth dip below five per cent. Italy has now been overtaken by **Spain** as the fourth-largest cinema market in Europe for the first time since at least as far back as the 1960s.

World: box-office revenue growth 1999/00 and 2000/01



World: box-office revenue growth

change1999/00 to 2000/01



Gross box office

		local	local	$m	$m
Denmark	Dkr	554.6	645.9	66.6	77.5
France	€	893.2	1,005.1	799.6	899.8
Germany	€	824.7	987.2	738.3	883.7
Italy	€	575.2	603.4	514.9	540.2
Spain	€	536.3	605.8	480.1	542.3
Sweden	Skr	1,144.8	1,283.1	110.7	124.1
UK	£	624.3	719.5	898.8	1,035.8
Ireland	€	75.4	83.0	67.5	74.3
USA	$	7,661.0	8,412.5	7,661.0	8,412.5
Australia	A$	690.0	812.0	356.7	419.7
Japan	¥	170,862.0	200,154.0	1,405.5	1,646.4
total				13,099.6	14,656.3

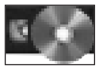
COMEDY TRIUMPHS IN US RENTAL MARKET

But horror and thriller titles earn more

- Comedies were the most rented films of 2001, despite more drama titles in release
- Highest-earning rental title was drama, but dramas averaged far less than all films
- The average video rental title earned $26m in the domestic market in 2001
- Horror films doubled per-release earnings, to become most successful genre of year
- Family and animated films also doubled per-release earnings from 2000
- But fewer family and animated titles were released than any other fiction genre

Territories
USA

Sectors
Video rental



Methodological note:
This data is based on the weekly top-50 rental charts only.

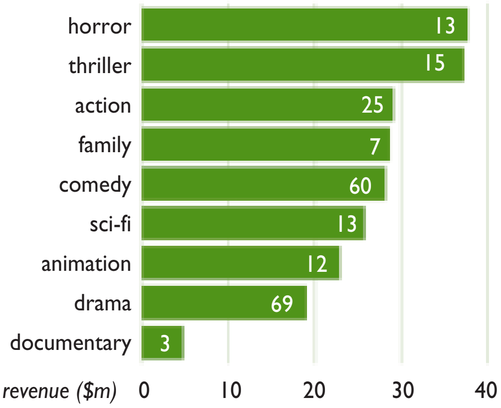
US video renters were looking for something to laugh about last year, as comedy overtook drama as the most popular genre in the market. There were also fewer comedy releases than drama releases, unlike in 2000.

The **comedy** genre was strong throughout the year, but especially so in the first quarter, with titles such as *Me, Myself and Irene*, *Bring It On* and *Meet the Parents* all topping $50m in earnings in the first three months of the year alone. *Meet the Parents* went on to become the top-grossing comedy rental of the year, narrowly beating *The Family Man*. On average comedy titles earned $28m each in rental.

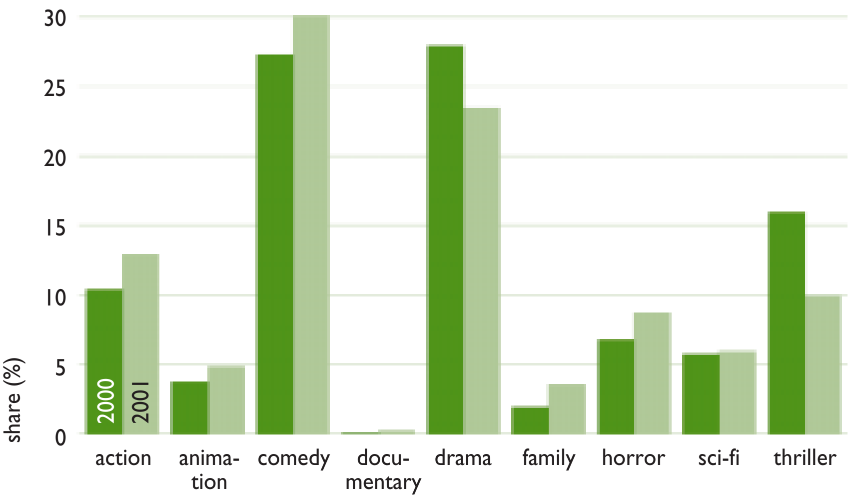
Drama accounted for more releases than any other genre last year, including the only title to earn over $100m (*Cast Away*). Despite this, drama titles were the least successful fiction genre in rental stores, grossing just $19m each. Drama dominated the market in spring, but was nowhere during the last quarter of the year. Well over half the titles released during the two quarter were drama titles, whereas fewer than 20 per cent were in the fourth quarter.

US: video rental revenue per release by genre

numbers indicate releases during year



Share of US video rental market by genre



The most successful genre last year on a per-title basis was **horror**, with average rental income of $38m, nearly double the per-title earnings of 2000. The most successful titles were not 'pure' horror titles, but 'mixed genre': *The Mummy Returns* (horror/action), *What Lies Beneath* and *Hannibal* (horror/thriller).

Thriller titles also scored highly, with $37m per release, about on a par with the previous year. The most successful thrill by far was *Unbreakable*, the second most rented title of the year.

Whilst there were fewer **family** and **animation** releases last year than any other fictional genre, films in both categories performed substantially better than they did in 2000. Compared to other genres, the $23m per title earned by animated films is unimpressive, but this is a doubling on the previous year's $11m. Family titles earned $29m on average, more than average for all films and nearly three times the comparable figure for 2000.

Share of total revenues

$m	*Q1*	*Q2*	*Q3*	*Q4*	*2001*
action	11.7	8.4	13.1	17.9	13.0
animation	5.2	4.5	2.0	7.8	4.9
comedy	34.8	24.3	31.9	28.6	30.1
documentary	0.6	0.4	0.0	0.1	0.3
drama	17.1	44.6	26.5	8.9	23.5
family	0.7	2.2	1.0	10.3	3.6
horror	14.9	3.9	8.5	7.0	8.7
sci-fi	7.0	8.4	0.8	8.2	6.0
thriller	8.0	3.4	16.3	11.2	10.0

Number of releases

	Q1	*Q2*	*Q3*	*Q4*	*2001*
action	6	3	10	6	25
animation	3	1	3	5	12
comedy	15	9	20	16	60
documentary	2	0	1	0	3
drama	18	27	14	10	69
family	1	1	1	4	7
horror	6	1	4	2	13
sci-fi	4	3	0	6	13
thriller	3	2	8	2	15
total	58	47	61	51	217

Focus

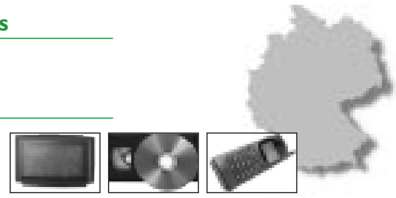
GERMAN HOMES ACQUIRE MOBILES AND PCs

But VCR penetration is in decline

- Mobiles are fastest-growing consumer durable in Germany, but growth is slowing
- More households now have a mobile phone than a CD player or a VCR
- Pay TV is one of the slowest growing, with just 0.5 per cent adding each year
- Penetration of pay TV in Germany is one fifth the level in the UK
- Penetration of VCRs fell by four per cent last year, thanks to the growth of DVD
- Nearly 40 per cent of all German homes have more than one television set

Territories
Germany

Sectors
Consumer electronics



Sources
Germany: Media-Analyse 2002/I, Media Perspektiven, SWR Medienforschung
UK: General Household Survey, National Office for Statistics

The **mobile phone** is currently the fastest growing consumer durable in Germany, and has been for the past two years. By the start of this year, the penetration of mobile phones had exceeded that of both CD Players and VCRs, although the very high rates of growth are now slowing down considerably.

Other consumer durables experiencing high growth are **modems** and **ISDN** connections. Over half of all households with home PCs now connect to the Internet using a modem, and slightly under 40 per cent have ISDN connectivity. The penetration of **PCs** is also growing strongly. German households are equipping themselves with PCs at an additional rate of three per cent of all homes per year.

One hardware item with a low penetration rate which is not experiencing strong growth is the **pay TV** decoder box. An additional half a per cent of German homes are installing d-boxes in their homes. And the number of homes with **VCRs** is actually falling, down by an impressive 4.1 per cent of all homes during 2001. The replacement of VCRs with non-recordable DVD players is almost certainly the most significant factor in this decline. Since the German data do not include a DVD category, this cannot be confirmed.

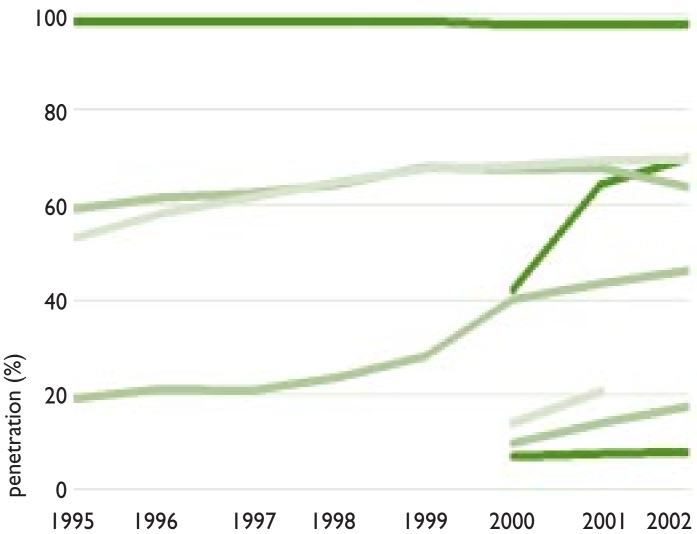
The proportion of homes with **TV** sets in Germany has also declined in recent years, albeit very modestly. The real change is in the proportion of homes which have two or more sets, now standing at an all-time high of 37 per cent. The proportion of 2+ TV set homes was little changed in the five-years to 2000, and then suddenly leapt from 28 per cent to 37 per cent.

Household penetration of most consumer durables is slightly higher in the UK than in Germany for most categories at the beginning of 2001. The exception is mobile phones, although growth has since slowed in Germany. Meanwhile, five times more UK households than German households have pay TV.

Germany: household penetration of consumer durables

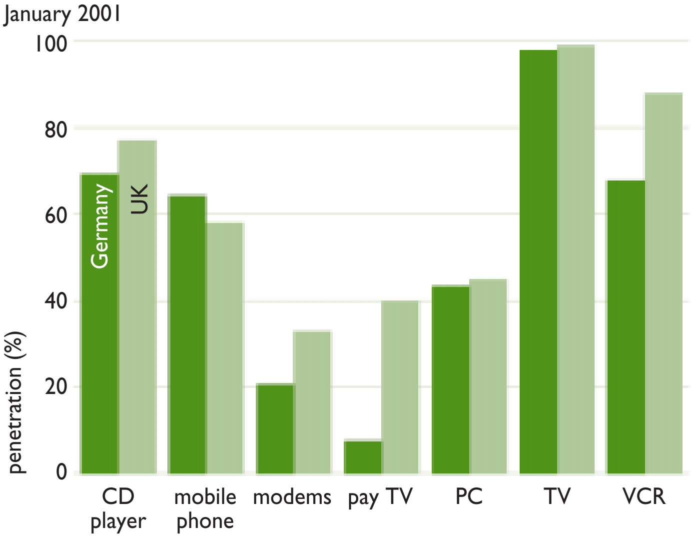
	1995	1996	1997	1998	1999	2000	2001	2002
	%	%	%	%	%	%	%	%
TV	98.5	98.4	98.7	98.5	98.6	98.0	98.0	98.1
of which single set	71.0	70.7	72.3	71.6	70.3	60.7	61.4	61.0
of which 2+ sets	27.5	27.6	26.4	26.8	28.3	37.1	36.6	37.1
pay TV						7.0	7.6	8.0
CD player	53.0	58.3	61.6	64.9	67.6	68.2	69.3	69.7
VCR	59.2	61.5	62.5	64.3	68.1	67.4	67.8	63.7
PC	19.3	21.3	21.0	23.7	28.2	40.2	43.4	46.3
mobile phone						42.1	64.4	69.8
modem						14.2	20.7	:
ISDN link						9.8	14.0	17.6

Germany: household penetration of consumer durables



Germany vs UK: household penetration of consumer durables

January 2001



Focus

GLOBAL NET USAGE AT A CROSSROADS

America to lose demographic dominance

- Internet population is currently finely balanced between America, Europe and Asia
- Internet user total is equal to the world population at the end of the 18th century
- Internet users in Europe are likely to outnumber North American users by summer
- At current growth rates, Asian users will then outnumber Americans by year end
- Number of people with Internet in the Middle East has doubled since the end of 2000
- In Africa, just 70,000 net monthly additions are made to the Internet population

Territories
World

Sectors
Internet

Source
Nua Internet Surveys

Web links
www.nua.ie/surveys/how_many_online/

There are now well over half a billion people worldwide with access to the Internet. That number is growing at the rate of about 200-300,000 every day, according to figures published by Nua Internet Surveys. The global Internet population is roughly equivalent to the entire worldwide population in the latter half of the 18th century, and just under a tenth of the global population today.

Annualised growth in the global Internet population has now dipped below 20 per cent, having been close to the 100 per cent mark during the peak of Internet stock mania in late 1999/early 2000. At this time, the global Internet population was nearly doubling every year.

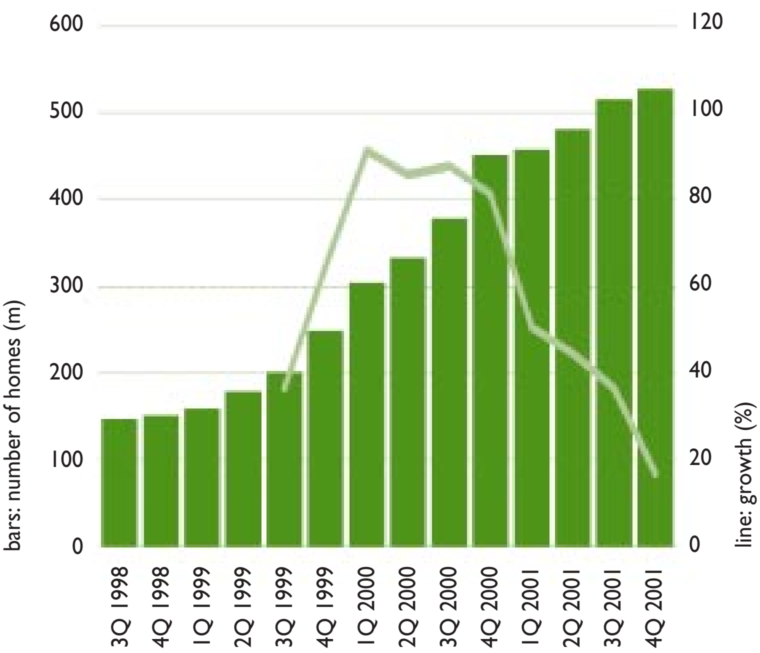
This has largely been down to a sharp decline in growth in the largest regional market, **North America**, where in the past 15 months fewer than 1m net additions a month joined the total Internet population. During 2000, 3.2m users were added a month.

Right now there is a unique pattern of global Internet user distribution in which the global online population is almost exactly divided between North America, Europe and Asia. But North America is about to lose its position to **Europe** as the leading Internet market worldwide, probably during the summer. By the end of the year, it seems likely that Asia will have overtaken North America into second place.

Europe has added about 3.9m net additions to the Internet population per month in the past 15 months, and Asia has contributed a further 3.5m homes. But the biggest percentage increase has actually been in the **Middle East.** Here, total Internet homes have doubled since the end of 2000.

The number of Internet homes in **South America** has also doubled, but in a slightly longer timescale-since the summer of 2000. Current rates of growth represent net monthly increases of a little over 600,000 net additions every month. In "Africa, the growth rate is smaller in both percentage and absolute term. Only about 70,000 net additions are made to the African Internet population every month.

World: total number of Internet homes and growth rate



World: share of total Internet homes by region