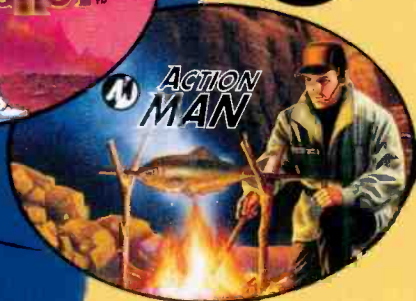


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Public Service

Newt Gingrich plans to cut the flow of U.S. funds to the Public Broadcasting System. Gingrich, the first Republican Speaker of the House of Representatives in 40 years, doesn't like government spending. And he doesn't like PBS, which is, in his mind, all too likely to be found airing left-leaning documentaries. So, in the new language of the Gingrich era, the Corporation for Public Broadcasting (CPB) is going to get zeroed out. The corporation's entire \$286 million budget will be eliminated; CPB will disappear, and PBS will have to do without the federal funds it receives, presumably surviving on membership fees paid to local stations, corporate donations and, where provided, grants from local and state governments. It's a draconian measure, but well within the realms of the possible given the radical plans of the new Republican majority in Congress.

The whole debate must seem strange to broadcasters in other countries. Seen from outside the U.S., the image of the American broadcasting system is something like the distorted reflection one sees in a carnival mirror. Where a European public broadcaster is large and muscular, America's is tiny and emaciated; the European commercial tv sector is big but not the exaggerated monstrosity of America's. European broadcasters look at the American system and, like in the carnival mirror, see a weird, distorted body, parts enlarged or shrunk for no apparent reason.

Few Europeans would give up the public broadcasting institutions that balance their commercial networks. Though PBS hardly provides balance, the Americans should feel the same way about the threat to PBS. And threatened it is. The CPB's \$286 million represents a whopping 20% of public broadcasting's annual budget of \$1.5 billion. And as Elizabeth Jensen reports in her article this month, the threat of that massive cut isn't the only difficulty the public network faces. When you boil it all down, PBS has two basic problems: structure and funding. The former was intentional, the result of Washington's desire for a decentralized, headless network of stations, each with a vote on everything. This should be changed. Fifty-percent of each station's schedule should be given over to network programming by mandate. In this way PBS can offer a schedule of diverse programming in a voice loud enough to be heard. National, rather than local, operation has hardly hurt the BBC. PBS funds itself by passing the begging bowl to Congress, corporations and individuals. If Gingrich is going to get rid of one stop on the beg-a-rama, why not the other two? The service should be permitted to sell two minutes per hour of advertising, with a prohibition against breaking into programs. Ad sales should be supplemented by payments made by commercial broadcasters for the use of their frequencies, frequencies that will become ever more valuable with the arrival of digital tv. These simple ideas may sound radical to PBS stalwarts. Radicalism is the only way to answer Gingrich and still offer American viewers some form of public service broadcasting.

The Editor

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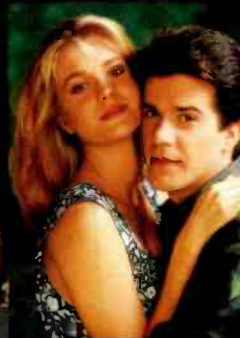
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Children know this dodge, but it works in business too if one can get away with it: The way to win when you're way behind is simply to change the rules of the game. I've never seen any grown-up pull that trick as often and as brazenly as Rupert Murdoch.

Before he crashed the party in 1985, American tv was an orderly competitive business with a code of civility. Murdoch entered like someone lurching into a room, banging into the furniture, and breaking the crockery.

Murdoch is a disruptive presence because he has the effrontery to flout the industry ethos and push the official rules to the limit and beyond. He received some help in his mischief from the U.S. government, which conferred citizenship on him in record time to allow him to buy the major group of tv stations on which to start the Fox network.

Then the Federal Communications Commission, in its eagerness to create competition for ABC, CBS and NBC, helped out by exempting Fox from the financial interest and syndication rule — allowing Murdoch's to be the only network linked to a Hollywood studio. It did this by creating an ad hoc definition of a network based on primetime hours broadcast, and setting the threshold just above Fox's output.

The FCC granted Murdoch other favors as well, such as waiving the restriction on owning a tv station and daily newspaper in the same city. Murdoch got around the cross-ownership rule in both New York and Boston.

Once in the television business, Murdoch bought TV Guide, the magazine with the largest circulation in the U.S. He overpaid for it but gained what he must have viewed as a great promotional vehicle for Fox.

The Fox network has done astonishingly well. It caught on quickly with the young, spawned some hit shows, and took away a healthy chunk of audience from the big networks. With a much lower overhead and no news operation, Fox was profitable when its rivals were struggling in the recession.

Fox's dubious contribution to American culture was the introduction of "trash tv" with *A Current Affair*, a tabloid tv

Rule One: There Are No Rules



BY LES BROWN

magazine that breaks the rules of respectable journalism. And when Fox overstepped the line on sexual deportment, with shows like *Studs* and *Married... With Children*, the bluenoses came down on all the networks.

That didn't endear him to his rivals, but Murdoch couldn't have cared less. His next bold move was to bid an outlandish sum for the National Football League rights, the biggest sports plum of all, which had been CBS's from the beginning of time.

Those who play by the conventional rules couldn't understand it. There was no way Fox could turn a profit at the price bid. But the weeks that followed showed the deftness of that move, when several stations switched their CBS affiliation to Fox because professional football meant so much to their local image.

This is when Murdoch really started

wrecking the furniture. In a bid to gain parity with the other networks, he staged a major raid on their affiliates. He secured the New World group of major market stations by pumping \$500 million into that company for a 20% interest in its 12 stations — eight of them CBS affiliates. Then he invested additional millions in a new company owned by a minority group to facilitate their buying of stations, all of which would switch out of past affiliations to join the Fox camp.

These and kindred maneuvers touched off a frantic scramble by the established networks to lock up their key affiliates and replace the ones that defected to Fox. To ensure the loyalty of their affiliates, the networks were forced to make generous deals with them, raising their own operating costs by as much as \$100 million a year.

Oddly, though CBS had suffered most from Murdoch's ploys, it was NBC that, having had enough of his roughhouse tactics, struck back. In a petition to the FCC, NBC charged that the Fox stations were essentially foreign-owned, in violation of rules that have stood for 60 years. NBC maintained that though Murdoch had become a naturalized citizen, his broadcast company was 99% owned by News Corp, the Australian company Murdoch controls. U.S. regulation limits foreign ownership of broadcast stations to 25%.

Murdoch may have pushed the envelope too far. Fox's growth is likely to be stalled as the spotlight turns on the FCC to explain why it showed favoritism to an operator whose record of public service is decidedly on the minus side.

The commission, most of whose members have changed since the mid-80s, might try to save face by lifting the restriction on foreign ownership, though broadcasting is a distinct national resource in any country. If that happens, Murdoch will have busted one of the most treasured pieces of crockery in the house. [E]

Murdoch entered into American tv like someone lurching into a room, banging into the furniture, and breaking the crockery

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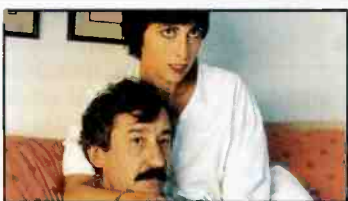
Dir: Jorge Grau

Cast: Arturo Fernández, Toni
Cantó, Milly Carlucci, Lia
Chapman
Prod: Cartel.

SIETE MIL DIAS JUNTOS

FEATURE FILM

Dir: Fernando Fernan Gómez
Cast: José Sacristán, Pilar Bardem,
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Prod: Rosa García, P.C.



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Cast: Aitana Sánchez-Gijón,
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DRAMA SERIES

3 Eps x 90'

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Cast: Antonio Banderas,
Claudia Koll, Meme Perlini
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VILLARRIBA Y VILLABAJO

COMEDY

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Dir: José Luis García Berlanga,
Carlos Gil, Josexto San Mateo
Cast: Juanjo Puigcorbe, Ana
Duato, Carlos Tristancho.



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DOCUMENTARY

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MONITOR

HONG KONG

Beijing Offers An Olive Branch

Star TV's movie service is granted limited distribution into China

Rupert Murdoch's Star TV has been given a boost by the Chinese authorities who have given the pan-Asian satellite tv service tacit, if limited, approval after more than two years of snubbing it.

Firstly, officials in the capital Beijing approved a limited distribution of its subscription film channel Star Movies to hotels used by foreigners, compounds where foreign residents live, and three-star hotels patronized mainly by Chinese.

The hotels and compound managers can apply for licenses and decoders to see the channel, and a Chinese company has been given the franchise to retail the equipment and distribute the licenses.

Ordinary Chinese still cannot officially watch even Star TV's four-channel, free-to-air service since a crackdown on private dishes was announced in late 1993.

However, in a study conducted by the state-run company China Statistics Consultants, of 930 two and three-star hotels in 29 Chinese cities and provinces, Star TV emerged as the most popular international tv service where 70% of the guests are Chinese.

The survey concluded that Star TV's

Mandarin-language Chinese Channel had an 88% penetration rate in hotels with dishes, compared to 11% for CNN International and 9% for Japan's NHK.

Murdoch also recently headed a corporate delegation to Beijing to oversee a presentation by the News Corp subsidiary, News Datacom, of encryption technology and subscriber management. Finally accepting they cannot turn back satellite broadcasts, the Chinese government is now keen to regulate its flow.

Murdoch had been in Beijing's bad books since his speech in London in September 1993 when he said satellite tv had the power to topple dictatorships. He has since discreetly courted the Chinese, as well as other Asian regimes hostile to Star TV. Last November he held a cordial meeting with Malaysian Prime Minister Dr Mahathir Mohammed, where program supply was discussed, and Singapore television has agreed to air eight hours a week of Star TV's music channel, Channel V, marking the first time the Star TV signal has been received in the island republic.

Star has since sold 50% of Channel V to a four-strong partnership of entertainment interests. BMG, EMI Music, Sony Pictures Entertainment and the Warner Music Group have all taken equal shares in half of the channel's equity, in a deal designed to boost the channel's access to music programming and in turn increase the exposure of artistes on the companies' rosters. The same partners – plus PolyGram – last year combined to launch Viva, a German-language music channel, and have also tried to launch a U.S. channel.

The cost of the deal was not disclosed and Star TV will continue to manage Channel V independently, according to chief executive Gary Davey. Cash generated by the agreement will fund new investments and allow the network to work directly with the record companies to develop and promote talent. The accord is something of a coup for Channel V, which only went on air in May 1994, because it directly links the channel with four major players as it prepares for MTV Asia to return to the airwaves. MTV left Star TV's stable of channels last year.

Channel V transmits a service in English and Mandarin to China, Taiwan and south-east Asia, and a more international service aimed at India and the Middle East.



Davey: Star will continue to manage Channel V

RUSSIA

Ostankino Sells 49% To Private Sector

A new and restrictive advertising bill could mean revenue losses

Russia's President Boris Yeltsin has issued a decree which will see the national publicly-owned broadcaster Ostankino become a joint stock company known as Russian Public Television. Although 51% of the service will remain in government hands, the remainder is likely to be sold to 12 designated shareholders including Aeroflot International Airlines, the state owned Itar-Tass news agency and several banks including Roscredit, Inkombank and Menatep.

Ostankino, which employs 18,000 people and is one of the largest broadcasters in the world, has until February 1 to reorganize and begin life as a public broadcaster.

Yeltsin's decree, issued late last year, leaves Russian State TV (RTR) as the only national state tv station. RTR president Oleg Poptsov praised the move, saying it was the best way forward for both channels. The state has found it increasingly difficult to support two national tv networks. At one time a merger of Ostankino and RTR was an option under discussion – a move fiercely opposed by the company.

Under Russian law, any company in which the state owns 25% or more of the shares is treated preferentially with a more favorable tax status and other advantages. The new organization will therefore benefit from preferential prices for transmission and other services provided by state companies.

Ostankino has been forced to cut the number of hours it broadcast over the past year to save money. More than 80% of its budget is said to go into transmission costs.

Alexander Yakovlev, chairman of Ostankino, stressed that the investors in the channel, all of whom will be Russian, would be expected to act out of a sense of supporting the development of independent media rather than a desire for profit. Ostankino needs extensive investment in modernization and reorganization if any profit is to be expected over the next three years.

The financial outlook for the company is still cloudy, and it is rumored that a number of the banks offered shares declined the offer. Some investors may have balked at spending money while a majority of the company was in state hands.

The budget that will be available for acquisitions in 1995 has not been set. Ostankino was previously a major buyer of international product,

acquiring over 100 films last year.

A new advertising bill has not made things look any brighter. Proposed and amended by the Prime Minister Victor Chermomyrdin, it will be given a second reading in the Russian Duma (parliament) this month and if passed will lead to total bans on tobacco, alcohol and advertising aimed at children. Tobacco and alcohol commercials are believed to be worth around \$300 million and this prospective loss will clearly be of some concern to advertising agencies, advertisers and both public and private broadcasters.

The legislation is widely seen as an attempt to muzzle the mass media in Russia and – despite already having come in for strong criticism from several quarters – it still has a 50/50 chance of becoming law.

by Chris Dziadul — LONDON

BELGIUM

Established Nets Face New Competition

SBS, CLT and VTM channels could take over 10% of the tv audience

Already considered to be one of the most competitive tv markets in Europe, Belgium is gearing itself up for a real tv war with three new channel launches planned by the end of this month.

Companies intending to enter the fray include the Cap Cities/ABC-backed group Scandinavian Broadcasting Systems (SBS), Luxembourg conglomerate CLT and Flemish commercial broadcaster VTM.

SBS is planning to invest \$193 million in a Flemish general entertainment cable channel called VT4, which launched when last month. Aimed at the 15 to 64 age group, VT4 is after a 10% market share. VUM, publisher of Flemish daily newspapers De Standaard and Het Nieuwsblad, and a 45% shareholder in VAR (public broadcaster BRTN's ad sales agency), has taken a 35% stake.

The new channel will broadcast via satellite from London using a British non-domestic satellite license. According to European legislation, this puts it beyond the jurisdiction of the Belgian government. However the Flemish authorities have expressed concern that the introduction of any new competitor could dramatically impinge on VTM's business. As a solution, closer co-operation between VTM and BRTN has been suggested.

Until now VTM has enjoyed a monopoly on tv advertising in Flanders, and with an average mar-

POLYGRAM ACQUIRES ITC

PolyGram has added 10,000 hours of film and tv programming to its expanding empire with the acquisition of the ITC Entertainment Group. The deal, effective from January 1, was reported to be worth \$156 million. Jules Haimovitz, president and chief executive officer of ITC, will stay on at the company and will continue to be based in Los Angeles reporting to Michael Kuhn, president of Polygram Filmed Entertainment. Lord Lew Grade, who founded ITC in 1954, and has been acting as a consultant for the past year, is to rejoin the company as chairman for life. Feature film versions of classic British series from the ITC archive including *The Prisoner*, *The Persuaders* and *Thunderbirds* are planned as a result of the acquisition. The distribution operations of ITC and Polygram will be merged under the film and tv direction of Haimovitz in the U.S. and Polygram's Stewart Till in Europe.

EXPLOSIVE



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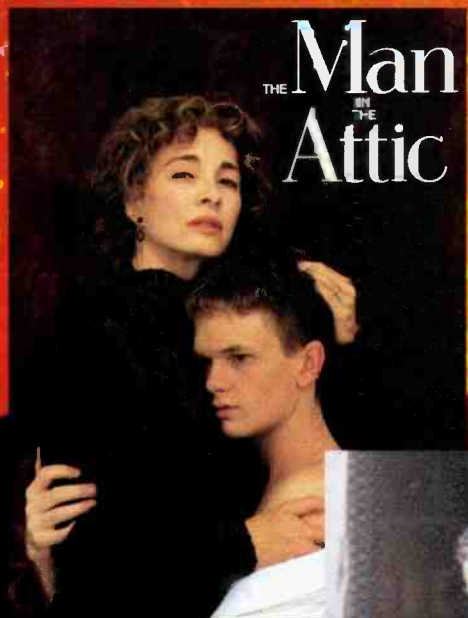
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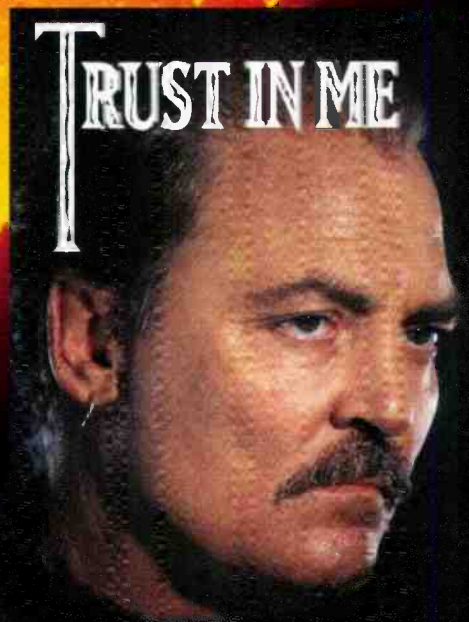
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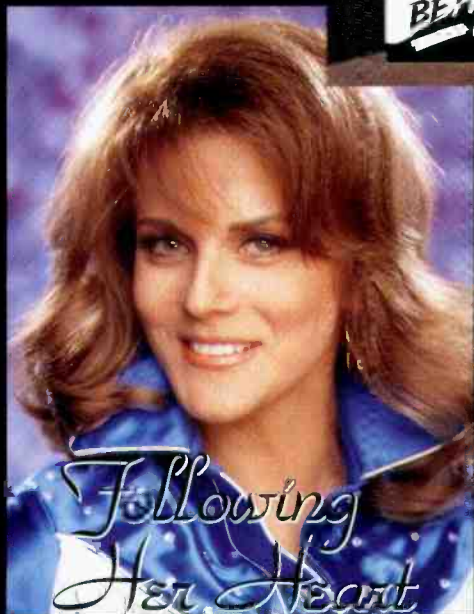
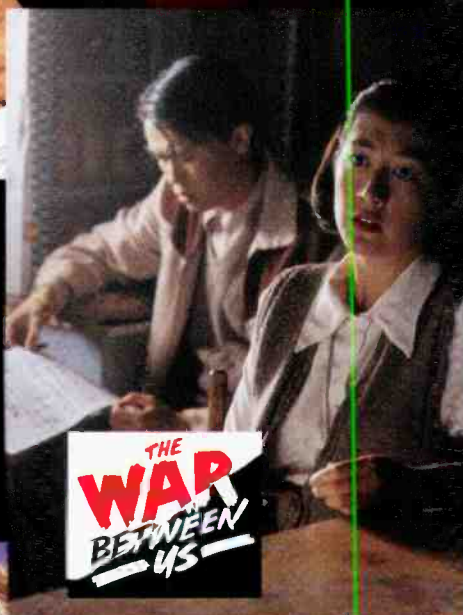
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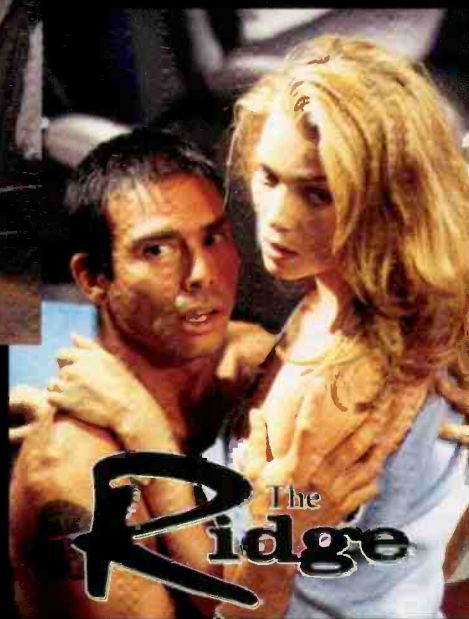
TV Movie



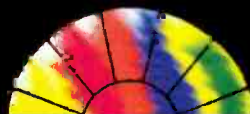
TV Movie



TV Movie



60 Min. Drama Series



ATLANTIS

MANDARIN NEWS NET LAUNCHES

The first 24-hour Mandarin-language satellite news channel went on air on New Year's Eve with ambitious plans to allow overseas Chinese to watch its programming.

Chinese Television (CTN) runs two services: a news channel, Zhong Tian, and an information and entertainment channel called Dadi. Based and uplinked from Hong Kong, CTN has bureaux in New York City, London, Taipei and Singapore, as well as Beijing and Shanghai.

Zhong Tian carries the first live, daily stock market reports from New York and London in Mandarin, and could offer competition for Asia Business News (ABN) and the soon-to-be launched ANBC, which are broadcast almost entirely in English. The programming on the Dadi Channel is evenly split between acquired, commissioned and in-house shows.

CTN marketing services manager Doris Kwan said the subscription service which currently broadcasts off the PanAmSat 2 satellite, is about to sign a deal that should see it relayed to the U.S. by the end of 1995, and the company predicts it will cover at least 50% of Chinese communities worldwide by the end of the century. Currently the station is only being carried in Taiwan by cable tv distributors with access to one million homes.

ket share of 43% it has positioned itself as a provider of local programming aimed at a broad family audience. In a move to block VT4's offensive, the commercial channel has announced plans for a second channel, due to launch on February 1. Called Kanaal 2, it is aimed at young and educated viewers and like its parent channel, the schedule will be local and European in flavor, with an emphasis on comedy, news reports, documentaries, youth programming and alternative music shows. Kanaal 2 will also take advantage of VTM's exclusive rights to Belgian football league matches. Although VTM's management is expecting to lose 4% to 5% of its audience to new competition, the hope is that Kanaal 2 will capture 7% of the market.

New competition has also raised questions regarding CLT's plans for Belgium. According to sources, CLT is due to launch its Dutch channels RTL4 and RTL5 on to Flemish cable systems. But before that can happen, an agreement will have to be reached with Dutch partner VNU, also one of VTM's main shareholders.

In the French-speaking areas of Brussels and Wallonia, RTL-TVI, a subsidiary of CLT, has announced the launch of a second channel later this month. Called Club RTL, it will offer movies and series grouped together in thematic evenings. Targeting a 5% to 7% audience share, RTL-TVI's chief executive Jean-Charles De Keyser hopes to gain ground on the network's French competitors, as well as future thematic channels. Currently the combined audiences for RTL-TVI and state-owned RTBF only just muster a 50% market share, as a result of competition from the likes of French private network TF1. M6 has also been granted a cable license to transmit in Belgium.

by **Thierry Le Clercq** — BRUSSELS

FRANCE

Education Channel Takes The Fifth

La Cinquième provides a \$100m boost to French indie sector

The transformation of France's fifth national network from an all-out commercial venture to a public service operation was completed on December 13 with the launch of la Cinquième. The educational service broadcasts from 7am to 7pm every day of the week, sharing a national frequency with Arte, the cultural channel jointly funded by the French and German states.

What to do with the fifth network has been an issue since la Cinq, the private broadcaster



Jean-Marie Cavada: had six months to launch channel

backed by Hachette and Berlusconi, went bankrupt in 1992. The Socialists transferred Arte from cable, a costly venture which increased the channel's budget with little result in ratings. But, as Arte was only an evening broadcaster, the problem was still there in daytime.

The then culture minister Jack Lang envisaged a private education service financed mainly by the ministry of education to fill the rest of the airtime. But the CSA, the regulatory authority which allocates franchises to private television, was not keen on the idea.

But when the right came to power, prime minister Edouard Balladur, revived the idea of a new television service that would train and educate the French and be a tool to fight unemployment. In order to bypass the CSA, the station would be public and it would be financed by the license fee. This was raised by 6%, a very brave move in the year of the presidential elections.

Jean-Marie Cavada, a tv journalist who missed out on the job of heading France 2 and France 3, was appointed president of the company in April and had six months to launch the new channel from scratch. Cavada hired Jean Mino as head of programs. Mino has already proved his talent as a scheduler at France 2, la Cinq and M6, head of gameshows at TF1. And he appointed Sylvain Anichini, who had been in charge of launching Canal Plus and la Cinq, as technical manager.

During the summer, the government granted the channel a \$140 million annual budget, with \$101 million to be spent on programming. Stretching the budget to fill the schedule of la Cinquième (the name chosen by Cavada) was the major problem faced by Cavada and Mino.

Very few educational and public service programs have up to now been produced in France. Buying foreign product would be politically difficult. Mino opted to commission 80% of the channel's output — mostly made up of magazines and talk shows, in short formats (13 or 26 minutes). The prices paid would be low — between \$28 to \$37 per hour — but la Cinquième would order three months of daily or weekly programs to allow for economies of scale. Each program is broadcast two or three times a week.



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FILMNET AND M-NET LINK UP

The parent companies of European pay-tv channel FilmNet and South Africa's M-Net have agreed in principle to consolidate their pay-tv, subscriber management and hardware interests under a single corporate structure, PayCo. The transaction will create one of the largest subscription television groups in the world outside the U.S. with interests in 43 countries and an active subscriber base of 2.2 million homes. PayCo will be a subsidiary of Dutch-based Nethold. Under the agreement, which is expected to be finalized this month, FilmNet, MultiChoice Europe, ProNet and Irdeto will come under the umbrella of PayCo together with a 20% stake in M-Net and a 25% stake in Italy's Telepiù. Tobacco to luxury goods conglomerate Richemont will own a 50% stake in the company, with MIH, the company through which the subscriber management company MultiChoice Ltd holds its investment in Nethold, owning the other 50%. The transaction effectively formalizes existing links between the various companies, which have shared senior management and last year began joint acquisition of program rights.

Cavada made a bold choice: instead of relying on a few well-established producers, he decided not to order more than two programs from any producer and thus, commission around 40 different companies.

Although it remains to be seen how much la Cinquième lives up to its lofty ideals, it has already supplied welcome oxygen to the French independent sector. Besides creating new types of programming, the channel promises to encourage new – and cheaper – methods of producing programs.

by Serge Siritzky — PARIS

BRAZIL

Brazilian Networks Get Foreign Backers

Legislation has prompted overseas firms to join the race for pay-tv

Two Latin American media giants, Editora Abril and the Globo Group, have succeeded in attracting foreign capital in their tug-of-war battle for pay-tv viewers in Brazil. Between them they own the country's two largest pay-tv networks.

Editora Abril, South America's leading publishing company, owns TVA, a terrestrial and cable-delivered network, offering over two dozen channels to 260,000 subscribers. TVA recently gained \$35 million in new investment when the Chase Manhattan Corp. acquired a 17% stake. The channel intends to use the capital to lay more cable (especially in Sao Paulo), increase the number of channels it offers and to attract more investors.

The Globo Group, owner of TV Globo, the subcontinent's largest broadcast network, owns Net Brasil in conjunction with two smaller associated operators, Multichannel and RBS. Net Brasil is an all-cable network which offers over 24 channels to 210,000 residential subscribers.

The International Finance Corporation (IFC), the World Bank's private sector financing arm, recently announced plans to loan Globopar, Net Brasil's holding company, of \$125 million to lay the cable necessary to boost Net Brasil's audience to 650,000 subscribers by 1997. Net Brasil plans to invest another \$50 million to complement this sum in the near future.

Other independent regional cable operators are also trying to get a piece of Brazil's potentially lucrative pay-tv subscriber pie. In the east-central city of Belo Horizonte, one such operator has already blanketed the city with cable.

While in Rio de Janeiro, TV Cabo Rio – a recently-formed joint venture between Icatu

Empreendimentos e Participacoes, a local holding company with investments in finance and telecommunications services, and United International Holdings (UIH), a U.S.-backed cable investment company – plans to begin laying cable in the city's working-class suburbs not yet reached by Net Brasil. It plans to offer 25 channels and is not likely to rely on Net Brasil for programming.

In October, the Brazilian Chamber of Deputies' passing of legislation regulating cable should help attract more U.S. partners like UIH, to further fuel the pay-tv tug-of-war.

"Potential foreign investors feel more comfortable now that the Chamber of Deputies has passed pay-tv legislation," said Jose Antonio Grabowsky, director of Icatu Empreendimentos e Participacoes. "Until now, most haven't felt comfortable putting money into an area in which there was no legislation."

In addition to legitimizing the 101 pay-tv operations already in existence, the new legislation maintains the restriction that foreign companies can only own up to 49% of a pay-tv enterprise; allows for the launch of future pay-tv networks; gives the government the authority to issue more than one pay-tv concession in a specific region and stipulates the government's telecommunication's monopoly operator Telebras will only operate pay-tv in regions where the private sector doesn't want to go.

by Michael Kepp — RIO DE JANEIRO

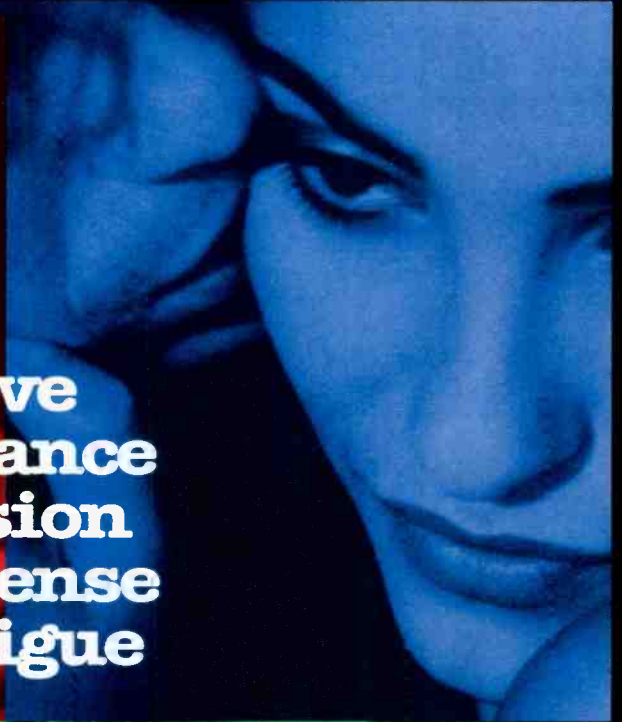
JAPAN

Keeping Up On The Infobahn

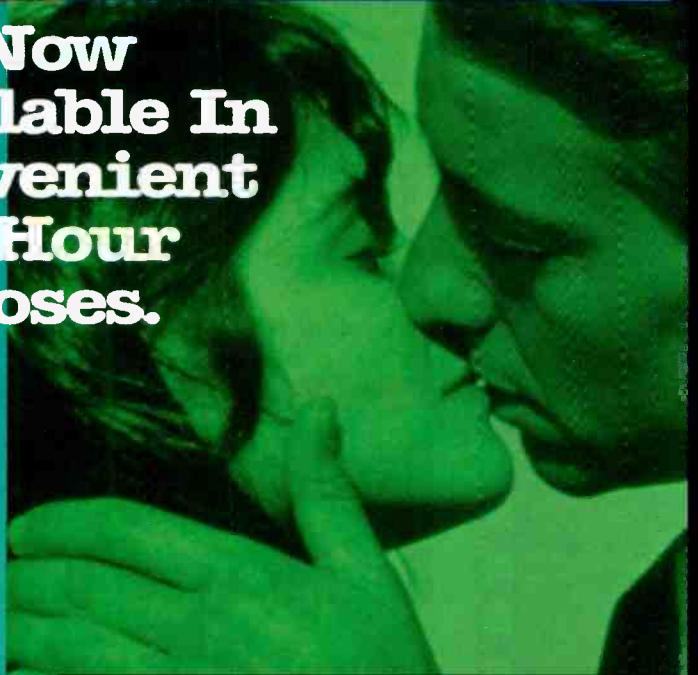
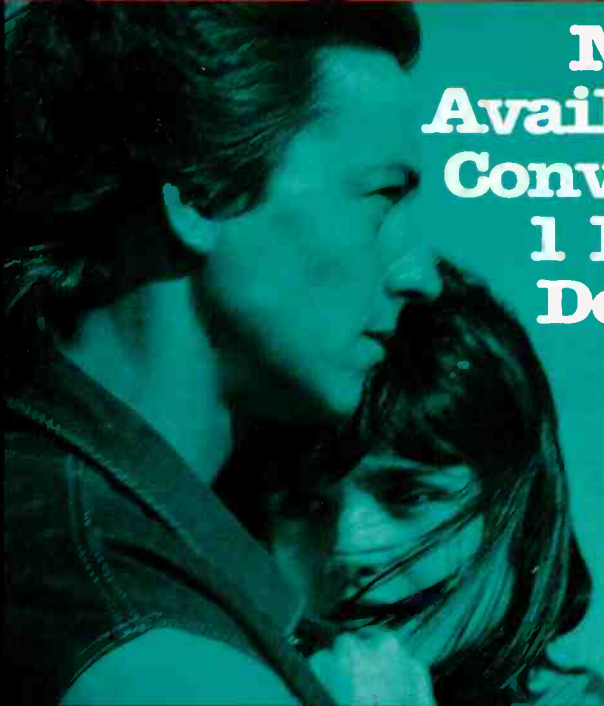
MPT announces plans for wireless multimedia developments

As part of its drive to build new multimedia industries and enhance Japan's competitiveness on the international infobahn, the Ministry of Posts and Telecommunications (MPT) has announced the outlines of its plan for promoting the development of wireless multimedia.

In the first stage of the plan, scheduled for implementation by 2000, the MPT aims to establish a network of portable tv-telephones and super-high-speed wireless LANs (local area networks). Although the wireless network will initially be used for voice communications, the MPT plans to expand it to include data and images. Also, instead of allotting frequencies in narrow bandwidths, as it has until now, the MPT will divide them into wide sectors, while speeding the establishment of uniform technical standards to support industry research and development.



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The details of the MPT plan for wireless multimedia are currently being hammered out by an advisory panel to the director-general of the MPT's telecommunications bureau. The panel will issue a final report in March and, based on its findings, the MPT will draft new technical standards.

According to the panel's previously announced recommendations, the wireless network will be completed in two stages, the first by 2000 and the second by 2005. For the first, the MPT will issue concrete development targets for the two broad categories of indoor and outdoor wireless communications. A major focus of the first-stage development effort will be an advanced FPLMST (Future Public Land Mobile Telecommunications System).

The MPT plan predicts that, by the end of the second-stage development in 2005, portable telephones with 25 times the transmission speed of first-stage FPLMST will be in use.

Last year the MPT announced a plan for linking every household in Japan to a fiber-optic network by the year 2010. In the budget for the 1995 fiscal year, however, the special appropriation for the construction of this network is Y30 billion (\$300 million), half of what the MPT had originally requested. But a high-speed wireless system can serve as a partial substitute for a fibre-optic cable network. Also, construction and maintenance costs are significantly lower — a major advantage in Japan, where cable laying and cable station construction costs are still sky-high. To an extent not imagined even a short time ago, the future of Japan's infobahn may not be wireless.

by Mark Schilling — JAPAN

ITALY

Rai Hangs On To Its Ratings Lead, Just

Fininvest's Canale 5 posts the largest single channel share

Political turmoil, financial crises and management shake-ups did not affect Italian pubcaster Rai's audience in 1994. According to Auditel, the audience surveying system, the three Rai channels' average audience share from December 7 1993 to December 6 1994 was 48.33% in prime-time and 46.20% over the full 24-hour schedule.

In the same period, the three national tv channels owned by Silvio Berlusconi's business group Fininvest had an audience share of 43.46% in prime-time and 43.74% overall.

The figures were welcomed by Rai president Letizia Moratti, appointed by the premier while



World Cup soccer kept Rai in front

he was in office to replace Gianni Locatelli. She pointed out that although Rai had always been the leading network in Italy, its share had decreased between the years 1990 to 1993. Last year marked the first increase.

The pubcaster was helped by the World Cup football matches, for which it had exclusive rights. However its three channels were also forced to air several hours of political meetings before the March elections. With no advertising breaks these often garnered low audiences.

Besides its sports coverage, Rai's news broadcasts, talk shows and cultural programs also attracted audiences. Fininvest, on the other hand, scored with its scheduling of gameshows, children's programs, and, above all, fiction and feature films. This was not surprising as the commercial network's library is much bigger and more appealing than that of the public broadcaster which stopped acquiring international product due to its financial problems.

The individual channel with the largest audience share in 1994 was Berlusconi's Canale 5 with 20.2% over 24 hours, while Rai Uno was second with a 19.7% share. Both webs increased their audiences, while Fininvest's Rete 4 and Rai Due both posted losses. Confirming the Italians' traditional love of football and music the top ten individual programs of 1994 ranked by the number of viewers were all football matches, followed by the musical *Festival of Sanremo* with 13.4 million viewers. Of the feature films broadcast *Ghost* attracted the highest audience (12.9 million) followed by *Basic Instinct* (9.8 million). Both were aired by Canale 5.

by Cecilia Zecchinelli — MILAN

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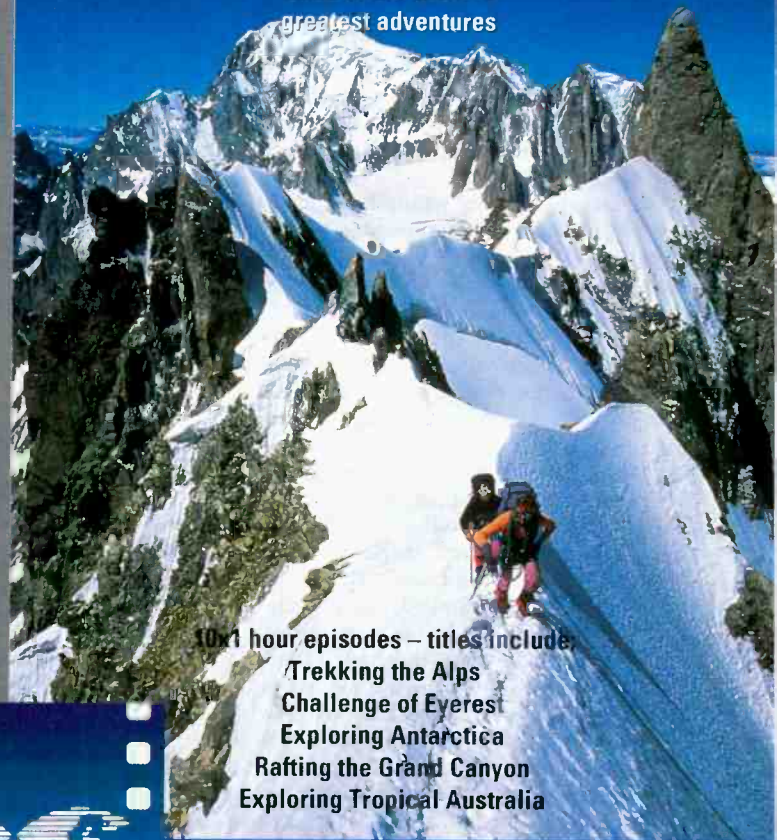
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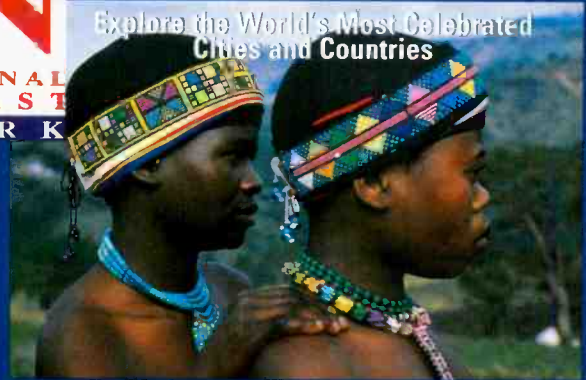
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Quotas And The Protection Racket

As 1994 drew to a close, Jacques Delors announced that he would not be a candidate in the upcoming French presidential elections. Let the people of France decide whether this is good or bad news.

The fact that Delors will quit as president of the European Commission at the beginning of 1995 was certainly good news to the rest of the European constituency, or at least to the tv community.

Delors has been the driving force behind a bureaucratic concoction that would harm the development of commercial television worse than anything Brussels has brought forward: a sharpened form of the 1989 tv directive.

The present version of the directive requires tv channels to fill at least 50% of their schedules with European-made product – “where practicable.” This loophole phrase which allowed many channels to ignore the 50% quota is expressly deleted from the revised directive. Channels which cannot fulfil the airtime quota will alternatively be obliged to invest a certain amount of their income in European production.

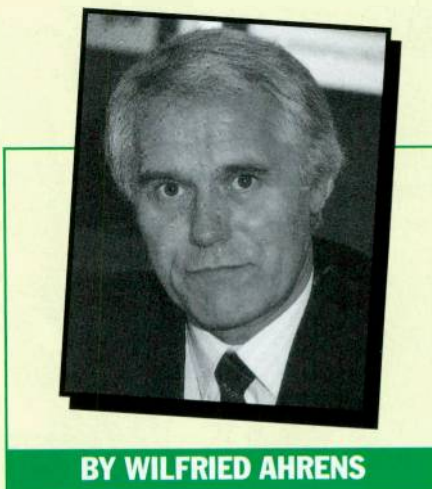
To make matters worse, member countries would be permitted to extend the quota to new technologies like video-on-demand and pay-per-view “where they consider it necessary for purposes of language policy.”

The European commissioner currently in charge of the audiovisual and culture sector, Joao de Deus Pinheiro, says he wants to take “ambiguity” from the directive.

Well, there certainly was and is no ambiguity about the purpose of the quota, whether in its present or in its revised form: it is meant, of course, to protect Europe’s, and especially France’s, hopelessly failing filmmakers from Hollywood. The euphemism for this kind of dirigism comes in phrases like “protecting Europe’s cultural identity.”

Nobody in the stuffy Brussels biotope seems to accept that this cultural identity will hold out against the competition from abroad when and if the European tv viewers have any interest in it. If not, it is not needed.

Within the Commission those keen to push through the revised directive face



BY WILFRIED AHRENS

key opposition from the liberal commissioner Martin Bangemann. The German, in charge of the information and telecommunication technology industry, has been fighting French inspired protectionism in this field and had one of his aides declare stricter quota rules “not worth discussion.”

The 50% plus x quota will certainly hinder if not ruin new channels which do not have enough money to buy expensive European product. They would either be forced to withdraw from the market or buy and air cheap European programs that are unattractive for advertisers.

This effect, of course, is the reason the quota idea is, according to the Economist, endorsed by some “of Britain’s established independent television channels...They know it will hurt upstart satellite competitors such as Via-

com’s Nickelodeon and Rupert Murdoch’s Sky.”

In Germany even public ARD and ZDF which could easily meet the quota think the Delors/Pinheiro initiative “rather senseless.”

Gottfried Langenstein, ZDF’s man in charge of international relations, said to control whether the channels complied with the quota law would be much too complicated, and in times of increasing international and transatlantic co-production it would be impossible even to define what “European” product is.


Instead of erecting a wall around the European film industry, Langenstein said, it would be better to promote young European actors, director and authors.

It is true that Hollywood has conquered European screens. The share of U.S. productions has risen from 22% (1983) to 35% (1993) in television; from 35% (1968) to 80% (1993) in the cinema.

But they also are a critical part of the economic structure of both commercial and public television. At comparably low prices they guarantee high audiences. And this a prerequisite to an effect which Delors & Co prefer to ignore: Hollywood thus helps to earn the money the channels need to buy local programs.

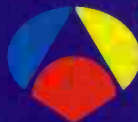
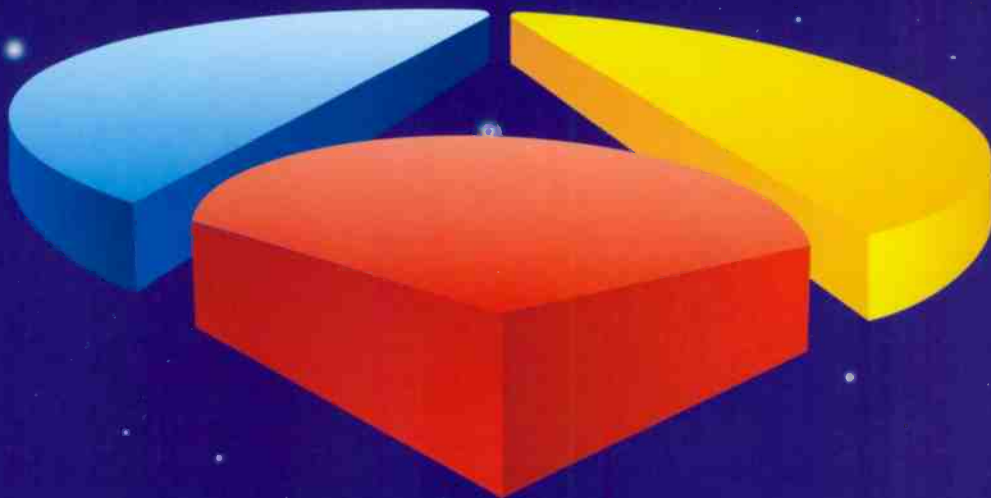
In Germany, RTL, Sat1, Pro 7 and the commercial rest have done so impressively. Their investment in domestic production – shows, series, tv movies – rose from \$65 million in 1989 to \$1.7 billion this year. In 1995 they plan to spend \$2.2 billion.

Against this background it is more than wishful thinking when more and more people are talking about commercial television as a new chance for the revival of the now practically defunct German film industry.

To stifle this development by quota protectionism would mean to ruin this chance not only for the German but for the European film industry as a whole. Unfortunately, experience shows that Delors and his ilk will keep trying. 

Hollywood is a critical part of both commercial and public television in Europe. At comparably low prices it guarantees high audiences

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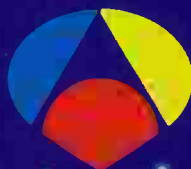
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A Family Affair

Europe's largest independent producer and one of its most powerful commercial broadcasters are combining with a public broadcaster who is opting out of the public system. The result will be a new two channel broadcaster which will shake up a Dutch television market which up to now had been carefully, even religiously, ordered and balanced.

Tim Westcott reports

There cannot be many countries in the world where the freethinkers' association and the humanist broadcasting organisation have the right to a weekly quota of tv airtime under the umbrella of the public service. But then the Netherlands has evolved an approach to television which is peculiar to the Netherlands, almost as if it was the freethinkers' association that drew up its broadcasting policy in the first place.

Although the Netherlands is one of Europe's smaller markets with six million tv households, last year it spawned Endemol Entertainment, the largest independent producer in Europe, when Joop van den Ende and John De Mol merged their production outfits. This year a chain of events, largely triggered by that merger, will produce another two Dutch commercial tv stations, jointly owned by the backers of RTL4, Endemol and Veronica, one of the two biggest public broadcasting organizations.

The new stations – provisionally designated Veronica 1 and Veronica 2 – will

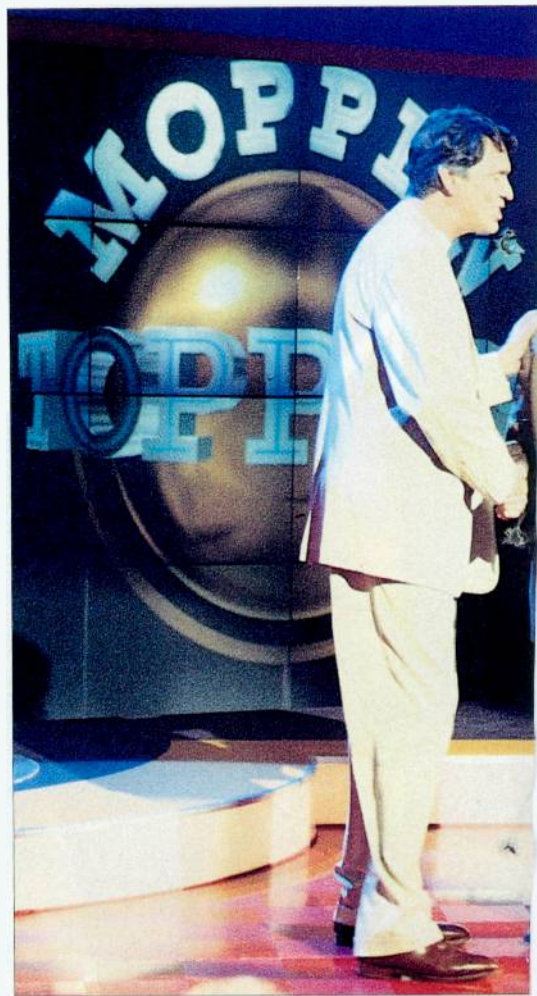
both launch in the last quarter of the year. They will operate under the umbrella of a holding company controlled by RTL4 partners CLT and VNU, which will own 26% and 25% respectively in the company, and by Veronica (26%) and Endemol (23%). Veronica 1 is due to launch on September 1, when the broadcaster will opt out of the public system, with the second channel following it on to the air within a couple of months. To add to a bleak outlook for the public channels, a new channel backed by the mainly U.S.-owned company Scandinavian Broadcasting Systems says it plans to launch a new channel before Veronica 1 starts up.

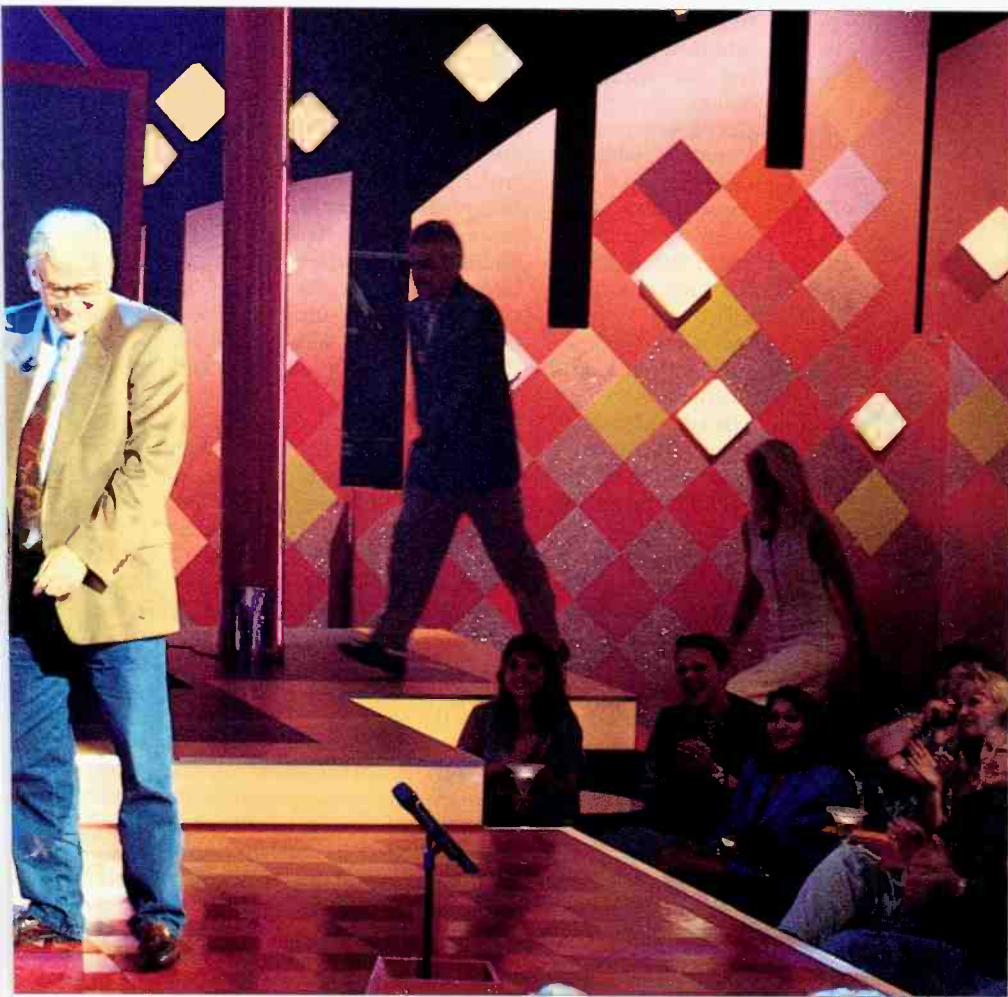
The merger between the two would-be rivals for the \$500 million Dutch commercial television market ended a year-long series of talks and counter talks in which just about every player negotiated with each other. At the root of an astonishing sequence of events were two factors: the commercial ambitions nurtured by two of the public broadcasters, Tros

and Veronica, and the increasingly tense relationship between RTL4 and Endemol.

At the end of 1993, Tros and Veronica started talking about the feasibility of setting up a private network together. The two organisations are at present the biggest in terms of transmission hours and the most commercially-minded of the Dutch broadcasters, programming the second public channel with the Calvinist organisation EO.

After a year of negotiation, Veronica announced its decision to go private, not with Tros, but with Endemol. The latter's decision to take a 50% stake in the private Veronica was a body blow for RTL4, which had grabbed the position of number one channel and a 50% share of the ad market – largely on the back of top-rated shows produced by Endemol. Shortly afterwards, Veronica and Endemol negotiated a "strategic alliance" with a three-man panel from the public stations covering access to program schedule information, sharing of sports rights including Dutch league soccer, and an





output deal worth up to \$40 million a year.

It seemed that RTL4 was left out in the cold. With the deadline of January 15 looming – by which time the public broadcasters were required to commit to the public system for five more years or get out – Tros started talking to SBS. Tros and VPRO were the only broadcasters publicly to oppose the deal with Veronica/Endemol on the grounds that it amounted to a pact with a competitor.

Tros was lured out of those talks by RTL4, which suggested handing over its second channel, RTL5, to Tros.

At the beginning of December, the lines of battle seemed to be becoming clear: the three public networks were preparing for a future without Veronica and possibly Tros. The deal with Veronica/Endemol was on the table waiting to be signed. Veronica/Endemol was preparing to launch its new channels, having poached Bert van Der Veer from RTL4 as program director, and was reckoned to be good for a 25% market share.

RTL4, with or without help from Tros and possibly from SBS, faced a difficult battle to maintain its position as market leader, given that it seemed unlikely to be able to continue dealing with Endemol.

What RTL4 had that Veronica/Endemol did not have was the backing of two powerful shareholders with deep pockets. In addition, RTL4 had the star presenters of five Endemol shows under contract until the end of 1996. General manager Huib Boermans made it clear that as far as he was concerned RTL4 would make the three who wanted to move to Veronica stick to their contracts, and if Veronica wanted them it would have to go to court. "I have absolutely no doubt RTL4 will remain market leader. The crucial period (for Veronica/Endemol) will be fall 1995 and 1996. Endemol won't have the stars – they belong to RTL," Boermans told TBI at the end of November. "I am very curious to see what their programming will look like."

It was clear that the contract dispute would prove sticky for Veronica, with RTL4 destabilizing the launch by retaining the Endemol shows whose stars it had under contract or whose formats it owned. Boermans also said in November that the RTL4 shareholders were prepared to invest heavily in both of its channels to give the new rival a hard time.

"John is good and Joop is good," said Boermans of the Endemol supremos. "But creativity is not something you can keep for yourself alone. The key to a commercial station is the program department, working with a skilled marketing department, not so much the producers you are dealing with."

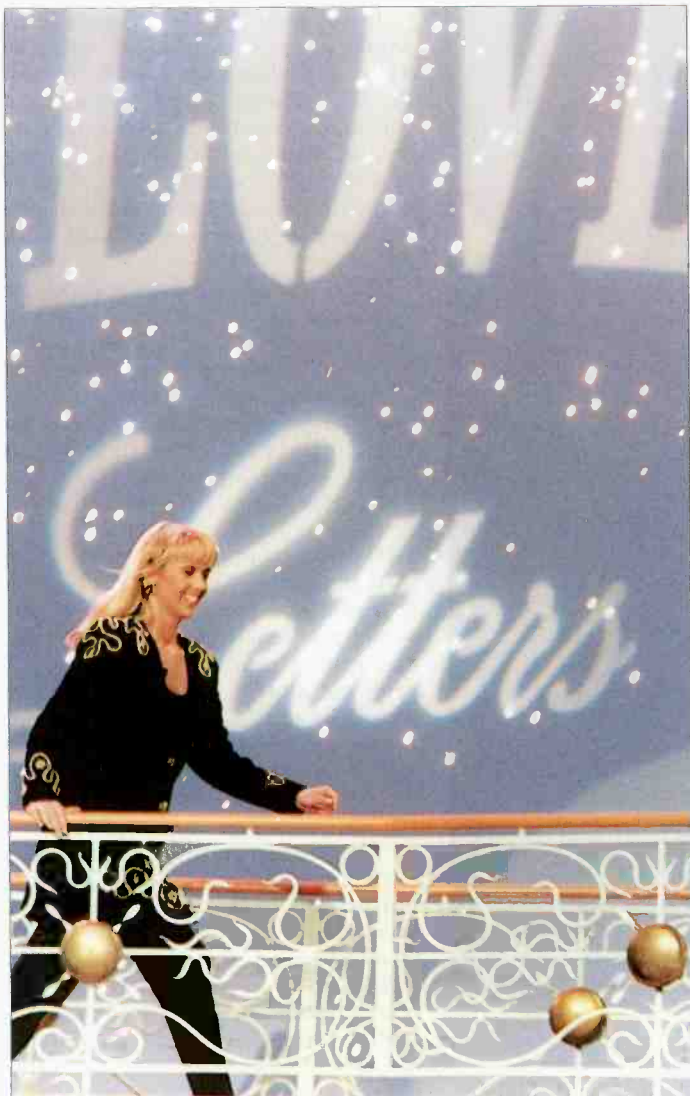
Whether it was the contractual issue or the comparative depths of CLT and VNU's pockets that made Endemol come to terms is open to question. John De Mol said the move into broadcasting would not detract from Endemol's main business of producing programs. "We were not looking for control. What we were looking for was a healthy market situation in which the output of Endemol was secured for the future, and we felt the situation we were getting in with RTL was not in our interests.

"There was a very difficult situation in the Dutch market – you had one big production company which was the main supplier and one commercial broadcaster that was its main client. That meant there was always a lot of tension in the relations between RTL4 and Endemol. I think you call it a prisoner's dilemma – where one can't do without the other."

Buying a stake in RTL4 was an option Endemol put forward when it started negotiating the renewal of its contracts with RTL4 late last year. But the negotiations came to nothing, apparently because RTL4 wanted to squeeze the commission fees it was paying to Endemol, jeopardizing the "balance" between supplier and broadcaster. "Certain people at RTL tried to break that balance, with all the risks involved – that made us take the steps we did," said De Mol.

Endemol broke off talks with RTL4 to develop its deal with Veronica. A three-part merger then became another option, and when that fell through Endemol inked its deal with Veronica. To cement an outlet for its programs with the public broadcasters, Endemol negotiated its pact with a three-man panel made up of NOS director Bauke Geersing, VARA chairman Marcel van Dam and NCRV's Ton Herstel.

Under the deal, Endemol would have



Love Letters: a key part of Tros' family appeal

had guarantees that the public broadcasters would commission at least \$23 million worth of programs a year over five years. The genres of program covered would include Endemol's traditional strengths – gameshows, soaps, dramas and sitcoms – along with culture, magazine shows and infotainment. Although Endemol already produces a considerable number of shows for the pubcasters, the deal would have generated a lot of new business and guaranteed that Endemol's massive studios in Amstelveen and Hilversum were kept busy.

In addition the strategic alliance guaranteed access to program schedules of the three public stations, enabling Veronica to continue publishing its hugely successful listings magazine. Also called Veronica, the magazine has 1.2 million paying subscribers and generates profits of \$10.5 million a year. The public chan-

nels would in addition have bid for the rights to sports programs in partnership with Veronica, with the latter having a 25% share to the rights. NOS currently holds the rights to league soccer, although this expires in 1996.

The deal is now unlikely to go ahead. Although the regulatory body the Commissariaat voor de Media gave the deal its approval and Geersing was a strong advocate, others were not sure that it was good for the public broadcasters to enter into a pact with a commercial rival. "Basically, we felt that the broadcasters involved were not altogether in favour (of the output deal), and that is something you notice," said De Mol. "We still feel that some parts of our agreement could be of use."

Such discussions are now academic, of course. The contractual dispute between RTL4 and Endemol is now also irrelevant. What is certain is that the public broadcasters have a fight on their hands from a rival which will hold even more of the cards than did RTL4.

Tros finally made up its mind to stay within the public system after it puled out of the talks with RTL4. Karel van Doodewaerd, the chairman of Tros, was criticised for flirting with the option of going private for too long, but is unrepentant. "It was my intention to look at what was best for Tros – for the entity Tros, for the people working at Tros, for the members of the society..."

The outlook for the public system is not too bright," he said. "On the other hand, we have a unique opportunity to be the dominant partner on channel 2, which we will share with TELEAC

(which makes educational programs) and EO, leaving us the space to fill in the broad programming part of TV2."

Although the catalyst for Tros's rejection of RTL4 was its reopening of negotiations with Veronica, RTL4 wanted control over the programming of a subsidiary Tros channel. "The moment you associate with a company like RTL of course your independence is gone to a large extent. But that doesn't mean that you have to give up your independence in programming. When you have to give that up, nothing is left," said Van Doodewaerd.

While Tros will continue to fulfil its profile as "Holland's biggest family," the second channel will become the home of most of NOS's live sports and events programming, which has already been transferred. Van Doodewaerd said its contracts for *Blind Date* and *Love Letters*, presented by De Mol's sister Linda, ran well into the future. But the contract for *Onderweg Naar Morgen*, a daily soap it jointly commissions with Veronica, runs out in the summer.

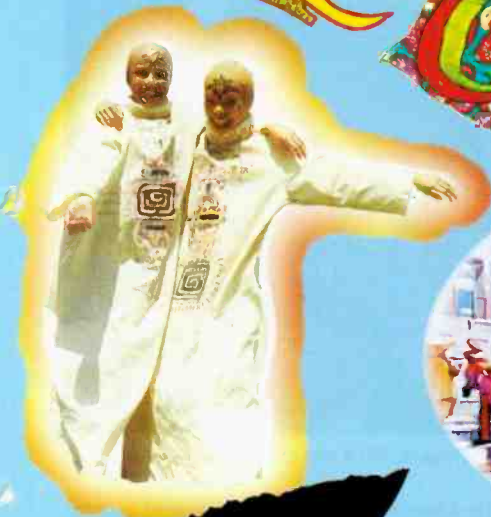
Simply filling up the schedule is not the only problem faced by the public channels. The organisation of the public system itself – with broadcast organizations allocated airtime according to the number of members they have – means there has historically been little co-ordination. As an example, the EO doesn't broadcast on a Sunday. IP, the airtime sales house, has a great deal more flexibility than Ster, the sales house for the public channels. Until recently, Ster could not sell any ad breaks on Sunday, and still cannot break programs with commercials.

RTL4 has also successfully adopted a horizontal strategy, programming prime-time with the same program or the same



Van Doodewaerd: explored options for Tros

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Endemol Game

The list of the twenty top-rated programs (not including soccer) in the Netherlands illustrates the hold Endemol's programming (in bold) has on the market. Six of the programs emanated either from JE or John de Mol Producties: unlike olympic sport and feature films, they deliver high ratings week in, week out.

Title	rating
Olympics (speed skating)	32.3
Olympics (various sports)	28.9
Eurovision Song Contest	26.3
All you Need is Love	25.0
Lotto	23.6
Studio sport	23.5
A View to a Kill	23.2
Sportjournaal	22.7
Moppentoppers	22.2
Ook dat nog	22.2
Finale Soundmixshow	21.9
Licence to Kill	21.7
Home Alone	21.4
Medisch Centrum West	20.5
2e kamerverkiezingen	20.5
Pretty Woman	20.4
Octopussy	20.0
Surpriseshow	18.9
Sportfreaks	17.8
Bij van Duin	17.4

All individuals aged 13+.
Source: Carat Nederland

genre.

NOS's Geersing said that one of the things the public system would have to do would be "to enlarge and strengthen our horizontal programming." Broadcasters on the three public channels introduced cross-promotions in November. But he added: "We cannot program like a commercial broadcaster, because we are not in the market to make money. We use the money which we acquire to make programs and we must fulfil our mission."

Fulfilling the mission sometimes means putting out programs which have no chance of gaining similar audiences to the commercial competition. Overall, Geersing foresees the public channels building up their output of factual programming.

Geersing does not underestimate the "huge challenge" facing the public broadcasters – not the least of which may be holding on to its three channels in the face of competition from five commercial channels and from cable, which

reaches more than 80% of Dutch tv homes. His forecast that the three channels will hold on to a market share of 40% and a 30-35% share of the advertising market looks optimistic. But one immediate bonus is that the program budget will effectively increase in 1995 as the public system will no longer have to pay money into a reserve fund and will not have the costs of Veronica after September.

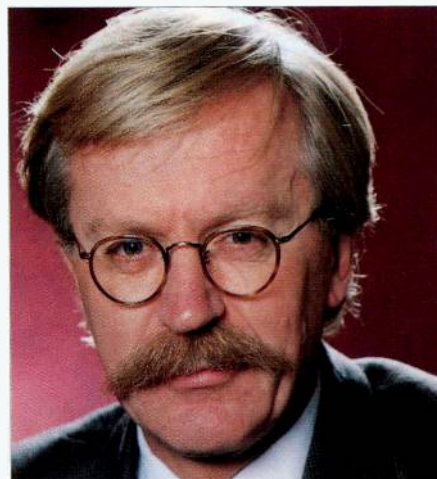
Den Litvoet, head of tv buying for Initiative Media, which plans advertising for Unilever, Heineken and Molnycke, identifies one of the factors in RTL4's success not as its horizontal but its vertical programming strategy – in other words, its efficiency at holding on to the audience throughout an evening's viewing. "Vertical programming is probably even as important as good programming. De Mol and Van den Ende have provided programs that have made RTL4 a success, but I'm not going to say that's the only reason for its success. A good station is not the sum of its programs."

Litvoet cites the example of one of the public station's highest-rated programs, a talk show hosted by Paul De Leuw. According to Initiative's analysis of ratings, 60% of the audience for the program switched channels – to RTL4 – at the end of the show, which was followed by a program made by a different broadcaster.

Litvoet's opinion that the market is only big enough to support four networks does not bode well for any of the new players. Many observe that the level of advertising spend on Dutch television is well below the European average, and with a recovery in the economy well underway, prospects are not bad. But concern over the saturation of the airwaves has reached such an extent that



Geersing: NOS facing "huge challenge"



Boermans: RTL4 will remain market leader

the Dutch advertisers' association is seriously concerned about the effectiveness of commercial spots.

What seems certain is that Endemol will be a winner whatever happens. Other Dutch independents such as IDTV, Rene Stokvis and Telescreen are also likely to have more of an opening on to the public channels, which Geersing says is ready to make long-term output deals with producers.

This will be a busy year for Endemol, which has just tied up an equity investment in Spain's Gestmusic. Endemol is optimistic it will renew its long-term output agreement with RTL in Germany, and this year, according to international chief Peter Brouwer, it will air new series in France, Portugal, Italy, Scandinavia and Latin America. As part of the deal with RTL4, CLT will acquire a 20-25% stake in Endemol and a deal with U.S. network ABC which includes exchange of formats is in discussion at a high level. Brouwer said that investments in broadcasting operations in developing markets like central Europe were also a possibility.

Next year Endemol is planning to make several giant, but risky, leaps forward, with its home market contributing a lower and lower percentage of its earnings. "Holland is and will always be the most important market for Endemol, because that's where all the new product is developed and new product that is successful in Holland is the basis for our international expansion," said De Mol.

He disagrees that Endemol stands to gain whichever broadcaster ends up top of the heap. "I don't agree with that. You're as good as your last program, and you have to prove every week again with your programs that you're an important producer." **TEB**

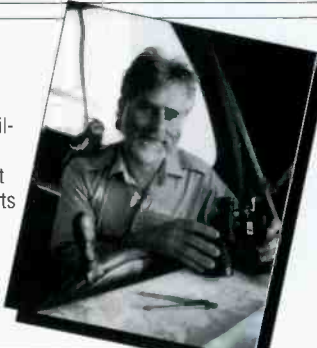
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1x50' Documentary
Donald Sutherland's moving portrait of the Chilean women arpilleristas who defied a dictatorship armed only with sewing needles and the overwhelming desire to find their "disappeared" loved ones. Music by Sting.
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26 x 15' Kids musical exercise series
1 x 52' Bush pilot documentary (Gemini)
132 x 30' World class fishing series

PBS Soul Searching



Sesame Street: may have to find a new home

Public television in the U.S. has been pulling as many commercial tricks as possible to keep its funding stable. Now even the monies set aside via Congress for local broadcasting stations and program production seed money is no longer certain. Elizabeth Jensen argues that there is still a role for PBS and that the current funding crisis could end up being positive for the system

The American public broadcasting system, already trying to come to terms with its future in an era of increasingly scarce funding and rapid technological change, has a new money crisis brewing.

The November mid-term elections were barely over when the incoming Speaker of the House of Representatives Newt Gingrich, a Georgia Republican, let everyone know that one of the first targets of the new political leadership in Washington would be the Corporation for Public Broadcasting.

Speaking on his weekly television program *Progress Report*, Gingrich said: "One of the things we're going to do this year, I hope... is to zero out the Corporation for Public Broadcasting which has been eating taxpayers' money." CPB is the private agency that administers Congressional appropriations for public broadcasting, including grants to local stations and programming production seed money.

The December 6 statement, which aired on National Empowerment Television, a cable-distributed programming service that champions conservative causes, set off a predictable furore. Gingrich, whose comments were supported by many republicans in Washington, kept up the attack, later proposing to set up a privately funded CPB to ensure that the Public Broadcasting Service's children's shows, such as *Sesame Street* and *Barney and Friends*, survive.

Even before Gingrich's comments, the public broadcasting system was struggling with an uncertain future, however. While economics have always been a problem for PBS, these days the system is also trying to figure out just what its role should and can be in a fast-changing telecommunications future, where computers and telephone companies are competing with broadcast and cable networks to offer entertainment news and information.

In the face of competition, PBS prime-time viewership has fallen more than 15% since the late 1980s, with a slight rebound since last year. Viewers can now find many of the high-quality documentaries they used to see exclusively

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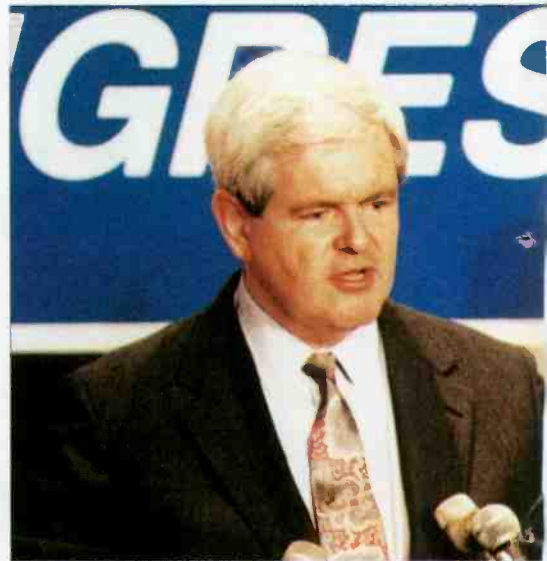
on PBS on cable channels like Discovery, and British drama and comedy imports on Arts & Entertainment. The BBC, which has just announced plans to launch a news service on U.S. cable, is considering launching a U.S. entertainment network of its own.

Increasingly, it's become difficult to tell PBS from other outlets, as PBS turns toward more popular fare as a way to grab viewers and donations. When NBC dropped the critically acclaimed drama *I'll Fly Away*, PBS picked it up, to the dismay of many. The service also flirted with a sitcom from former NBC programming chief Brandon Tartikoff, although the show was eventually dropped. *Barney* made the jump to a primetime NBC special, but continued to air on PBS. An August pledge drive special looked back fondly at tv dog Lassie, a favorite of the baby-boomers whose money PBS wants, but viewers could find a similar show on an ABC special in December.

Viewer donations are more and more important, however. While Congressional appropriations to public radio and television have increased modestly every year for the past several years – from \$275 million in 1994 to \$285.6 million for the

1995 fiscal year, and about \$300 million for 1996 – Congress's share of the total public tv budget has dropped, to slightly more than 13% in fiscal 1992 from nearly 20% in 1980. During the same period, state governments' share of public television funding dropped to 16% from almost 25% in 1980, while donations from individuals and corporations soared to 38% of the total public tv budget from 23%.

Corporations and individuals are increasingly cutting back, however, and budget growth isn't keeping up with rising costs. As a result, a number of stations have been forced to cut costs, in some cases radically, and most stations are actively seeking alternative funding sources. In late 1993, Chicago's WTTW experimented with two weeks of home shopping, offering merchandise from jewelry to replicas of the Chicago Art Institute's sentry lions. Many stations have joined forces with retailers to open stores selling books and videos drawn from public television programming. PBS has even debated loosening restrictions on the messages that corporate underwriters of PBS's national programming can convey, to keep pace with the more



Gingrich: wants to stop Congressional funding of tv

advertiser-friendly rules at local PBS stations.

Some stations have turned to production partnerships as a way to get new shows on the air. Seattle's KCTS-TV and Detroit's WTVS-TV, for example, formed a joint venture, Lark International Pro-

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ductions, with an office in London, to seek out European partners.

In December, in a move that sent shockwaves through the system,

MacNeil/Lehrer Productions, producer of PBS's highly acclaimed nightly newscast *The MacNeil/Lehrer News Hour*, took a more radical step. The production company, which had been struggling for several years to line up corporate under-

writing for productions outside the *News Hour*, sold a two-thirds stake to Liberty Media Corp., the programming unit of cable giant Tele-Communications Inc.

Although the company has several acclaimed PBS productions to its credit, such as *The Story of English*, for several

years it has been unable to find funds to mount equivalent new shows. Under the new deal, such funding is expected to come from the cable industry. And that's where the production company's new shows are most likely to end up airing, whether it be the History Channel or Discovery, although the producers haven't ruled out new PBS shows.

PBS president Ervin S. Duggan welcomed the deal as just one more example of the newest trend in public television: private-public partnerships. In the past year alone, he noted, PBS has entered into partnerships with Turner Home Video, for the distribution of PBS Productions, and Walt Disney Co., whose syndicated *Bill Nye the Science Guy* now airs weekdays on PBS, with new episodes debuting weekends on commercial stations. Developing more such joint ventures, he insists, is one of PBS's key strategies for the coming years.

The irony of public television's funding crunch is that public television still has tremendous value in the eyes of private business, particularly when it comes to children's shows. A successful children's franchise on public television can confer the cachet that will translate into

millions of dollars in revenues from licensing and merchandising, as *Barney and Friends* and *Shining Time Station* have proved.

This year, Scholastic Productions turned its existing book franchise *The Magic Bus* into a weekly show on PBS stations. Lancit Media, a publicly traded company founded by the producers of the long-running *Reading Rainbow*, signed several million dollars in licensing contracts with such companies as Fischer-Price Inc. and Sony Corp. based on expectations for its new show *The Puzzle Place*, well over a year before its debut this January. The program is billed as PBS's first major undertaking for preschoolers since *Sesame Street* premiered 25 years ago.

Going forward, public television's most immediate concern is securing its governmental subsidies under the new Congressional leadership in Washington. Even though CPB funding is a mere drop in the bucket in terms of the overall budget for public television, the funds provide important seed money for the system, particularly in terms of programming, where a CPB or PBS grant can be leveraged into greater corporate under-

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TOLD ME NONE
OF THE STARS
GET TO GO TO
VEGAS!

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NATPE BOOTH
7900-O
AT THE
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Tales of the City: not one of PBS's future priorities

writing.

Following Gingrich's widely publicized threat, the public broadcasting community sprang into action to mobilise support. CPB's president and chief executive Richard Carlson calls the crisis one of the worst in public broadcasting's history and said eliminating the funding for CPB would have a devastating effect on the 1,000 public radio and television stations, many of whom would be forced to shut down.

Public broadcasting can point to several actions over the past year in its defense. Under Carlson, CPB has pushed, and started succeeding, in eliminating one of the major problems in the system: duplication of services.

There are about 350 public television stations in the U.S., enough to reach the country's population more than twice over. In the New York City area alone, six public stations compete for viewers' attention and donations, leading to an expensive form of time shifting, said Carlson. With CPB's encouragement, a number of overlapping stations have

started to combine operations to cut down on overhead, and generate more funds for programming. Eventually, CPB has estimated, one-third of all stations could be eliminated without a negative effect on viewers.

CPB and PBS have also started to take a closer look at the way they structure their contracts with outside producers, after negative publicity from *Barney*, which generated hundreds of millions in licensing dollars for its producers, the private Lyons Group, a mere fraction of which went back into public broadcasting coffers. New contracts, such as one for the *Barney* producers' new "wishbone" will return a greater percentage of the licensing revenues to public television for use in creating more shows.

Meanwhile, PBS is making some changes in what it puts on the air, which could help it in Washington, as well. One of Duggan's first major decisions was not to fund a sequel to the highly successful *Tales of the City*, based on the newspaper columns of San Francisco writer Armistead Maupin. The decision wasn't popular with many, given that the show drew some of the PBS's highest ratings of the year, but it could go a long way toward appeasing traditional conservative critics of the system who objected to the program's depiction of homosexuality and drug use.

Duggan, a former Federal Communications Commission member appointed last February, insisted that the content of the show had nothing to do with turning down the sequel. Instead, he said PBS simply couldn't afford it, because the service had to concentrate on its priorities, which he has made clear will be children's programming and news and information.

The emphasis on children's shows is expected to play well in Washington — what Congressional member wants to be responsible for the demise of *Big Bird*? — but the news and information emphasis could prove more problematic, given many conservative's unshakable if unproven conviction that public radio and television are historically and hopelessly biased towards liberals. Even last fall's 18-hour marathon on the history of

baseball from producer Ken Burns was criticized by some republicans because it included extensive interviews with then-New York Governor Mario Cuomo, a democrat and enthusiastic fan of the sport. Duggan said recently that PBS is making an effort to provide more diversity, pointing to a coming series on values by former republican speech writer Peggy Noonan.

Ultimately, public broadcasting's supporters are confident they can muster the support to keep their Congressional appropriation. A move in last year's Congressional session to rescind CPB's funding was defeated by a vote of 384 to 42, receiving strong bipartisan support. Public television still can make the powerful argument that it reaches 98% of U.S. homes with television, while cable reaches about 64%. Public station managers descended on Washington early in January to lobby Congress, pointing out that public television costs each taxpayer a mere 80 cents a year.

If it succeeds in staving off the budget-cutters, the system must still ultimately deal with the broader issues of what it wants to be going forward.

Many think public television's salvation may come in focusing on its little-publicized but nonetheless extensive and growing system of services that aren't provided in other places, from teacher training to long-distance education.

Some stations provide free access to national computer networks, others offer high-school equivalency and college courses. South Carolina's public system reaches every school, prison and county building. Salt Lake City's KUED is part of a state-wide consortium that provides medical training for rural doctors, among other services.

Many stations, while not abandoning their high-profile, high-quality productions, are now rededicating themselves to their earliest mission of education. Technology, rather than being a threat, may help this movement: a new PBS satellite allows simultaneous distribution of both the general interest shows and narrowly focused programs such as nine hours a day of a Ready to Learn service for pre-schoolers and maths training.

Ultimately, the current funding crisis could end up being positive for the system. By forcing it to decide what best it can contribute, and then make that case forcefully to the American public, public television could emerge with a renewed strength and focus. **TBI**

Elizabeth Jensen is tv correspondent for The Wall Street Journal

35th

Golden Rose of Montreux

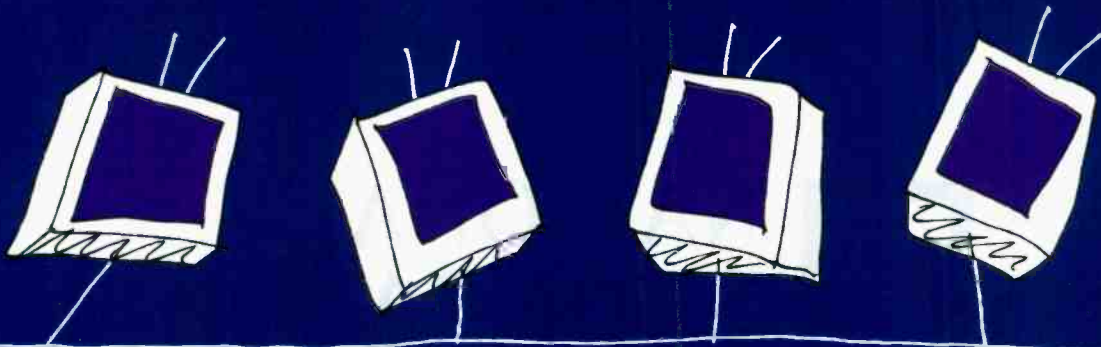
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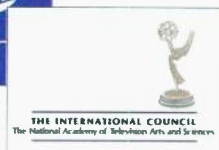
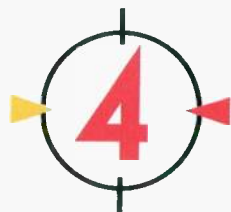
Corporate entertainment historians will put 1994 down as the year of the mega merger – the failure of one and the completion of another. The Tele-Communications Inc. and Bell Atlantic deal fell apart. In contrast, the Viacom/Paramount merger, which many expected to fall apart, went through. To add spice, Viacom then went on to pick up Blockbuster.

TBI's 1993 Achievement Awards acknowledged John Malone of TCI. His deal fell through but his company still kept on growing, particularly internationally. The 1994 awards acknowledge Sumner Redstone for actually making a mega-merger happen.

But as in 1993, we haven't been overawed by the gigantic.

This year's awards are a mix of recognizing sustained creative excellence, commercial achievement and, unusually, a simple idea that genuinely contributed to making the world a better place.

The Achievement Award winners are selected every year by TBI's board of editors and then announced in the February issue of the magazine. The awards are made to honor and recognize companies and executives doing business in many of the sectors that make up international television. The chief criteria for the winners is that they must have made a contribution to television; they must have made a difference.



This year's TBI Achievement Award winners are:

- TV4 for sticking to a plan that turned a cost-heavy satellite delivered television channel that lost \$400 million in its first year on air, into a national terrestrial channel with a forecast profit of \$170 million in 1994.

- Cinar for sustained excellence in making television series with overseas partners that have seen the company prosper in Canada and internationally.

- The International Day of Children's Broadcasting for uniting just about every country on the planet and through the celebration of children finding a common denominator of all peoples, transcending political and cultural differences.

- Sumner Redstone for pulling off two deals from the point of collapse and so creating one of the world's most powerful global entertainment businesses.

- Silicon Studio for taking steps to provide film makers with access to the most advanced creative tools available on one computer platform.

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TV4

Sweden was one of the last markets in Europe to introduce commercial television, awarding a license to TV4 as recently as November 1991. Since then, the tv advertising market has been making up the lost ground at a rapid pace, recording annual growth rates of between 40-60% not seen in most of the rest of western Europe since the days of moon landings and films by Ingmar Bergman.

TV4 has ridden the crest of the wave, turning a \$380 million loss in its first year on the air (it launched in September 1990) into a forecast profit of \$170 million in 1994. TV4's share of tv viewing in fall 1994 (September 5-December 11) was 29.6% and its share of the tv ad market in the first six months of the year was 61.5%.

As the only commercial channel with near-total coverage of Sweden, TV4 enjoys a huge advantage over its satellite-borne competition. As TV4 has prospered, so Kinnevik owned TV3 has suffered. In 1991, TV3 accounted for 80% of tv advertising spend and moved into the black for the first time since its launch in 1987.

TV4, majority owned by the Wallenberg group, had only mounting losses, much higher operating costs and few successful programs to show for its efforts.

Although the channel had been set up expressly to bid for the terrestrial commercial license, there was doubt whether Parliament would actually make the award up to the last minute. Many politicians were implacably opposed to the whole idea of commercial television. On November 7, 1991, TV4 finally got its license and Kinnevik took a 30% stake in the channel.

The arrival of Kinnevik's president Jan Stenbeck on the board was followed by the replacement of TV4's founding president and general manager and the establishment of a joint sales company with TV3 - to howls of protest from the advertising community.

When Björn Nordstrand joined the company as chief executive in May 1992 it was, by his own account, "a mess." The Swedish PTT was increasing the coverage of TV4's transmitter network, but

except for versions of *Blind Date* and *Jeopardy* TV4 was taking a beating in the ratings.

Fall 1992 marked the beginning of the turnaround. Money was poured into new programming. A version of the French gameshow *Fort Boyard* and lottery gameshow *Bingolotto* saw TV4 overtake SVT1 on the key Saturday night. TV4 launched a breakfast show, *Good Morning Sweden*.

Coverage was up to over 98% of the country by summer 1993 and viewers and advertisers were starting to move to the channel. TV4 moved into the black a year earlier than Nordstrand had pledged, and by the end of the year claimed a 60% share of the tv ad market, which itself had swollen 60% over the year before to \$980 million.

Last year saw the tv advertising market, with revenues of \$703 million in the first nine months of the year (up 60% on 1993) and net profits of \$90 million (up 2000% on 1993). The last quarter was expected to add another \$80 million.

In the spring, TV4 lived up to its promise to issue shares in the channel, launching a 20% stake on the Stockholm stock market worth \$50 million. The issue was oversubscribed almost tenfold, making millions for Nordstrand and for Kinnevik, which had paid only \$1.3 million for its stake.

Nordstrand, having decided that the crisis at TV4 was over, resigned at the end of 1994 to pursue other media interests. Lars Weiss, the director of programs, has taken over as chief executive on a temporary basis. Like director of acquisitions Tony Mendes, Weiss has been at the channel since its early days: continuity which is remarkable given the upheavals in senior management.

TV4's programming policy has not altogether followed the generally accepted pattern of gradually increasing local production at the expense of cheap imports. Though its budgets are still dwarfed by public television, from the start TV4 set out with a program production cost structure

which executives agree was high for a satellite station. The offer of a news operation from the start was one element of the high costs, but vital to the channel's credibility as a potential national commercial broadcaster.

TV4 has fought hard to build its audience by challenging its rivals head on, night by night. The channel moved its successful version of *Fort Boyard* from Saturdays to Fridays and commissioned in new entertainment formats.

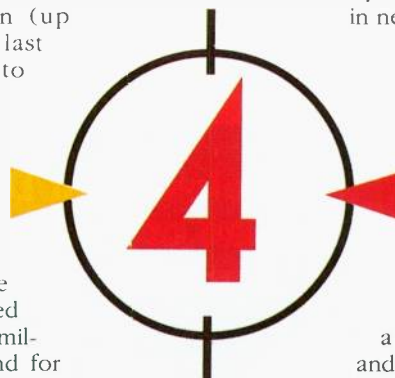
Its first soap, *Three Crowns*, modelled on the venerable *The Honeymooners*, was an instant ratings success last fall. This year, TV4's programming budget is being increased by about \$70m to \$450 million.

TV4 is currently developing its late evening schedule with the launch of a daily sports news program and a youth-oriented discussion show. In addition, an in-house department has been set up to develop factual programs.

So where next for TV4? Although Nordstrand was very keen on the idea of launching a satellite channel targeting a younger demographic and relying heavily on bought-in shows, Weiss says this is only one of a number of options under consideration.

Weiss speaks of a possible tie-up with a foreign investor - preferably one with clout in the European broadcast market.

TV4 has branched out into international co-production with its first feature film, *Vendetta*, a co-production with Rai and Beta Film, and Weiss is discussing a drama documentary based on the life of Olof Palme with potential British partners. [E]



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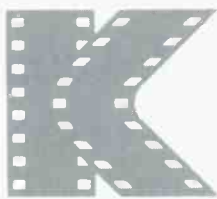
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Canada has produced more than its fair share of innovative tv production companies. Its producers have made the most of being disadvantageously located in the shadow of the giant U.S. market by making and distributing quality distinctive programming with a global appeal.

Right up there with the best of them is Cinar. For almost 10 years, the Montreal-based production and distribution company has made a name for itself in international television circles by creating and co-producing high-quality, non-violent children's and family programming, both animation and live action. Series such as *Madeleine*, *A Bunch Of Munsch*, *The Legend Of The White Fang* and *The Busy World of Richard Scarry* have consistently sold worldwide, such that revenues from international sources accounted for 61% of Cinar's revenues in 1993.

In September 1993 Cinar received a cash boost. Its decision to go public with the issuing of two million shares priced at \$3.90 on the Montreal and Toronto stock exchanges raised just over \$7 million in cash. And since then all the company's quarterly results have exceeded forecast.

Founded in New York in 1976 by chairman and ceo Micheline Charest and president Ronald Weinberg, Cinar has come a long way since its beginnings as a repackaging and distribution outlet.

"The company was completely different then," said Charest (pictured). "From 1976 to 1984 we were based in New York and involved ourselves in repackaging and distributing foreign-language programming to the then emerging North American cable market."

In 1984 the company relocated to Montreal and two years later a post-production facility was opened, adding another dimension to the business.

For Charest, 1986 proved to be a double milestone. Production on Cinar's first series, the animated *Smoggies* began, in collaboration with France's Intial Groupe which later became France Animation, marking a new chapter in the company's growth.

"The ability to develop a strategic partnership with another com-

pany with a similar industrial vision makes for an effective tool," said Charest. "It gave us the ability to introduce ourselves into the French market in a way we wouldn't have otherwise been able to do."

Although Cinar has teamed up



Charest: co-founder with Ronald Weinberg

with other companies, notably Nickelodeon and YTV Canada on the live action series *Are You Afraid of the Dark*, and Paramount on *The Busy World of Richard Scarry*, the French animation studio has to date been far and away Cinar's biggest partner. Collaborations include *Clyde*, *Robin Hood*, *Robinson Crusoe*, *Favourite Sons* and *Albert the Fifth Musketeer*.

Animation makes up 80% of Cinar's catalogue of 350 half-hours. But the company's biggest production splash of late was the production and airing of its first primetime miniseries, the four-hour \$9 million *Million Dollar Babies* which aired simultaneously across Canada and the U.S. on CBC and CBS. Cinar has just completed its first feature film, *Bonjour Timothy*, in collaboration with Tucker Films of New Zealand. A sequel, *Good Day Michelle*, is already in the pipeline.


Although Charest said Cinar will continue to remain true to its original mandate of producing and distributing children's and family

Cinar

programming, the company is continuing to grow and expand into other areas. A video and audio label has been set up in partnership with Sony Music Canada and the studio's first foray into multimedia is likely to take the form of CD-Rom versions of *Are You Afraid Of The Dark* and *Smoggies*. A merchandising arm has also been formed.

On the corporate side an LA-based development and post-production house has been set up to further business opportunities in the U.S. And, according to Charest, the company is reapplying for a license to operate an all-animation cable channel in Canada in partnership with Nelvana and the Canadian Family Channel.

Much of the finance for these new ventures has been provided by 1993's recapitalisation. Charest said Cinar's flotation was a further milestone, a decision made when the company was in need of more equity and a broader reach in a cash intensive business.

A hefty 1995 production slate is planned with more episodes of *Richard Scarry*, *Are You Afraid Of The Dark* and *The Little Lulu Show*. In addition there are several new series including a 150 episode preschool show called *Wimzie's House* in collaboration with SRC and Radio Quebec, and a 30x30-minute animated series with WGBH Boston called *Arthur*, based on the books by Mark Brown. Several shows are also being developed with European partners including *Time Gypsies*, a 2D/3D 30-minute live action show with UK broadcaster HTV and French company Media Lab, and a puppet and animation series with HTV and UK production company King Rollo called *Dr Xargle*. 



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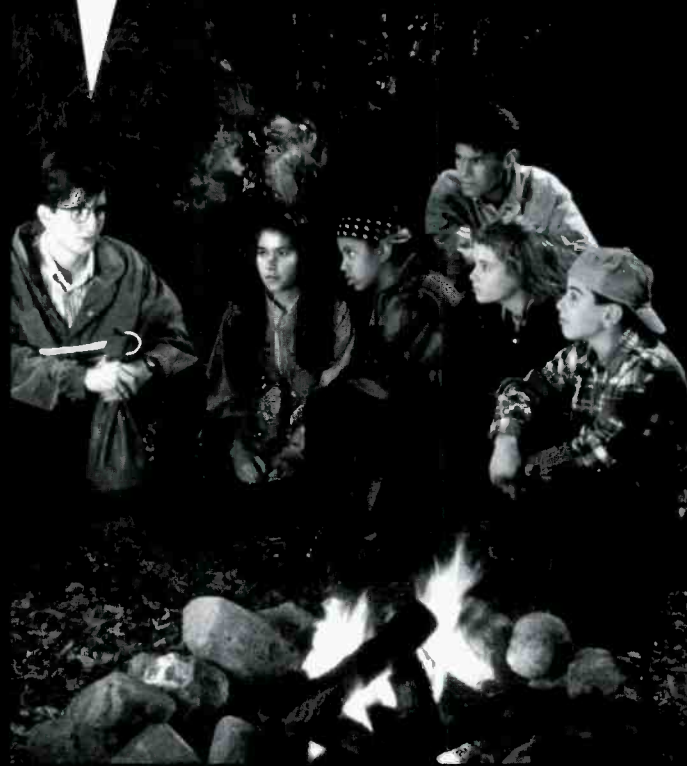
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Submitted for the approval of the
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Are You Afraid of the Dark?, a coproduction of Cinar and Nickelodeon.

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ENTREPRISES

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The collage features several TV content covers:

- Navarro**: A man in a suit, with 'HAMSTER productions' and '52 X 90' noted.
- The captive woman**: A woman in a blue dress and a man in a suit.
- Ushuaia**: A hot air balloon over a snowy landscape, with 'BEYOND LIMITS'.
- Fortitude**: A man and a woman in a close embrace, with 'TF1' logo.
- Spinou and Fantasio**: A cartoon character and a man, with '26 half hour' and 'FORTY YEARS OF ADVENTURE'.
- Ketende**: A group of people, with 'DOCUMENTAIRE 52' and 'FAR production'.
- Stock-shot**: A collage of images, with 'TF1' logo and 'L'AGENCE D'IMAGE TV'.

The Day

In the midst of war, Bosnian national television participated in the global observance. So did National Croatian Television, TV Serbia, and the Macedonia stations. All had created special programs for The Day, as the International Children's Day of Broadcasting is called for short.

Afghanistan, Haiti, Somalia, Sudan, the West Bank & Gaza, Algeria, Nigeria, Laos and Cuba all helped form Unicef's remarkable ring around the world on December 11. So also did the People's Republic of China, Cambodia, Ethiopia, Eritrea, Chad, Pakistan, Liberia, Iraq and Iran. Countries in conflict with others or in the throes of civil strife became linked for a day in the universal concern for children, not only their own but all children everywhere.

Hardly a country on the planet declined. And this was only the third year of The Day's existence – proving that the love of children is the common denominator of all peoples, transcending political and cultural differences. It also proves the power of a great idea.

The idea was offered almost casually on November 11, 1991 in an address by James Grant, executive director of Unicef. His audience was the International Council of the National Academy of Television Arts & Sciences, a New York-based world organization known mainly for conferring the International Emmy Awards.

In the context of a speech on how the media could help advance a revolution for children, Grant asked: "Would it be possible for the television industry to pick one day, say a Sunday, when the world media would put the focus on children...one day in a

year when you put your hand behind our children, our future?"

This kind of polite prodding in a speech is often taken as rhetorical, but the council members warmed to it immediately. Not only did the broadcasters pledge their own participation but went on to enlist other broadcasters in their regions.

Herb Granath of ABC International, who was Council president at the time, and Richard Carlton, then executive director, worked with William Hetzer, head of Unicef's radio and television office, to engineer the project. There were to be no rules for programming, other than to devote some time to the interests, voices, and well-being of the young. Each broadcaster was to mark The Day in its own fashion.

A year later The Day was inaugurated with 80 stations and networks on all six continents on board. The numbers have risen geometrically in each of the two years since, while the total programming hours have mushroomed. Last December close to 700 radio and tv stations in some 125 countries joined in the global electronic parade.

The worldwide response has prompted the International Council to create a special award, in conjunction with the International Emmys, to honor the previous year's best programming of The Day.


It may indeed take the better part of a year to make that determination, because the number of entries should be overwhelming. Broadcasters in Australia, Germany, Italy, Canada, and the UK

went all-out with special schedules on several channels. In the U.S., it was the cable channels that made a bit of a splash.

Yet some of the more innovative and ambitious programming originated in the smaller and poorer (by television standards) nations. YLE's TV1 in Finland gave over its entire schedule to the observance, with the morning devoted to programs for the very young, the afternoon to family fare, and the evening to youth. Several short programs were produced by children about children. Mongolian TV and Mexico's cultural Channel 11 were among the others that gave over their full schedule to The Day.

In Zimbabwe, President Mugabe marked The Day with a televised news conference for juvenile reporters from the country's 10 political provinces. Within Latvian Television's special six-hour block was a press conference in which children put questions to parliamentary leaders.

Producers in several countries made programs available through Unicef, at nominal fees, for broadcasters unable to afford original production. Along with its PSAs in a variety of languages, Unicef also distributed free short programs like the poignant music video in which Judy Collins sings Do You Dream of Peace against drawings by kids and searing live-action film of children in Sarajevo.

The Day now has such momentum that it is destined to become fixed on the international calendar. There are times in television when the right things happen for all the right reasons. 



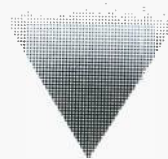
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Sumner Redstone

At 71, most executives worry more about their golf handicap than what's going on in the business world. But, then again, most executives aren't like Viacom head Sumner Redstone. During 1994, the billionaire executive pulled off two deals from the point of collapsing and appears to be well on his way to mending fences with some of his enemies. Along the way, he became one of the most powerful men in the global entertainment business.

Redstone went on a buying binge last year, spending \$8.2 billion to acquire Paramount Communications and grabbing Blockbuster Entertainment, a video and music retailer, later on. Prior to his recent acquisitions, Redstone was already a player in the global arena. Through MTV Networks, Viacom has music video channels around the world. Viacom was also involved, albeit on a less high profile level, in international syndication. Domestically, it has radio and tv stations, theme parks and minority interests in such companies as Spelling Entertainment and Discovery Zone. National Amusements, Redstone's theatre company and parent of Viacom, has movie screens in 11 countries.

However, with the purchase of Paramount, Redstone went into the ranks of the global elite. Paramount brought to Viacom a viable movie studio, a new broadcast television network, book publisher Simon & Schuster, as well as New York landmark Madison Square Garden, a cable network and pro-basketball's Knicks and hockey's Rangers.

Getting Paramount was no walk in the park for the Boston, Mass native. What appeared to be a clean cut deal became very

messy when former Paramount executive Barry Diller, then head of QVC, made a competing offer, driving the price up dramatically.

During the fray, Redstone told a reporter: "If we win this one, it will be a marriage made in heaven after travelling through hell."

When it was over, Redstone told the New York Times he, "felt great, tired, but great."

The deal reportedly gave Redstone more direct control of his company than any other media executive. However, thanks to the battle with Diller, it also saddled the company with \$9 million in debt. That didn't discourage Redstone. In order to offset the debt, Redstone set out to sell off assets. Soon after acquiring Paramount, Viacom sold Madison Square Garden and the sports teams to a partnership of media conglomerate ITT and Cablevision Systems, Inc. for \$1.075 billion.

Then, as the year ended, he was close to generating \$2 billion in cash for the company through the sale of Viacom's cable systems to Intermedia Partners LP, a group headed by Tele-Communication's head John Malone. Viacom also gets about \$200 million in TCI

stock.

Selling off the cable systems had been expected since Viacom bought Paramount, although the sale of the unit to a company headed by Malone raised some eyebrows in the media world. Redstone and Malone have long been at odds over TCI's treatment of Viacom-owned cable network's Showtime and Cinemax. Indeed, Redstone had filed a federal antitrust suit against Malone. Terms of the sale include Redstone dropping the suit and that TCI would assure carriage of the Viacom services.

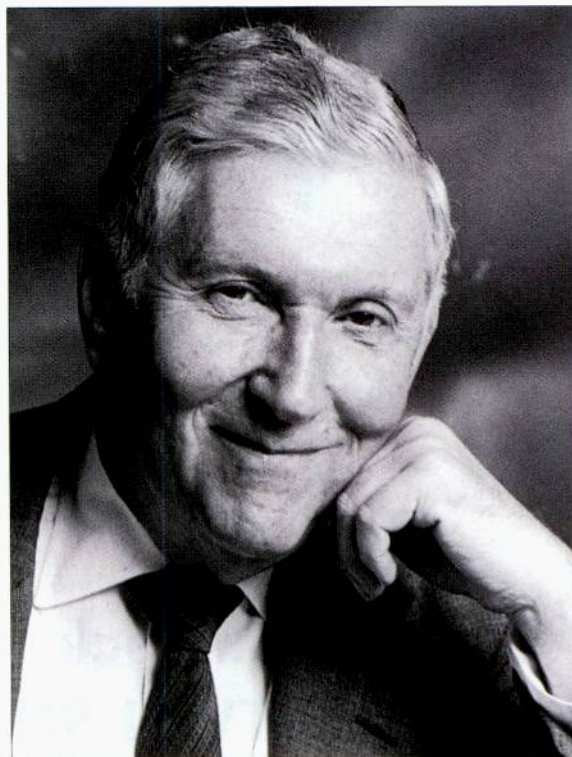
Throughout the industry, Redstone is known as a shrewd negotiator and tough deal-maker. Those who know him say he's charming and never resorts to shouting to cap a deal.

A Harvard graduate, Redstone helped crack Japanese military codes during World War II. He later attended the Harvard Law school and then became an attorney. In the mid-50s, Redstone joined his brother in running a chain of drive-in theaters. After some disagreements, in the 70s, Redstone started his own theater chain, and made his fortune by buying the land on which the theaters stood. He pioneered the concept of putting multiple screens in the same building, which is now known as multiplexing.

During the 80s, when media pundits were predicting home video and cable would seriously hurt the movie business, he bought Viacom International, a syndication and cable company, for \$3.4 billion.

Throughout his career, Redstone has had a golden touch, especially when it comes to investments in public companies. He made \$25 million when Coca-Cola bought Columbia Pictures, added \$20 million from a stake in the Twentieth Century Fox Film Corp when millionaire oilman Marvin Davis took the company private, and he made another \$15 million when he sold a 7.1% stake in MGM/UA Home Entertainment back to the company.

And if the early maneuvers following his purchase of Paramount are any indication, Redstone will do just fine there as well. **TE**



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Silicon Studio

At a presentation at the IBC conference in Amsterdam last September Dave Larson, director of marketing at Silicon Graphics' newly-formed subsidiary Silicon Studio, put up a slide titled "How to blow the doors off the entertainment markets." Beneath the title were a set of strategic objectives that, if achieved, will see the company bring about a revolution in film and video production, at the same time simplifying the way forward for the emerging digital video market.


Launched last July (though the idea was first floated in 1993), Silicon Studio's aim is to exploit the hardware base of Silicon Graphics' core business and with software partners speed along the convergence of computing and consumer technologies. That's the tech speak. Simply, for television creatives, the Silicon Studio will allow the most creative of directors and

Silicon Studio is on vast power and instant flexibility to create and distribute television programs and their new media applications. For tv and film producers the aim is to provide the fastest animation, paint, titling, effects and video production systems available with a wide variety of video hardware and production software.

But to provide the choice and flexibility in the editing system, Silicon Studio has had to build a series of alliances with other software providers. The problem with turnkey graphics systems is that they lock you into their software. For a creative who wants to use a variety of 3D animation and other graphics and editing production tools, this can mean a lot of proprietary boxes to navigate. Clearly a general-purpose computer that can carry out many tasks and so provide this flexible choice is required.

Silicon Graphics has established its business on the manufacture of high-performance visual computing systems. It provides interactive 3D graphics, digital media and multiprocessing supercomputing technologies to a variety of industries, including the entertainment business. In 1993 it had revenues of \$1.1 billion and was ranked 345 on the Fortune 500 list.

From its foundation in 1982, Silicon Graphics identified the ability to integrate sound and video in a single computer as key to its corporate strategy in the entertainment business and beyond to other industries. The popular term for it is digital media. Since 1988 the company has been delivering video capability on computers and in 1992 these advanced features became core technologies for current and future visual computing systems. In 1993, with Time Warner, SG installed the first digital interactive cable system. The same year the company's workstations made their movie debut with Jurassic Park, an agreement was being concluded with Nintendo to join forces to create the next generation of video entertainment.

Silicon Studio is an extension of this strategy and is the corporate vehicle that will drive this technology forward. Its breeding is, thus, thoroughbred. In essence the brilliance of Silicon Studio is in the simple idea of providing an open computer architecture, a platform, and then (the really difficult part) getting the other manufacturers of postproduction tools to agree to join the party. The winner is the creative who will now have more flexibility and choice in the production process than ever before. 



editors to use the capability of the new digital media authoring platforms to the full. It will give them greater choice of the software editing techniques they need to create their films. Custom-built combinations of Silicon Graphics workstations and servers combined with third-party software will together provide the complete postproduction environment.

Like all top-range computer technologies, the emphasis of the

This is effectively what the Silicon Studio offers. Buyers can choose from Silicon Graphics computers as well as custom-pick the software to run on this hardware from a list of Silicon Studio partners. The list includes some of the world's leading hardware and software suppliers: Abekas, Adobe, Avid, Discreet Logic, Grass Valley Group, Parallax, Softimage, Sonic Solutions, Wavefront and Xaos Tools.

MILIA REVIEW

- First Information Group (FIG), formerly part of the Chrysalis Group, launched FlagTower, its electronic publishing brand, as well as previewing the first six titles to carry the FlagTower name. The UK company plans to release a total of 16 FlagTower reference titles aimed at the family and educational markets this year. The first six CD-Rom FlagTower titles due for release mid-1995, which include four of the company's Visions of War series, are: The Great War, the Second World War, The Great Generals, The Space Race, The History of Medicine and the War in the Pacific.

- The Belgian company Image Creation, a subsidiary of Studio L'Equipe and specialists in the post-production audiovisual media (film, video, laser discs, CD-I, Video-CD, CD-Rom) showcased its current productions including *Le Connoisseur*, a CD-I entertainment discovery program about wine; *Bruxelles CD*, a CD-Rom featuring a unique trip through Brussels through the drawings of François Schulten and the CD-I adventure game *King of Fjords*.

- World Cup Football from 1930 to 1994 was one product on the slate of Interactif Delta Production (IDP). Other titles of IDP include the educational CD-I *Reading Skills*; *Interactive Catalogue CD-I*, *Kitchen Designing for Mobaipa*; and the CD Rom *Multimedia dictionary of modern and contemporary art*.

- French publishing house Flammarion exhibited two new titles: a CD-I on astronomy co-produced with Interactive Delta Production and the *Dictionnaire de géopolitique*, a CD-Rom comprising 1500 articles and 200 maps.

- The International Creative Digital Image Company (ICDI) will be

Encouraging New Media Developments



IN its second year Milia has rapidly established itself as a crossroads for the different disciplines that combine to make up multimedia. At the heart of the market is the exploitation of rights – something that the heavy presence of manufacturers and technology specialists can lead the more techno-phobic delegates to forget. While broadcasters turned up in reasonable numbers, the international cash-for-programs sellers were conspicuous by their absence. However, the world's biggest television media companies were represented with many of them doing deals – though so far only on what they would consider to be a small scale.

That said, 450 exhibiting companies from 25 countries is a good turnout for any market, let alone one in its second year. German and U.S. attendance was significantly up on last year and there was a noticeable increase in the number of Asia Pacific Region companies at this year's event with Japan Multimedia Software, NHK Educational Corp, Asia CD and Australian Interactive Multimedia Industry Association just a few of the companies taking part.

As well as being a platform for established companies which want to showcase their latest products, Milia '95 set out to encourage the new generation of creative talent through the New Talent Pavil-

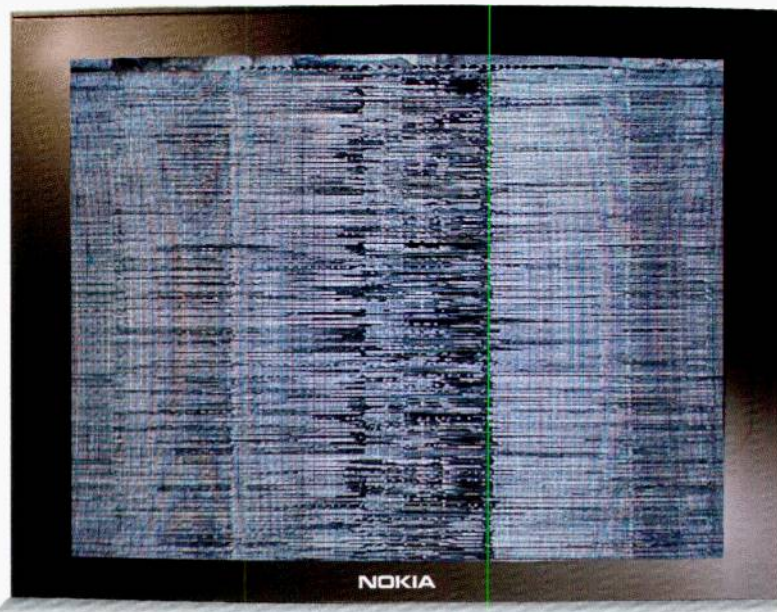
ion as well as introducing its own award (Milia d'Or) for existing new media titles in 1994.

Awards events were fashionable at Milia. The market also hosted the first ever international multimedia awards – The International Emmas (European Multimedia Awards) – with 15 categories covering all genres of multimedia software, including Best International Product, Best Visuals, Technological Innovation and Sport.

TBI published a supplement for the Milia market. In the following pages we review some of the news and events taken from the supplement that took place at Milia 95.

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exhibited its range of CD-I, Video CD, CD-Rom and PC products. Titles in production from ICDI include a second CD-I about Pompeii and a new title co-produced with Sofidoc and Philips on the history of stockings. In addition ICDI is preparing about 15 consumer film and concert titles on Video CD for an as yet unnamed distribution company for French-speaking countries.

- Apple Computer Inc's presence included a complete development studio and demonstrations of its Quick Time Virtual Reality and Interactive Television systems as well as on-line service World.

- Finland's Saraxa Group showcased two interactive CD-I formats with applications for tv advertising and gameshows. TOSS (Telephone Operated Spots System) has already been used by Coca-cola and Telecom to make interactive advertising and programming.
- DK Multimedia, part of children's book publishers Dorling Kindersley, launched five edutainment titles on CD-Rom - The Way Things Work, The Ultimate Human Body, My First Incredible Amazing Dictionary, Incredible Cross Sections, Stowaway and The Eyewitness Encyclopedia of Science.

- Nathan Editions from France showcased its range of CD-Roms for families and children. Mon Premier Dictionnaire is an interactive dictionary with more than a thousand words for 3 to 6 year olds. Other product from Nathan Editions include Comment ça marche, an interactive exploration of the world of machinery, inventions and techniques based on the work of David Macaulay.

- French company Infogrames Multimedia showcased its range of CD-I and CD-Rom product. On the slate are Chaos Control, the CD-I/CD-Rom science fiction arcade game set in 2017; and Marco Polo, the CD-I/CD-Rom adventure game featuring economic simulation through the Marco Polo era. Product in development includes a CD-Rom adventure game based on the Lovecraft book, Prisoner of Ice, and Napoleon, an encyclopaedic product based on the life of the emperor, available on CD-Rom for PC or Macintosh.

Reuters/Liberty Team-up Debuts

INGENIUS, the joint venture company of news agency Reuters and Liberty Media Corporation, the programming subsidiary of cable operator TCI, launched its interactive current affairs education program called *What On Earth*.

What On Earth was first launched in the U.S. as part of Liberty's Cable In The Classroom service and features Reuters text, still picture, video and graphics coverage of news stories from around the world delivered to computer screens via cable network lines.

If successful, *What On Earth* could spawn a number of similar services. Reuters is already eyeing Europe for potential follow-ups and is talking to a number of interested parties about possible deals.

Besides its representation via InGenius, Reuters exhibited in its own right, both as a content holder wishing to sell distribution rights to interest-

ed partners, and as a potential co-producer with a particular interest in the field of education.

vice, all of which could be given an extra dimension if married with the right technology.



The use of multimedia for educational purposes is a logical progression for a company such as Reuters which has a huge catalog of material. It has a video library dating from 1896; the dial up on-line archive, Photobase; a graphics service for newspapers; and the Reuters live news ser-

In the UK and Europe, Reuters has launched Reuters Financial Television for foreign exchange dealers. RFT, which will be available next year in both the U.S. and Asia, delivers live coverage and analysis of market-moving news events direct to dealers' computer screens.

Turner Pictures Roll On To CD

TURNER Interactive attended Milia "not only to secure distribution of product," according to vice-president Bonnie Lewis, "but also to license content. We are looking at overseas developers with a mind to seeing who we can work with... we are looking for other product to build on to Turner."

Lewis, who is responsible for the worldwide licensing of all copyrighted Turner properties used in interactive media, reports to Michael Reagan, executive vice president and publisher of Turner Publishing Inc.

While the Turner Interactive brand is keen to work with affiliate companies and to incorporate them into Turn-

er Interactive where possible, Lewis is keen to stress that the company will not open its doors or its development plans to anyone: "We are only working with the best companies; our mandate is quality," she said.

Two new CD-Roms based on recent Turner feature films, *Gettysburg* and *The Pagemaster*, were on show at Milia. *Gettysburg*, which hits the shops in the U.S. on March 16 to coincide with the home video release of the film, was developed in collaboration with Swfte International Ltd, which makes a computer game based on the civil war battle. The CD-Rom based game combines the elements of Swfte's game

with video and sound from the film, Turner Pictures' first theatrical release.

The CD-Rom adventure animated game, *The Pagemaster*, is based on the \$35 million Turner/20th Century Fox animated and live action feature film. In keeping with the animated sequencies seen in the film, the multimedia version displays 3D animation in an innovative and challenging combination of storytelling and game play.

The European distribution partner for the game has yet to be announced although the job is done by Turner Home Entertainment in the U.S.

Six new multimedia products are in development for 1995, said Lewis.



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● Simon & Schuster, the publishing company now owned by Viacom Inc, was promoting its multimedia arm Simon & Schuster Interactive. The division was formed in 1994 to exploit the parent company's library of intellectual properties and to create original multimedia products. Viacom New Media, along with Viacom Interactive Services, is part of Viacom Interactive Media. The company's software publishing unit Viacom New Media develops, produces, publishes, markets and distributes interactive software across all platforms in the multimedia marketplace.

● Encyclopedia publisher Larousse has started developing multimedia versions of its titles including monolingual and bilingual dictionaries, educational books, spell checkers and word games. Forthcoming CD-Rom titles include a French dictionary and educational offerings Le Corps Human and Encyclopédie des Sciences.

● There are 90 schools or universities in Europe offering training in multimedia. The media Investment Club has, with Reed Midem, compiled a list of all of them with addresses, telephone numbers, entrance requirements, dates and prices. A brochure in French and English published by the French ministry of culture was handed at Milia.

● The Institut National de l'Audio-visuel (INA), France's national television and radio archive, presented a range of new titles in CD-Rom, PC and Mac formats. They include The Body, the first title in the Imagina collection specialising in computer graphics and virtual reality and Once upon a time in the fifties, the first offering in the Mémoire du siècle collection.

● Content Company Inc is a U.S. multimedia development company which displayed its award-winning Titanic CD-I and accompanying CD-Rom Exploring the Titanic. In development are a series of interactive historical titles.

● Pozzoli CD, an Italian company specialising in catalogs, has developed a guide to its own activities for CD-I and hybrid mac platforms. It is developing a photo CD version for publication in the spring.

Time Warner Takes Local Tracks

CREATED in June 1994, Time Warner Interactive is the amalgamation of Time Warner Interactive Group in Burbank, Atari Games and Tengen Europe. At Milia the European and U.S. operations shared a stand.

TWI showcased three products: Rise of the Robots, Thumbelina, and Peter and the Wolf. Meanwhile, in the U.S., TWI has just announced a three-CD series called The Official NFL Superbowl Commemorative Edition.

TWI was also looking to secure distribution deals at Milia, and particularly to create localized versions of product by laying down different

language soundtracks.

"We're at Milia to learn about the industry and what other players are doing there," said Tony Adams, managing director of TWI Europe. "We are talking to many companies in the U.S. and Europe about how we move forward."

3DO, the main rival to CD-I, is a technology that TWI is also particularly keen to develop. TWI owns 15% of the 3DO company

which was founded by Trip Hawkins and is currently producing three original games with them.



GT Plans European Office

GT Interactive Software, the interactive arm of New York producer/distributor Good Times, is setting up an office in the UK during the first quarter of 1995 to publish its own products and seek strategic partners throughout Europe.

In the U.S., GTIS is a leading distributor of computer software to large retailers as

well as being the exclusive software vendor to all Wal-Mart stores. Additionally, GTIS sells to computer speciality stores, retail stores, music stores, video stores, toy stores, electronic stores, and warehouse clubs.

In the future, GTIS sees itself evolving into publishing significant product on a worldwide basis focusing on

entertainment and education, said Ron Chaimowitz, president of GTIS.

GTIS is working with development companies in both Europe and the U.S. The next step, said Chaimowitz, "is to buy more electronic rights and work with major publishers to develop interactive products from books, film and the entertainment field."

Arôme Whets The Appetite



FOR its Milia debut, Israeli company Arôme Interactive, showcased its range of multimedia gourmet CD-Roms.

Arôme concentrated on three products at this event: Sushi, The Four Seasons of Gourmet French Cusines and The Art of Making Great Pastries.

Since launching in 1993, Arôme has put in the groundwork to develop ideas and gain an understanding of the

interactive market. The first Arôme products only hit the shops in mid-September but the company has already secured distribution in the UK, U.S., France and Germany.

There are further products on the slate which will be unveiled at a later date, said marketing co-ordinator Joshua Dickman. "Within a year we hope to have up to six new products... and we are in the process of trying to establish co-operation with other firms in the culinary world."

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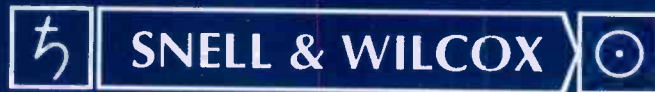
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New Unit Doubles Discovery Output

DISCOVERY Multimedia, the interactive publishing unit of Discovery Publications Inc (the parent company of the Discovery Channel and the Learning Channel) has created a new business unit to consolidate the Discovery brand in the multimedia software market.

Under the direction of Thomas Porter, publisher and general manager, Discovery Multimedia will publish at least 12 CD-Rom titles in 1995, more than doubling its 1994 output. Focusing on three product categories for 1995 - family reference, children's and real world adventure games - Discovery Multimedia's product slate includes its first full screen, full-motion-video

MPEG product and its first adventure game.

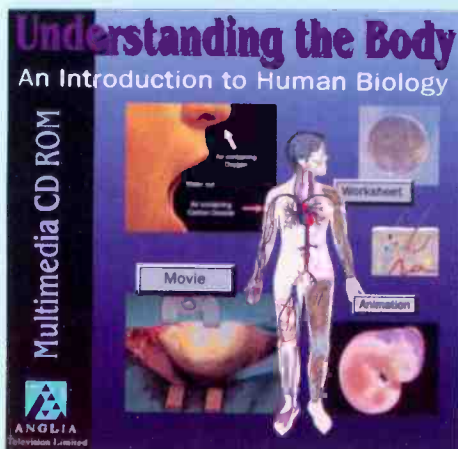
Capitalizing on the opportunities worldwide, the division is to launch sales initiatives in Europe, Asia and Latin America and aims to harness the creative skills of software designers. So far the division has worked with production companies such as Crawford Communications, T/Maker, Human Code and Luminaria. As a publisher, Discovery Multimedia is looking for high-quality potential affiliate partners, said Porter.

Discovery currently has five multimedia titles including *In the Company of Wales*, *Beyond Planet Earth* and *Normandy: The Great Crusade*. In January 1995 Discovery will

release its sixth CD-Rom, *Wings Over Europe*, and later will release four new titles - *Ocean Planet*, *Professor Iris' Fun Field Trip: Seaside Adventure*, *Nile Passage to Egypt*, and an interactive game based on the *Connections* series which will be available in both Windows and Mac platforms.

Discovery Multimedia's product slate for 1995 also includes the re-release of its award-winning CD-Rom *In the Company of Wales*, which will be released in two upgraded versions: for Mac and full-screen, full motion for MPEG. Sigma Designs, a leader in MPEG technology, will produce the CD-Rom for Discovery Multimedia.

MAI Channels Program Skills



of emerging technologies and to help the group better exploit its program and software skills in various new multimedia areas."

The two components of the new division, Anglia

and Acorn Archimedes. Currently there are 13 CD-Roms available including *The Human Body*, in conjunction with Encyclopedia Britannica, and *Castles*, in association with English Heritage. The plan is to produce 15-18 CD-Roms a year with around half being focused on educational topics and half on edutainment topics. Forthcoming disks include a series of disks on 20th century history, co-produced with an undisclosed partner in the U.S.

Televirtual has the exclusive license to sell the VActor (Virtual Actor) technology developed by U.S. company Singraphics in the UK.

Televirtual has successfully sold it to the BBC and ITV respectively in the form of the children's virtual presenters, Ratz and Codsby.

Multimedia and Televirtual, each took a Milia stand.

Anglia Multimedia produces CD-Roms and is among the leaders in the provision of educational software and CD-Roms to schools in the UK. The CD-Rom disks have broadcast quality MPEG video, audio and animation and run on IBM, Macintosh

MAI New Media is a new division of the UK-based Mai group, a financial services to media group whose interests include ITV franchises Meridian and Anglia. Ajay Chowdhury, managing director of the division, said it was set up "to explore opportunities for the MAI group in the field

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Hollywired...



Myst: last year's CD-Rom hit was developed not by a studio but by two brothers in a remote farmhouse

Or call it Siliwood. The ingredients for this hybrid industry are Silicon Valley game coding and Hollywood storytelling; the product, CD-Rom titles worth a billion dollars in retail sales this year. Barbara Bliss Osborn looks at Hollywired's major players

After Virgin Interactive Entertainment released three successful CD-Rom titles based on Disney movies, The Walt Disney Company at long last formed its own interactive division in December. Just days after Disney's announcement, Capital Cities/ABC unveiled its first move, a joint venture with videogame developer Electronic Arts to launch two products based on ABC's children's programs. The first

ABC-EA titles will be available next Christmas.

Americans spent over half a billion dollars on CD-Rom titles in 1994 and will spend twice that in 1995, according to Link Resources. But as the Disney and CapCities' announcements indicate, America's major entertainment players have been slow to tackle the new technology. Initial studio and network reluctance to invest allowed in upstarts; companies like

Broderbund, which has been working in the trenches for nearly 15 years to develop serious market muscle. Broderbund's sales for fiscal year 1994 totalled \$112 million.

Given the snail's speed of the majors, it's not surprising that most titles continue to be developed by computer nerds in garages who then sell their work to larger distributors. Broderbund's enormously successful CD-Rom *Myst* was

put together by two brothers working out of a ramshackle office in the remote and rolling farm land of southeastern Washington state. 7th Guest, Virgin's top-selling CD-Rom, was also developed by a small shop.

Similarly, adventurous music-based titles like Peter Gabriel's *Xplore1* and Todd Rundgren's *No World Order* were developed as individual artistic efforts with no record company input.

Whether a CD-Rom is developed in a garage or in one of the studios' new think tanks, much of what's available is, in industry parlance, "shovelware," uninspired recycling of pre-existing games, movies, and books. But 1994 was the year of the first truly impressive made-for-CD-Rom titles, games/adventures like *Myst*, 7th Guest and LucasArts' *Rebel Assault*. These titles are the first Holly-wired box office blockbusters, combining as they do imaginative story telling with interactive CD-Rom technology. No shovel was used in their creation. But Hollywired is a state of mind, rather than a geographic location. It represents a willingness to use the full range of techniques available to both the auteur and the bit-head to create titles that are more than games yet different from movies. The following are the companies that now stand as Holly-wired's majors.

Be warned: the list is subjective, since status as a major in Siliwood can be conferred with one hot title and lost in a digital instant.

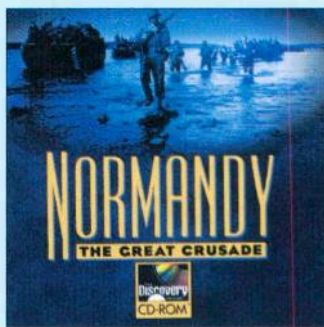
**Broderbund Software
Novato, California**

Broderbund, which was started in 1980 by Doug and Gary Carlston, is one of the premiere edutainment publishers. In 1994, the company's surprise hit was *Myst*, a non-linear game in which users solve puzzles by exploring an extraordinary 3-D island. *Myst* won a dozen awards last year, and along with *Rebel Assault* and 7th Guest, was one of 1994's top-sellers.

Broderbund first made its name publishing children's titles. Its first release was *Where In The World Is Carmen Sandiego?* which became a PBS and then a Fox television series. Later it introduced what became known as the Living Books. That series now numbers eight titles, including *Just Grandma and Me* and the most recent releases, *Arthur's Birthday* and *Harry and the*

Haunted House. With all the Living Books, children can choose either to have the book read aloud or the "let me play" option, in which the story pauses after each page is read so kids can explore objects on the page by clicking on the screen. Each object responds with an unexpected sound effect or musical phrase. Broderbund entered an agreement with Random House in January of 1994 that made Living Books a separate company 50% owned by Broderbund.

Broderbund is a prolific publisher. The company introduced 68 new products in fiscal 1994. Like several successful U.S. multimedia companies, Broderbund is beginning to expand its international operations. The company plans to set up a UK office in 1995 that will allow it to distribute directly to Europe and increase production of local titles.



**Discovery
Communications
Bethesda, Maryland**

In December, Discovery Communications established a separate multimedia operating unit that, according to chairman and CEO John Hendricks, will work towards "translating the Discovery experience" to CD-Rom and other platforms.

Creation of the unit only confirmed what the company had already been up to all year. In 1994, Discovery published five CD-Rom titles, including the first release and best-seller *In The Company of Whales*, as well as *Normandy:*

The Great Crusade and *Professor Iris*, a children's title adapted from the new Learning Channel program block *Read, Set, Learn*. These first titles were based on Discovery programming, but the editorial content was significantly enlarged.

Discovery Multimedia plans to release 12 titles in 1995. Product will focus on family, reference and children's titles, and Discovery plans to debut a new line of "real world adventure games." One of them will be based on *Connections*², a Learning Channel series hosted by James Burke. In 1995, the company will also release the first product to originate as a CD-Rom and then "migrate" to television. Tom Porter, the new publisher and general manager of Discovery Multimedia, said that the spin-off tv program *Wings Over Europe* "melds a linear tv show with original graphics and data elements."

Like Broderbund, Discovery is taking the overseas market seriously. Distribution to date has been limited to English-language territories, but plans call for expansion into Germany and Japan.

**Jasmine Multimedia
Van Nuys, California**

Working with Geffen Records, Jasmine Multimedia released the first CD-Rom issued by a major record label. It includes three Geffen music videos by Aerosmith, Peter Gabriel and Guns 'n' Roses, as well as seven other popular recording artists. The title *Vid Grid* has been called "a rock 'n' roll Rubik's Cube" because the screen is broken up into a matrix of nine squares and the purpose of the game is to unscramble them before the end of the song. Once you get good at it, you can increase the number of squares to 16, 25 or 36.

Jasmine president Jay Samit said that the company is looking to develop a franchise based on the *Vid Grid* software engine. Already the

company has plans for its first spin-off, *Kid Vid Grid*, which will feature ten Hanna Barbera cartoons for unscrambling.

Samit began Jasmine Multimedia in 1981; the company has produced over 40 CD-Rom titles since. Many of those titles have utilized Jasmine's enormous stock footage library, which includes more than two million stills, 40,000 hours of video and thousands of music selections. The title *Morph Movies*, for instance, offers interviews with morph artists and 100 images from the library ready for morphing by the user.



**LucasArts Entertainment
Company
San Rafael, California**

Since 1982, LucasArts, owned by Star Wars creator George Lucas, has been exploiting its Star Wars franchise, first with games and later with CD-Rom titles. Until last year, CD-Roms like *Indiana Jones* and *The Fate of Atlantis* and *Day of the Tentacle* were essentially enhanced versions of the company's cartridge games.

Its first made-for-CD-Rom was released late in 1993 and proved to be one of the CD-Rom market's bestsellers. *Star Wars: Rebel Assault* sold 100,000 copies in its first week on store shelves and by the end of 1994 sold one million copies worldwide. The CD-Rom game includes 3-D graphics, full screen video, digitized Star Wars movie

footage and John Williams' much-admired score. It casts the player as the Rebel Alliance newcomer Rookie One, who must survive three training missions.

In the first quarter of 1995, LucasArts will issue two new PC platform CD-Rom titles: *Dark Forces*, a 3-D action game set in the Star Wars universe, and *Full Throttle*, an adrenalin-pumping adventure game.



**Microsoft Corp.
Redmond, Washington**

Software giant Microsoft's involvement in CD-Rom publishing revolves around reference titles. The company's encyclopaedia, *Encarta*, first released in March 1993, is the equivalent of a 20-volume encyclopaedia with 26,000 entries, 100 minutes of video and animation, an atlas and a time line.

In the encyclopaedia-on-CD market, *Encarta* faces competition from Compton's *New Media* and *Grolier's*, but *Encarta's* advantage is its organization; it is designed to make it easy for users to follow-up on related topics, not surprising given the company that made the disc. It has won several awards, including the *Children's Software Review's* 1994 All Star Award.

Microsoft's Home Products Division has also published numerous other reference titles, including *Microsoft Cinemania*, an interactive movie guide; *Art Gallery*, an interactive guide to the collection at London's National Gallery of

Art; and *Microsoft Bookshelf*, which includes reference works such as the *American Heritage Dictionary*, *Bartlett's Familiar Quotations*, *The Concise Columbia Encyclopaedia*, and *The World Almanac*. The company has also released a series of music titles on Mozart, Stravinsky, and Beethoven's Ninth Symphony, as well as two sports titles, *Microsoft's Complete Baseball* and *Multimedia Golf*.

**Spectrum HoloByte
Alameda, California**

Spectrum HoloByte is one of the world's largest publishers of PC entertainment software. The company is best known for its blockbuster puzzle game, *Tetris*, one of the most successful computer games ever since its release in 1988.

In part due to the superior quality of CD-Rom technology, the cartridge-based games business is expected to take a hit in the next few years, and Spectrum HoloByte has turned its attention to CD-Rom. In an attempt to turn *Tetris* into a franchise, the company translated the game



into *Falcon Gold* and the compilation CD, *Tetris Gold*. Spectrum has also released *Iron Helix*, a cinematic sci-fi adventure in which players pilot a robot probe in an effort to stop a doomsday weapon.

The company has an exclusive license with Paramount Pictures for games based on *Star Trek: The Next Generation*. However, the initial release of the first title,

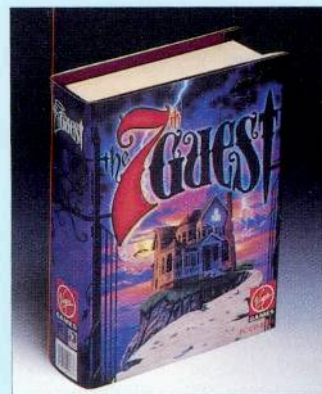
Star Trek: The Next Generation: A Final Unity, had to be postponed until some time early this year. The game is expected to be a simulated storytelling adventure that takes place on board the *Starship Enterprise*. The eight lead actors on the tv series will provide the voices.

Since its merger with European game company MicroProse and its acquisition of the Japanese videogame company *Bullet-Proof Software* in 1993, Spectrum HoloByte's resources have been global. MicroProse now provides the company with overseas distribution and development, while *Bullet-Proof* handles the company's business in the Far East.

**Virgin Interactive Entertainment
Irvine, California**

Virgin Interactive Entertainment's most recent hit, *7th Guest*, has sold over one million copies. The game received awards in the U.S. and in Britain. An interactive horror movie, *7th Guest* combines live action characters with high-resolution 3-D backgrounds and special effects. In fact, the CD-Rom contains so much information that it had to be marketed on two discs. Last fall, VIE announced a sequel, *The 11th Hour*, which is being developed by Trilobyte, the same boutique that developed *7th Guest*. The sequel will be released in the first quarter of 1995.

Virgin published 31 new titles last year. In total, the company has released 90 entertainment CD-Roms, three of them – *Aladdin*, *The Lion King* and *The Jungle Book* – in partnership with The Walt Disney Company. Now that Disney has established its own interactive unit, the future of Virgin's partnership with Disney is uncertain as



the previous titles were developed on a title-by-title basis.

VIE is an operating unit of Spelling Entertainment. Blockbuster holds a 55% interest in the company.

**The Voyager Company
New York, N.Y.**

Voyager's marketing slogan – "bring your brain" – is reflected in the company's broad catalog of hard-thinking product. Typical of Voyager's library is a CD-Rom based on a film called *Poetry in Motion*. The title juxtaposes performance videos of 22 contemporary poets, including Allen Ginsberg, Ntozake Shange and William Burroughs, with texts of their poems and taped interviews.

A pioneer in the development of interactive multimedia, Voyager was founded in 1984. The company has also published "coffee table" CD-Roms like *Pedro Meyer's I Photograph To Remember*, the original children's cartoon *Circus!*, a CD-Rom version of Art Spiegelman's Pulitzer-prize winning book *The Complete Maus*, and a tongue-in-cheek look at *People* magazine. Users of *People: 20 Years of Pop Culture* can witness how celebrities like Michael Jackson and Elizabeth Taylor have "morphed" over two decades and check out "star maps" that illustrate the connections linking different celebs romantically, artistically and financially. Voyager has even published a CD-Rom anthology of its own 40 CD-Rom titles called *Voyager Presents*. [E]

Screen Wars

Will personal computers or television sets be the multimedia platform of the future? At least one thing is certain, according to two new reports: specialized platforms won't be.

Jean-Luc Renaud reports

Discussion on multimedia revolves around two hot issues. On the one hand, the respective growth prospects of the CD-Rom and CD-I markets. Essentially, that debate boils down to whether the bulk of multimedia activities will focus on the desktop computer or the living-room tv set. On the other hand, there is a debate regarding the extent to which the CD-based packaged multimedia market (CD-Rom, CD-I, 3DO) will be eroded by networked multimedia (advanced pay-per-view and video on demand).

Pundits belonging to the so-called "convergence" school posit that computers and tv sets are somehow melting into each other. Indeed, many of them are actually writing off television receivers as we know them today. As always, the matter is more complex.

Two studies shed interesting light on this question. SRI International, which just completed a 900-page syndicated research report, concludes that "despite similar predictions of hardware convergence, neither the television nor the computer will soon replace the other. Although the internal components of each platform may migrate toward the other, consumers will continue to use television sets and computers for different purposes."

Computers will be the privileged support for packaged multimedia whereas the tv set — perhaps more "intelligent" than today's models — will be the primary terminal for networked multimedia such as APPV and ultimately VOD. Networked multimedia will dilute demand for CD-based packaged media.

IT market research company Inteco, which conducted a large-scale interview program, suggests, like SRI, that the computer will be the undisputed center of virtually all multimedia activities. But unlike SRI, Inteco believes that networked multimedia will make only limited inroads.

"Applications such as video-on-

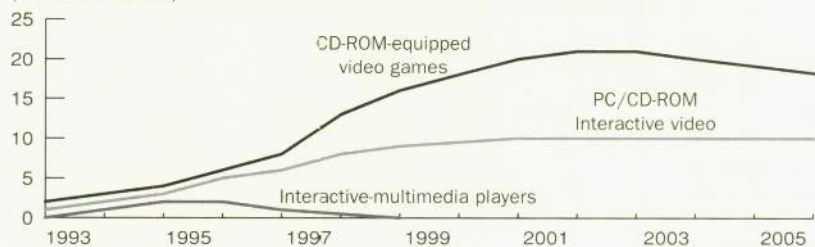
demand, on-line information services and home shopping interest consumers and could bring in additional revenues, but by themselves are unlikely to prompt people into subscribing in the first place," argues Inteco. "The clear message of the research is that those services that people will be most ready to pay hard cash for are likely to be those centred on the PC."

"The delivery of entertainment and information via packaged media that

comparison with computer monitors) limit their capabilities compared to those of low-priced multimedia PCs. Finally, according to SRI, in trying to compete with videocassette recorders and laser-disc players as video playback platforms, they struggle in both quality and cost. IMP vendors might respond to these points by saying that they add value by supporting all these functions in one box. SRI would respond that they do so at the cost of doing none of the tasks

U.S. Residential Interactive Video Markets

Market penetration
(Millions of homes)



Source: SRI International

incorporate digital video content promises to be one of the most successful markets for new digital technology," contends SRI, but adds that "attempts to establish a robust market for multipurpose interactive multimedia players (IMPs) will meet with limited success at best."

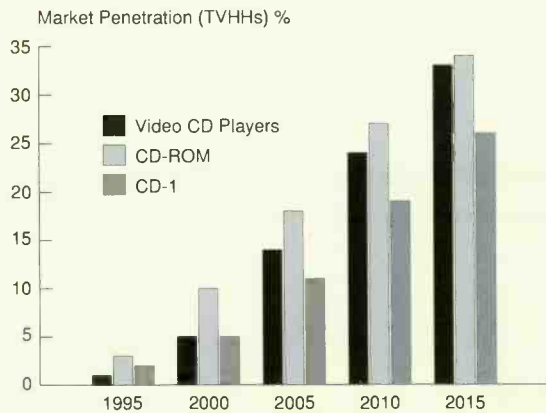
Current IMP products represent, in SRI's view, transitory technologies that will not drive large markets. At the low end of the market as potential substitutes for video game machines, they provide neither the fast-action response of Nintendo's and Sega's cartridge-based platforms, nor a competitive price.

As potential high-end information/education/entertainment machines, their lack of keyboard input and their use of television receivers (which display text and intricate graphics poorly in com-

particularly well in comparison with other options that often already exist in consumer's homes. SRI does not see that a single platform type will be able to serve all customer needs effectively.

Recently, many IMP vendors have lowered their prices and repositioned their products more as video game machines. Their hope is that once such machines are in the home as video game platforms, non-game-playing members of the family will begin to use them to view informational and entertainment titles. SRI says, however, that the potential success of such marketing strategy remains questionable. Text-centric information titles are not well-suited to television-based platforms, which are optimized for bright, fast-moving images. Furthermore, SRI says, game machines are frequently located away from where the family

CD-Based Multimedia Systems Forecast



Source: International Institute of Communication
Based on sample of 40 experts in 12 countries

would normally watch movies, decreasing the likelihood of crossover usage. SRI notes that new entertainment video formats for IMPs have so far failed to offer sufficient advantages over established analog devices to attract large numbers of consumers.

SRI sees the current VideoCD standard as a transitory step toward a new, better-

nical standpoint next-generation disc and player introductions are possible in 1995, SRI contends that industry politics are likely to slow market entrance.

The concurrent emergence of digital VCRs and VOD services will inevitably dilute demand for CD-like video technologies. Significant markets for next-generation optical-disc-based video hard-

ware and software are therefore unlikely before 1997. Thus, argues SRI, although VideoCD will attain a modest amount of success during the next three years, it will not reach the critical mass in consumer markets necessary to elevate it to the level of CD audio or VHS video.

If the Inteco research is good news for the PC industry – and given that Inteco's clients are mostly computer companies, one cannot help thinking that Inteco tells them what they want to hear – it paints a different picture of the prospects for suppliers of other technologies. The market for Sega/Nintendo drives will at best flatten as the PC takes over and moves toward a situation where, in the year 2000, nearly 50% of all households are expected to own at least one. Inteco analysts put a large question-mark against the prospect for CD consoles and CD-I and 3DO technologies. On the other hand, "the prospects facing CD-Rom are even brighter, if anything, than an optimistic industry predicts," writes Inteco. It contends that the scope for telcos to offset the erosion of revenue from the new competitors with VOD is very limited in the foreseeable future.

Although from a technical

standpoint next-generation disc and player introductions are possible in 1995, SRI contends that industry politics are likely to slow market entrance.

The concurrent emergence of digital VCRs and VOD services will inevitably dilute demand for CD-like video technologies. Significant markets for next-generation optical-disc-based video hard-

ware and software are therefore unlikely before 1997. Thus, argues SRI, although VideoCD will attain a modest amount of success during the next three years, it will not reach the critical mass in consumer markets necessary to elevate it to the level of CD audio or VHS video.

If the Inteco research is good news for the PC industry – and given that Inteco's clients are mostly computer companies, one cannot help thinking that Inteco tells them what they want to hear – it paints a different picture of the prospects for suppliers of other technologies. The market for Sega/Nintendo drives will at best flatten as the PC takes over and moves toward a situation where, in the year 2000, nearly 50% of all households are expected to own at least one. Inteco analysts put a large question-mark against the prospect for CD consoles and CD-I and 3DO technologies. On the other hand, "the prospects facing CD-Rom are even brighter, if anything, than an optimistic industry predicts," writes Inteco. It contends that the scope for telcos to offset the erosion of revenue from the new competitors with VOD is very limited in the foreseeable future.

In the near term, SRI predicts that the CD-Rom-based video games will be the largest single consumer market for digital video products. By end 1997, the U.S. installed base of CD-Rom-equipped video game players will grow to more than 12 million units, and annual sales of video game software titles will exceed 45 million units. But here SRI parts company with Inteco. In the 1999-to-2002 time frame, this growth will begin to flatten, says SRI, as the novelty of CD-Rom video games wanes and the new wave of networked video games becomes popular.

The video information market – served primarily by CD-Rom-equipped home PCs – will also provide good market opportunities. By the end of 1997, a 25% average annual growth rate in sales of home CD-Rom drives will increase the residential installed base in the United States to more than 7.5 million units. By 2000, however, SRI believes that networked information VOD services will supply computer users with titles that previously were available only on CD-Rom discs. This competition will flatten sales growth for CD-Rom hardware and software. Overall, SRI believes that networked services and dedicated digital video platforms will come to dominate specific applications, whereas IMPs will be unable to achieve the critical mass necessary for a sustainable market position. On that point at least, SRI and Inteco are in agreement. [E]

Forecast of CD-Rom penetration worldwide

PC-based CD-Rom penetration

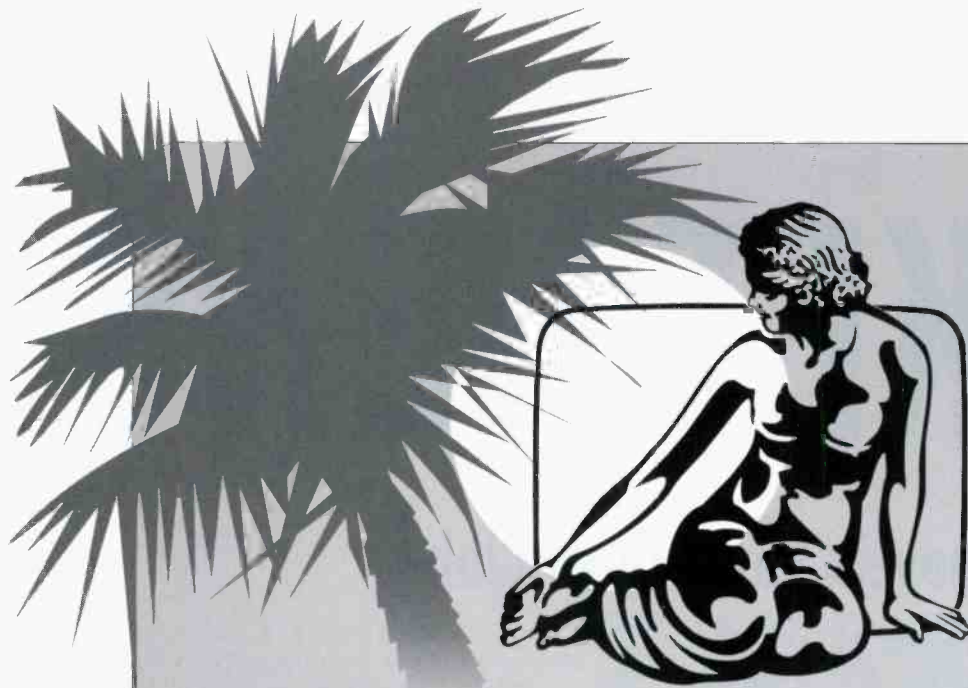
Year	1993	1994	1995	1996
Installed base of desktop PCs (m)	103.2	121.6	137.6	156.2
Installed base of CD Rom drives (m)	8.8	23.6	40.5	57.1
Desktop PCs with CD Rom drives	8.5	19.4	29.4	36.6

Source: Dataquest

Global shipments of CD-Rom drives (000s)

Year	1993	1994	1995	1996	1997
CD Rom drives	11,074.8	19,892.6	29,323.0	38,366.0	48,798.0
Read/write drives < 1 GByte	457.1	588.0	772.7	1,044.6	1,562.2
Read/write drives > 1 GByte	7.1	7.9	14.0	32.4	65.6
All drives	11,539.0	20,488.5	30,109.7	39,443.0	50,425.8

Source: 1994 Disk/Trend Report



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MARKET NEWS

● KingWorld International's flagship game show, *Wheel of Fortune*, premiered on Mexico's Televisa network as *La Rueda De La Fortuna* on January 9. Under the terms of the license agreement, Televisa will produce its own version in Spanish of the show which will air live on El Canal de Las Estrellas (Channel of the Stars), Monday through Friday on the primetime evening slot, 8.30-9pm. The show will be hosted by Laura Flores, the first woman to host the gameshow anywhere in the world.

● Feature films, tv movies and miniseries feature heavily in **Multimedia Entertainment's** offering at Natpe. Product includes Judith Krantz's *Torch Song*, a fact-based drama from Gimbel Adelson Productions and Multimedia Motion Pictures called *Murder Between Friends*, and the miniseries *Dazzle* and *Havanera* as well as talk shows, *Donahue*, *Sally Jessy Raphael* and the *Susan Powter Show*.

A. Philip Corvo

TBI remembers A. Philip Corvo, executive vice president, NATPE International, who died on Saturday, December 24 after a long illness. Corvo, 67, was one of the most highly respected and beloved television executives, who's career spanned nearly half a century. Corvo was named president and COO of NATPE International in 1988. Prior to being named president, he was the executive director, a position he had held since 1982 when he joined Natpe. He assumed the position of executive vice president in 1992.

Telenovela Fever Goes Globo



TELENOVELAS remain the staple of Brazilian TV, with three of the four major networks broadcasting them during primetime hours. Brazil's biggest network, TV Globo, the world's fourth largest network in terms of numbers of viewers (after American giants ABC, NBC and CBS), broadcasts three 50-minute, telenovelas each evening, the most popular of which attracts a 55-60% slice of Brazil's 30 million viewing households.

This year, TV Globo's most popular telenovela was *Fera Ferida*, (*Wounded Beast*) which told the supernatural story of an alchemist who returns to a corrupt town to get revenge, through sorcery,

against town elders who plotted the murder of his parents.

Though two of Brazil's three other major networks – Machete and SBT – each aired one prime-time novela this year, both soaps received low viewer ratings and failed to cut into TV Globo's slice of the viewer market.

On January 2, TV Globo began airing a new prime-time telenovela *Irmaos Coragem* (*Courageous Brothers*), which it expects to be a

big success. The soap is a remake of a highly popular 1980s telenovela, written by Janete Clair, Brazil's most popular telenovela writer, which tells the story of three goldmining brothers and their struggle against an exploitative gold merchant.

TV Globo telenovelas continue to have a strong influence abroad by the sheer number of countries they reach. TV Globo, which began exporting telenovelas in 1978, has now done so to over 100 countries. In 1994, TV Globo earned \$25 million in telenovela exports, 10% more than in 1993. And TV Globo estimates these soap opera exports will earn it at

least \$25 million in 1995. Each chapter of a telenovela, made up of an average 130 chapters, costs a country anywhere from \$300/chapter to \$15,000/chapter, depending on the country and the size of its viewing audience.

Jorge Adib, TV Globo's general director of international sales, said that in the last three years TV Globo's telenovela sales have dropped in Europe, but have increased in Latin America (the biggest foreign market), Portugal (which shares the same language) and Asia, (the fastest-growing market).

"European countries are now beginning to produce their own telenovelas and are also beginning to buy telenovela formats-scripts, scene and costumes descriptions – and produce the soaps themselves," said Adib. "We've already sold a telenovela format to Canada and are talking to European countries interested in doing the same."

The TV Globo telenovela with probably the biggest appeal abroad has been *Escrava Isaura* (*The Slave Isaura*), which sold to over 40 countries from the early 1980s, most recently to South Korea. *Escrava Isaura* is a period piece about a white girl born into slavery in 19th century Brazil who fights to attain her freedom.

Escrava Isaura was so popular in Cuba that Fidel Castro changed Central Committee meeting times so fellow comrades wouldn't miss episodes.

Sesame Street Learns To Speak Spanish



MIAMI-BASED Coral Pictures, the exclusive distributor of programs from Children's Television Workshop in Latin America and Spain, is to offer the first ever Latin American production of Sesame Street. *Plaza Sesamo IV*, which features 130 half-hour episodes, will be available for broadcast in March 1995. The show, which has already sold to several countries in Latin America, including Panama, Nicaragua and Chile, may be the start of a number of similar ventures with CTW in this region, although talks are very much in the preliminary

stages, said Sheila Hall Aguirre, Coral's director of marketing and communications.

At Natpe, Coral will also showcase two new telenovelas: *Pura Sangre (Pure Blood)* and *Maestra Vida (My Life)*. *Pura Sangre*, a 150-episode telenovela currently in production in Venezuela, chronicles the passion, romance and feuding between two powerful and wealthy families. The series has already sold to Ecuador, Dominican Republic, Guatemala, Peru, Honduras, El Salvador, Venezuela and

Panama.

Featuring a star studded cast, *Maestra Vida* is the story of love in the 90's - a genuine look into the lives of three couples from a big city whose relationships are forever altered by their chance encounter. Currently in production in Venezuela, *Maestra Vida* will also be available in 150 episodes.

Two other, as yet untitled, telenovelas are currently in development and, said Hall Aguirre, "we are also in negotiations with different producers regarding co-productions. Although nothing has yet been finalized, we will definitely be engaging in joint ventures in the upcoming year."

Nature programs continue to feature on Coral's slate and in 1995 the company will offer new episodes from its nature documentary series, *Expedition*.

A third series of 13 one-hour episodes will become available in 1995.

Talk And Music Feature On Telemundo

TELEMUNDO Group, Inc, the Spanish-language television network operating in the United States through its owned and operated stations and affiliates, reaches a claimed 86% of all Hispanic television households in 53 markets.

Presently, Telemundo owns and operates six full-power stations: Los Angeles, New York, Miami, San Francisco/San Jose, San Antonio and Houston/Galveston. The company also owns and

operates WKAQ-TV in San Juan and Channel 2, the dominant station in Puerto Rico.

Kicking off Telemundo's slate at Natpe is the hour-long comedy show, *La Cosa*, a blend of humour, music, satire, puzzles and double entendres. *Padrisimo*, the weekly music entertainment hour of regional Mexican music features *Bandas*, *Grupos Norteños*, *Tex-Mex* and *Ranchera* music as well as live performances by musicians from all generations, in

different styles.

Spanish journalist Pedro Sevec has also been given his own talk show. Telemundo will also be showcasing its drama series *Señora Tentación (Lady Temptation)* at Natpe, as well as the telenovela, *Tros Destinos (Three Destinies)*; the weekly hour-long news magazine, *Ocurrio Asi 2000*; the action film *Asesinos por Naturaleza (Killers by Nature)*; and the action suspense film *Contrabando Mortal*.

● Latin America proved one of the three highest-grossing territories for the UK-based distributor **ITEL** in 1994, pulling in excess of \$1.6 million in sales. Chris Fletcher, sales manager for the region, said ITEL had already tied up pre-sales with Canal Plus Chile and would be looking to set up more pre-sale and output deals at Natpe. New product includes *Beastly Behaviour*, a series on the sex life of animals, and animated series *Oakie Doke*. "This Natpe is an opportunity to show another side of ITEL, to show us as more than just a distributor of wildlife/natural history product," said Fletcher.

● **All American Fremantle International** will introduce a new spin-off from the hit *Baywatch* series at Natpe. Called *Baywatch Nights*, the one-hour action series stars David Hasselhof. The company is also featuring its newest format acquisitions, RTL Germany game-show *Aber Hallo*, and the BBC2 show *Have I Got News For You*.

● *Baby Races*, *Trivial Pursuit*, *Masters of the Maze* and *Maximum Drive* are all game shows available this market from **MTM International**. Also on MTM's slate: the tv movies *Body Business*, *Double Sculls*, *High Country* and *Skin Deep*; infotainment shows *What's Cooking* and *Looking Good*, and the tv series/dramas *Capital News*, *Ruth Rendell Mysteries*, *St Elsewhere* and *White Shadow*.

● **Rigel Independent Distribution and Entertainment** will be premiering the interactive show *Yo-Yo* at Natpe. Unique in that players can compete from home against players in a live in-studio audience through using the push buttons on the telephone as controls, the game is played at three levels of difficulty. Rigel, which has firmed up their 1995 distribution line-up with a \$150 million dollar production slate which includes syndicated and cable television programming as well as theatrical releases, will be distributing the action adventure series *Land's End* at Natpe, as well as *Santa Monica Bike Patrol*.

● Product from **Cinevest** this market includes the documentaries *The Hunt for the Red Ripper*, a pro-

file of the world's most notorious serial killer, Russian Andrei Chikatilo; *The Great Adventure of the Automobile*, profiling the history of cars from Model T's to Porches; and *The Crime Wars: The Mafia in Action*. Also on Cinevest's slate: *Basketball Legends*, *Boxing legends*, and *Muhammad Ali The fighter*, as well as 200 feature fillms from various stables.

● Weekly one-hour reality program, *Safe Streets*, concentrates on crime and crime prevention and is available this Natpe from **Kelly News and Entertainment**. Meanwhile, talk show *The Willie Brown Show* claims to make talk that makes sense not sensation; half-hour news magazine *The West/In America* investigates the salient issues of the American public, and *Public People Private Lives* is the celebrity interview series that spotlights some of the world's biggest and brightest stars.

● New product screening at Natpe from **Moviecorp** holdings include the made for tv drama *Shelter from the Storm*; made for tv romantic comedy *Honeymoon Suite*; the two-hour edutainment special *The Biz 101*, and a pilot of the half-hour talk show *The David Lionel Show*. The theatrical feature *Rebel*, drama *The Premonition* and the music drama *Kandyland* complete the **Moviecorp** slate this market.

● **Moonstone Entertainment** is unveiling its co-produced version of *The Jungle Book*, an action-adventure set in Norway called *The Polar Bear King*, action thrillers *Killing Machine* and *Criminal Mind*, and romance story *Vibrations*.

● France's **Central Programming Company** offers *Pizza Annex*, an up-to-date teen-oriented sitcom; *Kids Down Under*, a magazine show for kids exploring the world of science, nature and animals; and *Robinson Sucroe*, the adventures of a New York reporter writing about solitary life as a cast-away on an uninhabited island.

● At Natpe, **INI Entertainment Group** will be distributing animated series *Sylvan*, drawn from tales and legends of the Middle Ages; *Martin & Lewis: Their Golden Age of Comedy*; *Country Music USA*, featuring interviews and perfor-

Brotherly Love



PROTELE, the international sales arm of Mexico's Televisa, sells approximately 2,000 to 3,000 hours of programming yearly within the Latin America region.

Protele's program slate runs the gamut of news, talk shows, comedies, children's shows and animation, but at Natpe it will be concentrating on telenovelas like: *Imperio de Cristal* (*Crystal Empire*), *El*

Vuelo de Aguila (*Flight of the Eagle*) and *Corazan Salvaje* (*Savage Heart*).

The story of two brothers' love for the same woman, the 120-episode *Savage Heart* has achieved respectable ratings around the world.

Crystal Empire, the first co-production between Grupo Televisa and Fox – is available in both English and Mexican Spanish.

Uruguay Next For Canal Plus/SIE Pay TV

"**THE** big item this year will be starting pay-tv in Latin America," said Michael J. Solomon of his partnership in the Canal Plus Chile venture, set to debut in May or June and shortly to be followed by Canal Plus Uruguay, with three or four further such ventures arranged, if not on the air, by 1996.

Michael J. Solomon, at Natpe for the first time with his new company, Solomon International Enterprises, is confident that Canal Plus Chile will be a success because of the care he has taken in tailoring the service to the indigenous populace through televising local sports and using local presenters. "This (Canal Plus Chile) will not be a Latin American ser-

vice but one specifically tailored to Chile... and the other ventures will follow the same format." Solomon, with 35 years experience in Latin America under his belt, predicted that Canal Plus will be on one million cable and satellite households before the end of the year.

Solomon is also keen to capitalize on opportunities in animation, and children's and family programming, and is likely to make an announce-

ment once contracts are completed. SIE is using Natpe to unveil four-hour miniseries *Catherine the Great*, starring Catherine Zeta Jones, for which its has tied up an international distribution deal with Germany's Ufa.



Women's Cable Network Heads North

FOLLOWING a multi-system carriage agreement with U.S. cable operator TCI, GEMS TV now claims to be the most widely carried Spanish-language cable network.

According to GEMS president Gary McBride, overall distribution in the U.S. now numbers 1.5 million subscriber households following its launch on 17 TCI systems on December 31. GEMS

claims over 3.5 million subscribers on more than 250 cable systems in the Latin American region, where GEMS has also been developing original programming aimed at its target market of female viewers.

Despite mounting competition, McBride is confident that GEMS will maintain its position in the region, particularly with the recent debut of its

new, first-ever, international talk show, *Sin Fronteras con Maria Laria* – a reality-based talk show featuring both in-studio guests and on-location popular responses from countries across the Western Hemisphere.

Launched on April 1, 1993, GEMS provides a daily diet of musicals, movies, entertainment and lifestyle programming.

Using A Different Accent

SPANISH production company MM Multimedia is hoping to see some concrete deals from Natpe, as well as iron out a few of the problems associated with working in the Latin American market.

Managing director Paco Rodriguez said he hoped to ink a few barter deals with Natpe. Product in Castilian Spanish has to be redubbed for Latin America.

MM Multimedia, which concentrates on feature films and animation, generally deals with local dubbing

companies, trading distribution rights within their country in exchange for a redubbed version of the product which can then be sold throughout the rest of Latin America.

Rodriguez said that in the case of animation, MM would sell animation at low prices – between US\$2,500-\$3,000 per episode – to companies prepared to overdub. Even allowing for the cost of dubbing (around \$2,000 per film), the profit margin comes in at more than 100%, said

Rodriguez.

Distribution of feature films in Latin America is also problematic, said Rodriguez, particularly in countries such as Chile, Bolivia, Peru and Ecuador, which have strong censorship.

Across the board, though, he added, it is easier to place programs with non-terrestrial channels because they are often encrypted. MM Multimedia has distribution deals with HBO Olé, and Turner International for product to feed their cable networks.

At Natpe, Rodriguez is also looking to secure funding, and possibly co-production partners for his latest venture, the adult animation series *Torpedo*, which is based on a series of 1930s comic strips. TVE, already a partner in the venture, has the rights in Latin America, and Rodriguez is looking for a U.S. deal.



Turner Nets Up Local Features

CELEBRATING its fourth anniversary in January 1995, TNT Latin America has evolved from a superstation format to become a niche network offering movies from Turner's film libraries as well as acquisitions. TNT Latin America's programming lineup includes classics like *Casablanca* and contemporary movies like the *Rocky* series and *Out of Africa*. TNT Latin America is now contracting Latin American artists

to host movie franchises and participate in promotions.

At Natpe, the network will unveil a new movie block called *Pasaporte Internacional* featuring films acquired from all parts of Latin America, such as: *Golpes a Mi Puerita (Knocks at my Door)* from Venezuela; *El Supersabio* from Mexico; and *Reportaje a la Muerte (Report on Death)* from Peru.

The program block will be hosted by a well-known per-

sonality from the region, Luis de la Corte.

Sister Turner International network CNN International has also moved to increase its locally-tailored program content. As of January 2, 1995, the network has added two more half-hour newscasts produced and presented in Spanish to its schedule. In addition, Turner has just opened a bureau in Mexico City dedicated to Spanish-language newsgathering.

mances with top country music stars. Also on the slate: *International Family Classics- Vol II and Vol I*, featuring animated movies based on works of authors such as Hans Christian Andersen, Charles Dickens and Jack London.

● **The Blum Group** will offer *The Academy Award Winners – The First 50 Years*, a series which chronicles Hollywood history using footage from its greatest movies. In ten one-hour shows, the series includes all the important films awarded during the first 50 years of the Academy Awards for best film, best actor, best actress and best director.

● **Animated fare from D'Ocon Films Productions** this market includes *Spirou*, an animated series of 26 half-hour episodes produced with TF1 (France), Editions Dupuis (Belgium), Cine Groupe Astra (Canada) and Antena 3 TV (Spain). *Problem Child*, a co-production between D'Ocon Films Productions, Universal Cartoon Studios and the USA Network, charts the adventures of a nine-year-old kid called Junior who has problems coming to terms with the values of adults. *Basket Fever*, a co-production with the Spanish Basketball Association, advertising agency Extension/BBDO and TVE, tells the tale of Hooper the grasshopper's adventures.

● The puppet and animation series *Anna Banana*, the drama *Bizet's Dream* and the variety special *Cirque du Soleil: A Baroque Odyssey* are available on the Natpe slate of the **Multimedia Group of Canada**. The comedy series *Just Kidding*; the variety one hour special *A Midsummer Night's Ice Dream*, featuring performances by Yuka Sato, and several other world class ice dancers, and the documentary *Earthscape* are also on the stand.

● **Sachs Family Entertainment** has teamed two award-winning Australian shows – *Blinky Bill* and *Bananas in Pajamas* – to create a daily one-hour block for debut in the fall of 1995. The children's programming block represents the first strip offering from Sachs Family Entertainment, which specializes in the distribution of quality children's programming.

Widescreen Builds Its Market

Jean-Luc Renaud finds that although transmissions in the widescreen format are limited, evidence is that consumers like the screens. He argues it is time to place the future of widescreen in the hands of marketing and advertising people

Attendance at the first Widerview Conference on HD video production and the widescreen market in Brussels last December – about 300 participants – gave an unmistakable impression that the widescreen television market is at last emerging. Organised by Vision 1250 – the European group promoting the use of the 1250-line HD production standard together with the widescreen 16:9 format – brought together virtually all the broadcasters and producers who are, or will, shortly be using the widescreen format.

December 94 was the end of the first full year of the European Commission's Action Plan for the Introduction of Advanced Television Services in Europe. The Action Plan, which the council adopted last summer following more than a year of heated discussions, intends to promote the transition from the conventional 4:3 tv format to the new 16:9 widescreen format, irrespective of the transmission standards used.

The Action Plan's efforts are twofold: on the one hand, enticing broadcasters to transmit wide-screen programs; on the

other hand, backing the production of widescreen programs itself. The Plan offers Ecu228 million (\$260 million) over four years as a Community contribution in order to leverage an equivalent amount of private funding.

The message delivered by this writer to the conference, was to take widescreen television out of the hands of engineers and place it into the hands of the advertising and marketing professionals. Consumers will take up the new tv format if it is sold to them.

France is a case in point. France Supervision – France Television's widescreen D2-Mac service offers nine hours a day during week-days and 10 hours a day at the weekend of 16:9 broadcasts. And the broadcaster seizes any opportunity of advertising it. From 300 hours in 1991, widescreen programming increased to 1,000 hours in 1992, to 1,500 hours in 1993, to pass the 3,000-hour mark in 1994.

It is no surprise that France, with 120,000 sets, accounts for more than 60% of Europe's total base of widescreen sets

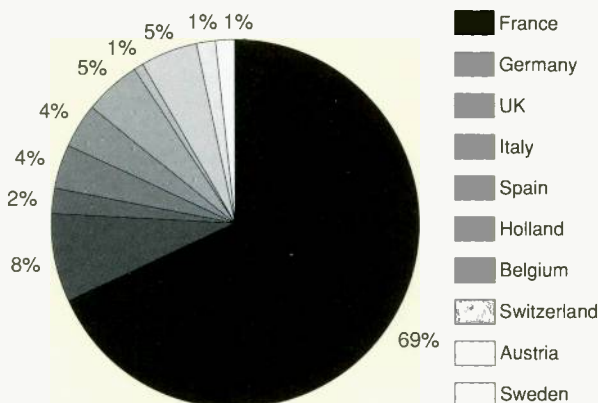
estimated at 200,000 units. There, it did not take that long for the retail price of widescreen sets to fall to the level of that of a high-end conventional 4:3 receiver. In 1992, France had only 3,500 widescreen sets in operation.

How many 16:9 broadcasts are needed to ignite – and sustain – a consumer market for wide-screen sets? Probably not that many. Those French who have bought a widescreen set to watch true widescreen programs, that is, not a "zoomed-in" 4:3 picture, are in the enviable position of being offered a fully-fledged 16:9 service transmitting between nine and 10 hours a day.

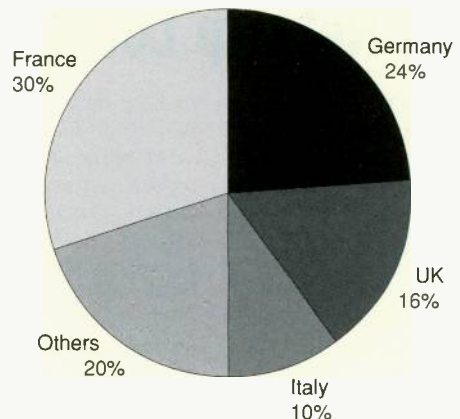
However, they are a minority: only about 30% of the estimated 120,000 wide-screen sets sold in France so far are used to receive France Supervision. 70% of 16:9 set owners are only watching conventional 4:3 broadcasts, having elected not to take a set with the D2-Mac decoder.

The absence of a one-to-one relationship between widescreen program viewing and ownership of a widescreen set is

Installed base of 16:9 sets breakdown by country 1994

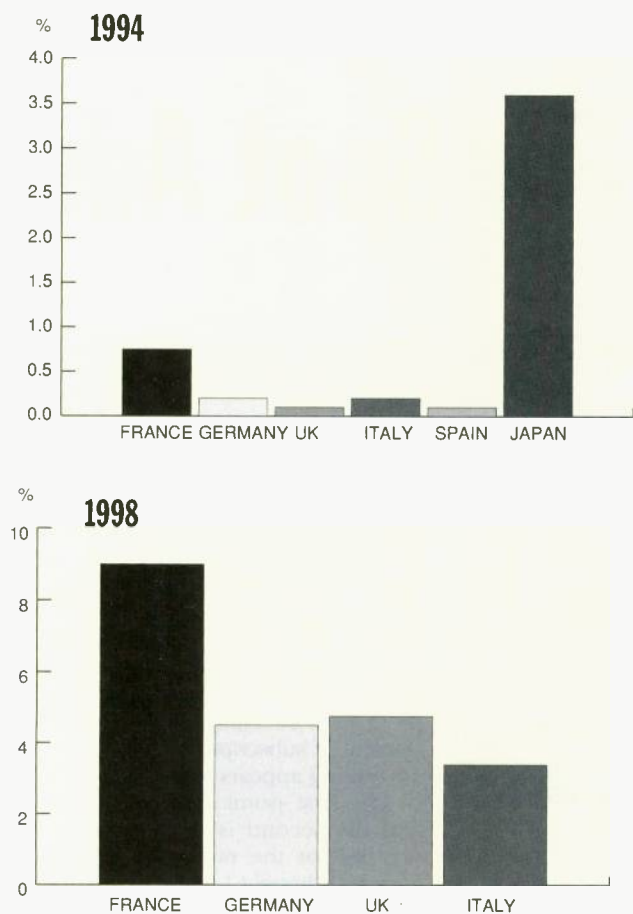


Installed base of 16:9 sets breakdown by country 1998



Source: BIS Strategic Decisions/European Audiovisual Observatory

Market penetration of 16:9 sets in selected countries



Source: BIS Strategic Decisions/European Audiovisual Observatory

also in evidence in the Netherlands. There, TV Plus is broadcasting 35 hours a week of satellite-delivered D2-Mac widescreen programming to more than 1.7 million cabled homes. The operator estimates that only 50% of the 7,000 subscribers taking up the service are equipped with a widescreen set proper.

The most telling case is the Japanese market and one that goes a long way to question the commonly-held view that consumers are not interested in the technology, but in programs. In 1994, 1.5 million widescreen 525-line sets will have been sold in Japan. Very few will have a built-in MUSE-to-NTSC decoder to receive, in 525 lines, the Hi-Vision 1150-line HDTV satellite service. Widescreen terrestrial broadcasts (EDTV-2) – equivalent of Europe's Palplus – will only start well into the next year. So, the large majority of widescreen set owners bought them for the shape of the 16:9 screen image, irrespective of the picture sources.

JVC, however, has even bigger hopes for the future: it forecasts that by 1995, its widescreen tv sales will total ¥40 billion (\$320 million), accounting for nearly half the total sales of its tv division.

The only widescreen set Americans will have seen for some time to come is the receiver in the room of the AIDS patient (played by Tom Hanks) in the Award-winning movie *Philadelphia*. It remains that Americans are not insensitive to widescreen/HDTV, far from it. A survey of 500 adults conducted by Marquest Research found that HDTV was ranked as the first, second or third choice among new technologies on a ten-point interest scale by 54% of the survey participants.

Second in popularity to HDTV was the ability to order programs on demand, which received a score of 49%. A service that provided 30 channels of commercial free CD-quality audio also fared well, with a score of 46%.

Naturally, that is not to say that broad-

casting in the true 16:9 aspect ratio is needless. Actually, it is very much needed to ignite the widescreen television market, but the new format has acquired a life of its own. The presence of widescreen broadcasts may provide widescreen set buyers with the confidence that there is a widescreen tv industry out there and the assurance they are not embracing an obsolete technology.


Scny reckons that its share of Japan's widescreen tv market grew from 15% in 1993 to 20% in 1994. Widescreen models accounted for 23% of Mitsubishi's total tv sales in 1994. The previous year, the figure was 19%. Toshiba launched in March of last year four new widescreen tv receivers. The company believes that its tv sets will have accounted for 25% of the 1.2 million such sets shipped last year.

Outside of France, there is little doubt that the jump-start of the market for 16:9 sets will happen with the arrival of terrestrial widescreen broadcasts in the form of Palplus. Having no terrestrial "Secamplus", France has concentrated on satellite to deliver widescreen television.

Most of the 22 broadcasters in eight countries who received Action Plan money to start widescreen television transmission are terrestrial operators. Unlike satellite programmers, they can reach the universe of tv households. This can only be good news for manufacturers. BIS Strategic Decisions projects widescreen set sales of 2.2 million units by 1998 and a cumulative installed base of nearly 6.5 million receivers.

Germany and the UK will become important widescreen markets. By 1998, BIS projects an installed base of 1.9 million sets in France, nearly 1.6 million in Germany and just over one million in the UK. In the UK, Channel 4 and Nokia have developed a unique relationship in that the Finnish company is so far the only European consumer electronics manufacturer to back a broadcaster in the Action Plan bidding system. Nokia is also the first manufacturer to launch a wide-screen Palplus color tv set in Europe. The company speculates that by the year 2000, 15% of UK households (over three million) could be equipped with a widescreen set.

Japan's already healthy growth in widescreen set market take-up is bound to become even healthier with the start of EDTV-2 next year.

With the advent of digital video compression and the 500-channel environment the technology supposedly makes possible, together with interactive tv in all its forms, HDTV was for all practical purposes buried and widescreen television seemingly relegated to an historical footnote. So far, the evidence suggests that European consumers, having little time for the former, might be about to embrace the latter. In the Chinese calendar, 1995 is the Year of the Wild Boar; in the European calendar, it looks like it will be the Year of the Wide (Wild) Screen. 

The electronic superhighway continues to provoke a loud buzz of excitement even if fewer starry-eyed converts seem to be about than was the case this time last year.

It has also been the subject of this column before. I make no apologies for harping on about it again because I feel that it has created a widely held, but false, view about the long term decline of television advertising.

The general presumption is that the superhighway is bad news for conventional spot advertising, yet it is surely stretching a point when some doom merchants diagnose its decline in advance of the facts. On the contrary, when the usual new year round of agency forecasts of tv ad spend for the coming year hits the streets this month, I fully expect them to agree that 1995 will be the best year ever for most countries.

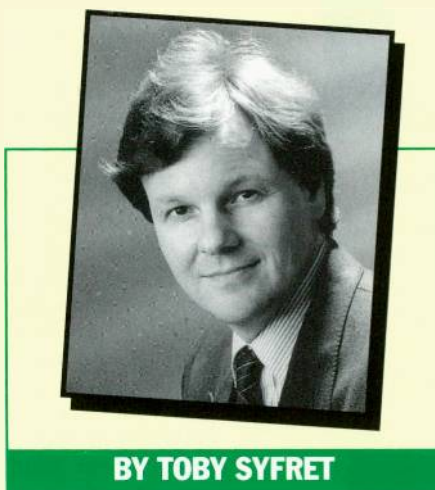
So, how come the doom? The basic argument is that spot advertising is borne of mass media television, which itself is borne of spectrum scarcity, giving rise to few channels with fixed program schedules broadcasting to mass captive audiences. Once digital and fibre-rich technologies permit hundreds, or even thousands, of video pathways into the home, and introduce interactivity, the concept of mass media television becomes superfluous. Instead, viewers will program their own channels. Unless advertisers find ways of adapting, spot advertising will fade away, and voluntarily paid-for-tv take its place.

This nightmare scenario for spot advertising has been given added weight by the public pronouncements of no less a figure than Ed Artzt, the chairman and CEO of Procter and Gamble. It is indeed a serious issue when someone in his position declares that: "From where we stand today, we can't be sure that ad-supported tv will have a future in the world being created."

In my opinion, the threat is more apparent than real.

First, "free" mass broadcasting supported by advertising is not merely an anomaly of spectrum scarcity. Even where viewers have wide multi-channel choice thanks to cable and satellite tv, most watch a limited repertoire of channels, and mostly they are the same chan-

The Highway Is Clear For Spot Ads



BY TOBY SYFRET

nels. In general, people do not want too much choice, they like to be entertained and are quite happy with fixed program schedules. They even like to feel part of a mass audience.

My second observation is that it is perfectly possible for free mass broadcasting to co-exist and flourish alongside VOD on the electronic superhighway. This is because voluntarily paid-for tv is not directly dependent on audiences, and it can make its buck out of much smaller audiences. I hazard a guess, for example, that the annual gross revenues from premium pay-tv and video purchases and revenues are roughly equal to two-thirds the current levels of gross television advertising expenditure in the U.S.; however their national audience share is probably not much more than 5%. American readers of TBI can correct me on one or both points, but, the differentials are great, and paid-for-tv audi-

ences, will have to grow a long way before they seriously impinge on advertising.

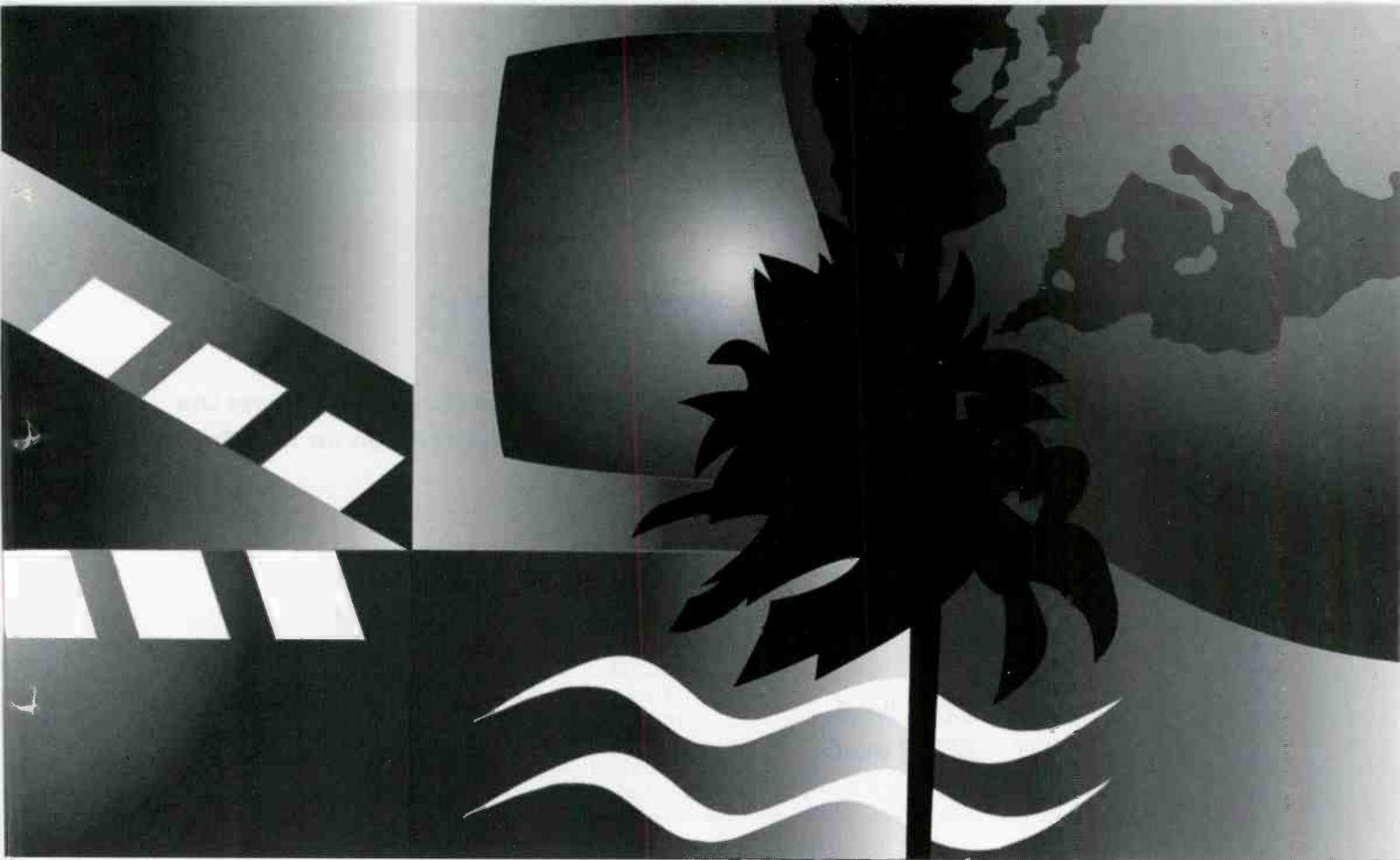
There is further abundant evidence from conventional subscription and pay-tv services, and even some evidence from VOD trials, that there is a definite ceiling on how much people will pay to be masters of their choice. However, these ceilings are happily ignored by a surprising number of analysts. What finally prompted this column was to read one analyst assert without qualification that "display advertising of branded products is declining," or that "the development of subscription at the expense of advertising appears to be a global trend."

The first point is highly debatable, and the second is plain wrong. While waiting for the new year forecasts to appear, I thought I might at least contrast these assertions with some still quite fresh mid-1994 international forecasts of television advertising expenditure from Zenith Media Worldwide and the (British) Advertising Association.

The two sets of forecasts paint much the same picture. Simply to take the ones from Zenith, they predict that 31 out of 38 leading national television advertising markets will have shown real growth in 1994, and no less than 36 out of 38 will show real growth in 1995. More than this, 1994 tv ad spend is likely to be at or close to its all time high in most countries. 1995 will simply be better still; about 3-4% better in real terms in Europe, 1-8% better in the U.S., and 3.5% better in Asia/Pacific.

Not much has happened in the last six months to suggest that the first forecasts of 1995 will be all that different. Nor is there the remotest indication that the development of subscription has impinged on advertising growth. Rather than pronounce the patient dying before he is ill, may we savour the likelihood of 1995 being another good year in prospect for television advertising expenditure? **TBI**

Agency forecasts of tv ad spend will all likely agree that 1995 will be the best year ever for most countries



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Breaking The Language Barriers

Scientific Atlanta previews PowerTV... C-Cube gets the encoder price right ... Mid-1995 prediction for first European PPV network

Earlier this year IBM, Apple and Scientific Atlanta wound down their Kaleida joint venture. The venture – which was attempting to create a common base-language for multimedia hardware – was not all in vain, however. The two big computer companies went off to concentrate their efforts on the hardware development side, while SA, which is one of the world's leading manufacturers of cable and satellite equipment, kept its own research team's nose to the grindstone. Last month (December) they unveiled the fruits of their labours: PowerTV.

SA hopes PowerTV will become to the interactive set-top box sector what Microsoft's MS-Dos has been to the PC industry, describing it as "a common operating system for advanced home communications terminals." It hopes the new software will make it much easier for network providers, authors and programmers to deliver interactive, multimedia programming to consumers.

As such, it represents a head-to-head challenge to Microsoft, which has been trying to impose its own Windows-based approach on the emerging market for multimedia black boxes.

SA says the new software will be able to be used in cable, satellite and telephone environments, and runs across a number of different types of computer-processor. It will also sup-

port MPEG compression.

Among the first companies to announce that they will support PowerTV are Oracle, Sybase, and Scala.

C-Cube Unveils MPEG-2 encoder

Just over a year ago, this column remarked that one of the things that was holding up the conversion of broadcasters from analog transmissions to digital ones was the lack of cheap, real-time encoders. You can put as many digital black boxes out in the marketplace as you like, but if you can't convert your archive from analog fast enough to supply new digital channels with pictures, you're stymied. What's more, although in principle all this digitization can take place off-line, you're still faced with the problem of what to do about broadcasting live events like sports and news in digital format.

Compression specialists C-Cube Microsystems provided the first part of the solution in the fall of 1993, with a compact real-time MPEG-1 encoder. Now, they've just come up with the MPEG-2 version, the CLM4700, which supports much higher compression rates and picture quality. The top-level version of the new chip set (it's mounted on a circuit-board which is about two foot square, and half an inch deep – quite an achievement for something

that 12 or 18 months ago would have taken up the same space as a filing cabinet) will sell for about \$12,000 in single quantities. That puts the price of an entire encoding broadcast system at about \$60,000 per channel. Alex Balkanski, C-Cube's CEO, told HardTech that this price will have come down to about \$20,000 per broadcast channel within two years.

He also forecast that the number of digital encoders in use (mainly MPEG-2 ones) will rise from about 5,000 next year to 75,000 in 1998, as prices decrease. Encoding devices, he commented, were "the key enabling technology" of the digital age. "(They) will contribute to rethinking how television is authored, distributed and enjoyed." Balkanski noted the current trend in non-U.S. broadcasting markets towards "localization of content," adding that "encoders are essential to this process."

PPV in the UK

When will pay-per-view, a technology that's taken for granted in the U.S. (even if it's not yet that profitable) reach Europe? This issue has been the subject of much debate over the last year, with repeated predictions that PPV was just around the corner – either on the BSkyB direct-to-home satellite service or on cable – proving to be without foundation.

Nancy Anderson, vice-president of PPV at U.S. cable operator Jones Inter-cable, is now predicting that what she described as a "pay-per-view network" will be launched in the UK in mid-1995.

Anderson suggested this would take the shape of four channels of PPV – three with what she describes as "major movie product from both the U.S. and the European Union" and a fourth of 'B' movies and events – plus a barker channel being digitally compressed on to a single satellite transponder and fed to cable headends.

HardTech understands that a possible candidate for the transponder could be one of the two that United Artists Programming leases on board Intelsat 601 – one of which is already used for digital cable distribution.

Anderson dismissed speculation, however, that a joint PPV venture with BSkyB might be in discussion. More likely, BSkyB will offer a similar service, using much the same product at the same time on a non-exclusive basis. "Sky would be doing pay-per-view on their own service as well and sell it to their direct-to-home customers."

Anderson says a new PPV company, retaining the name of the London Interconnect Group's collapsed Home Cinema venture, would be owned by the UK's top nine cable MSOs. [E]



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