

TBI TELEVISION BUSINESS INTERNATIONAL

APRIL 1994



BIG BOYS GAME: Is Endemol Europe's First Real Major?

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Rocking The Box

Music television has, until now, been dominated by one successful network: MTV. Mainstream broadcasters, on the other hand, are getting increasingly picky about the music shows they will buy and schedule. Big concerts still do well, but pay-per-view has yet to prove itself. TBI looks at the coming music network war and the dilemmas facing broadcasters.

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Lessons And Signals

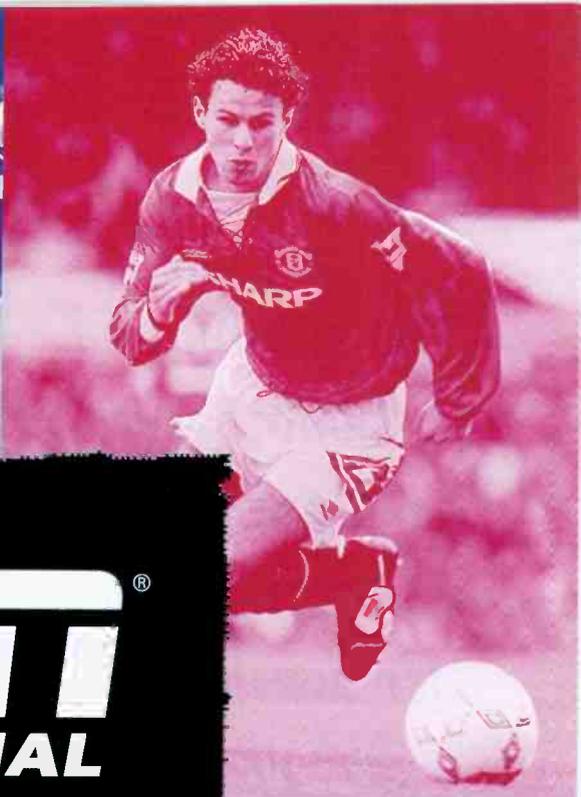
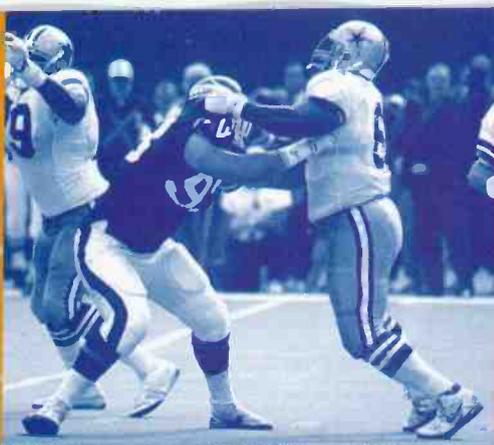
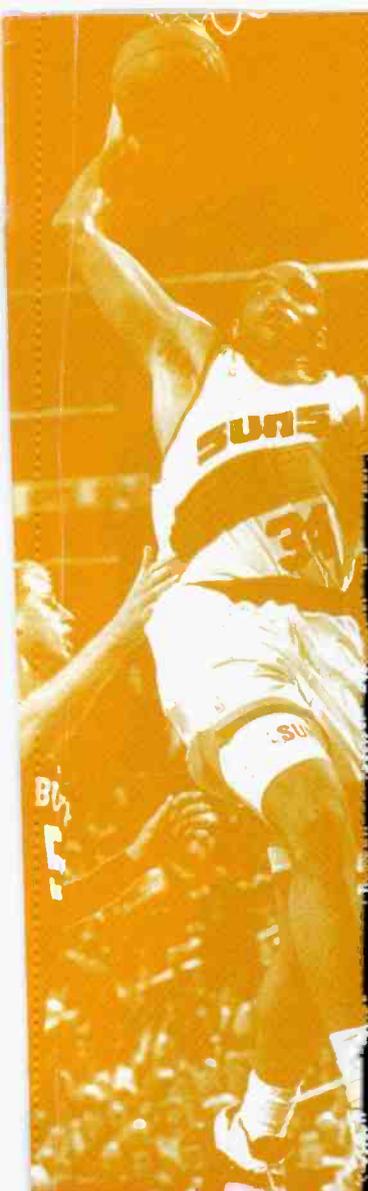
It's been a strange month. First, Bell Atlantic and Tele-Communications Inc. put off changing the world for now, over the matter of a billion dollars or two. Then, Time Warner delayed the launch of its Full Service Network (FSN) in Orlando from this month until the fourth quarter. The two very different ventures – Bell Atlantic's purchase of TCI and Time Warner's start-up of the aggressive FSN – were the heart inside the interactive tv hoopla. Calling off one and delaying the other was like sending out the party invites then forgetting to throw the party. Neither development means anything about the future of the future, of course, but both illustrate three lessons worth remembering in these heady days of promises and change. Bell Atlantic-TCI fell apart after the FCC came up with new rules to regulate cable fees. Those crafty cable executives found all kinds of ways of raising rates *after* the FCC imposed its first set of rules. So the FCC wrote new regs that will cut TCI's annual cash flow by \$150 million. Lesson one: Regulation still matters. TCI's lowered cash flow meant Bell Atlantic wanted to pay \$1.7 billion less for TCI. You might have thought TCI CEO John Malone would sacrifice a little profit for the sake of all our multimedia futures. Lesson two: Money always matters. Meanwhile, down in Florida, Time Warner hit a glitch. It needed to make "additional refinements to the underlying system software." Lesson three: The software always has a bug.

The last lesson may be a new one for people on the tv side of the convergence equation, a lesson they need to pay attention to as they hop, skip and jump into bed with those folks in the computer industry. The computer people, after all, coined the term vaporware for software promised but never delivered. And they are the ones who give their programs decimal-pointed designations like 3.21 and 5.06 to show everything is a work in progress, nothing is ever bug-less. Imagine the production company that offered *Northern Exposure 2.56*. "Really, it is a good show, and it'll be even better once it quits crashing after the second act."

In a month of set backs for the future, TBI looks at two independent companies, Endemol Entertainment and ACI, whose strategies offer their own lessons to those who still want to make shows, rather than lay fibre or program microprocessors. Endemol – a marriage that *did* happen without a hitch – brought together Joop van den Ende and John de Mol, two consummate Dutch traders. Both their companies create tv ideas and sell them around the world. They'll even buy a format from, say, the British and sell it as a production to the Germans. Any company with Leonard Hill involved is going to be fiercely independent. ACI, the distributor his and eight other Hollywood production companies own, is that and more. It offers a blueprint to producers of quality product who don't want to be owned by the fibre layers and microprocessor programmers. Endemol and ACI are as much the future of television as the tech-driven alliances we've been hearing about for months now. And they don't make vaporware.



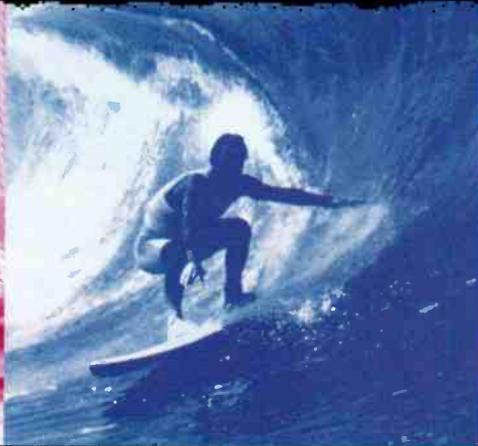
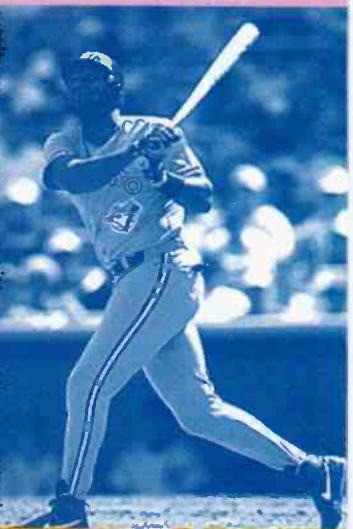
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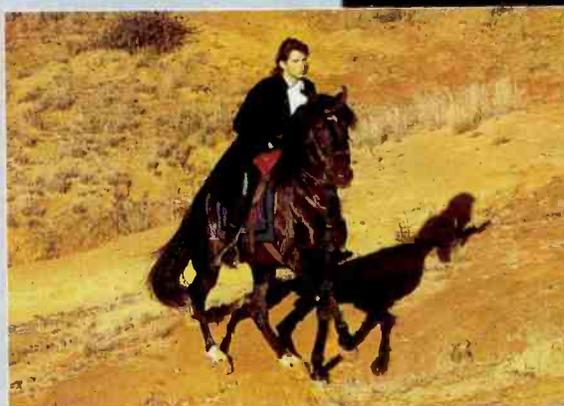
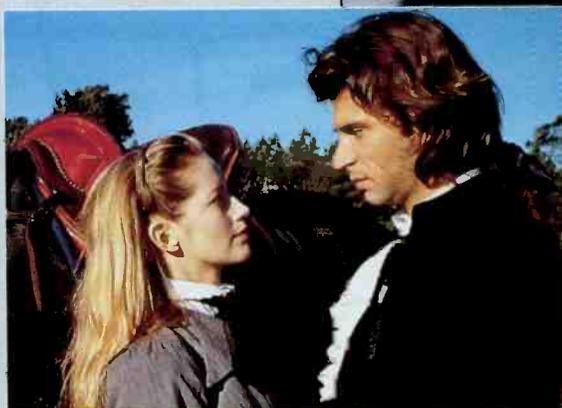
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Monte Carlo was in the full flush of spring when Hollywood's fabled emissary Jack Valenti blew in to unleash his colossal snow job.

As honored guest at the estimable festival and market, he had been expected to deliver a speech but instead chose to offer himself in a press conference.

Since a press conference presumes news, the story-hungry journalists hanging around a market that is essentially about buying and selling tv product (yawn) turned out en masse. But there was no newsworthy announcement, just Valenti on Valenti.

Here I am, Mr. Important, direct from Hollywood. Ask me questions. But first a few words about the French authors I have read in my time, Voltaire and that crowd, just to show that some of my best friends...

The first question out of the box was of course about Gatt and Valenti's inability to gain protections in the agreement for U.S. tv programs and movies. Valenti fielded it handily, minimizing his failure by dismissing Gatt as irrelevant because the world has already been changed by technology.

"The Gatt is in the past," he declared. "It will be outdated because of the onrush of miracles in communications."

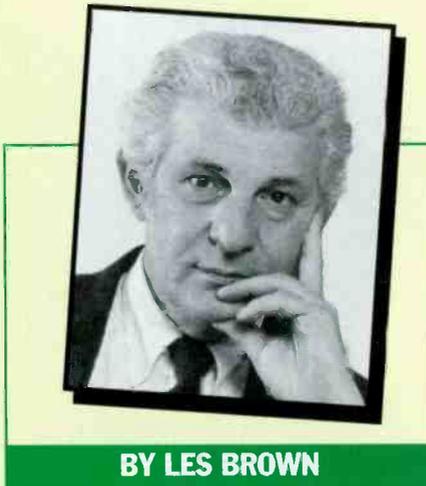
He went on to portray electronic Nirvana, emphasizing repeatedly that "it's all here and happening now." He rhapsodized that the great beneficiaries of these fantastic developments are the citizens and producers of Europe and Asia.

I will summarize the world according to Valenti, sparing you his patented overripe prose. Interactive television now permits viewers to create their own networks by ordering what they wish from zillions of program choices. The digital video servers on which the programs are stored have huge capacity and don't discriminate by nationality.

So everyone and everything gets on — French, German and Italian movies and tv series, on an equal basis with the American. It's all there for viewers to choose from. Power has transferred from the networks to the citizen, God bless him. If he wants to watch a French movie instead of an American, there's no gatekeeper to stand in his way.

The future is where it belongs, not as Valenti represents it. We are still in the present, and it will be a while before full on-demand television

Stuck In The Future



BY LES BROWN

"When everyone's programs are out there and available on demand, the need for quotas disappears," he asserted. So goodbye Gatt. You were nothing but a nuisance.

Okay, now for the reality check. What Valenti offers as evidence that the future is here now is the Stargazer on-demand system that Bell Atlantic will be testing in 400 households in northern Virginia this year. Next year, he says enthusiastically, it will be in a million.

Wow. He makes it sound like it's sweeping the country and soon the planet. One million homes leaves 92 million to go in the U.S. and approaching a billion in the rest of the world (I'm guessing, and probably on the low side). And no one but Valenti pretends Stargazer and the various scattered 500-channel cable ventures are anything more than experiments at this stage.

So the future is where it belongs, and not as Valenti represents it. We are still in the present, the future is only just beginning, and it will be a while before full on-demand television is widely available in any country.

Secondly, Valenti forgot to mention, until someone brought it up, that all these miracles cost money. Every time you choose a program you want to watch out of that vast catalog, you pay.

So which citizens are going to be the lucky beneficiaries of the future that liberates them from the gatekeepers and allows them to create their own networks at, say, \$100 a week?

But it not only costs money to watch, it also costs to make programs available. Digitalizing the film isn't free, nor is getting it on the video server.

But let's play out Valenti's fantasy. Suppose every movie and tv show produced in India, Japan, and Costa Rica gets on every video server in the U.S. There they are in the same catalog with the Paramount, MCA and Disney shows. Everything's equal on the video server, and now it remains for the viewer to choose. And what does he choose? By and large, the program best promoted.

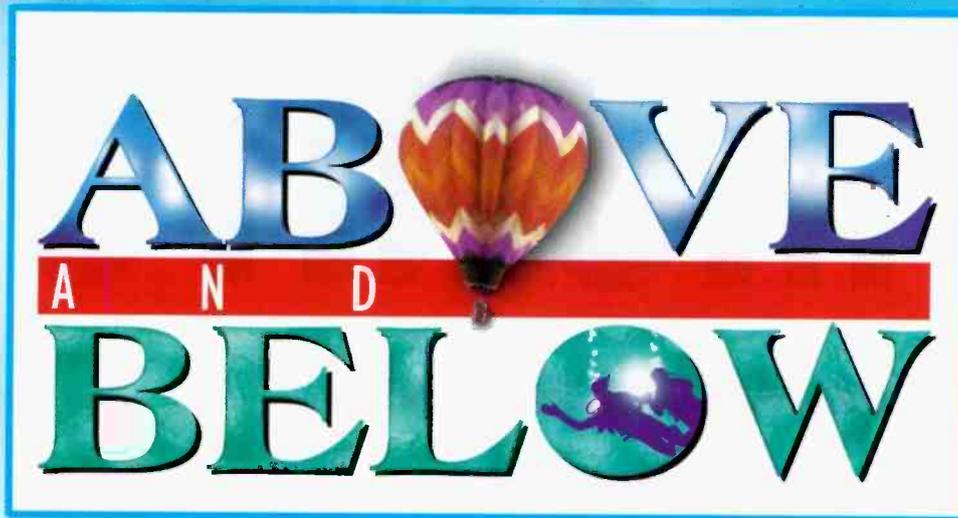
Hollywood makes movies at \$25 million and upwards and spends about as much to market them. What chance, then, for the \$2 million French film that had no budget for promotion? All programs are not created equal.

I didn't see any reporters dashing to the phones when the press conference ended, so it seems no one bought what Valenti was shovelling.

He did make one diplomatic statement: "We are guests in Europe and will conduct ourselves by whatever rules exist."

Nicely said, but he has something to learn about being a guest in a place like Monte Carlo, which had shown him every courtesy. A gracious guest wouldn't have been so condescending to the Europeans or tried to play them for a bunch of chumps. **TBI**

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MONITOR

GERMANY

Public Stations Make A Strong Comeback

ZDF and ARD see an upturn in their ratings and finances

Germany's ZDF and ARD, trailing their commercial competitors in the ratings for a year, have in the past few months forged a strong comeback.

In January, ZDF garnered a 20.2% audience share in the nation's 33.6 million tv households, while ARD reached a respectable 17.2%, both well ahead of RTL's 16.4% and Sat 1's 13.7%. In February, ZDF and ARD easily maintained their lead, owing in part to coverage of the Winter Olympics, which often resulted in market shares of up to 50%.

On the programming front, ZDF scored with its domestic show *Diese Drombusches*, while ARD had success with its series *Tatort (Scene of the Crime)*. Both crept ahead of Sat1's popular *Bergdoktor (Mountain Medic)*.

RTL, emphasizing entertainment, maintained its lead throughout most of 1993. But then things turned sour. Entertainer Thomas Gottschalk, lured away from ZDF to host a late-night talk

show à la Johnny Carson, averaged only 1.5 million viewers. And comedian Hape Kerkeling, who defected from ARD after RTL made him an offer he couldn't refuse, also failed to live up to expectations. Within a few weeks, his Friday night primetime audience had dropped substantially.

Tensions at RTL are reflected by managing director Helmut Thoma's sacking of his chief editor Dieter Lesche, who had criticized the Gottschalk show as a "total disaster" in a trade publication. Lesche's mandate had been to put RTL's newscasts on a par with ARD and ZDF.

Sat1's fortunes waned after the channel acquired five-year rights to the Federal Football League (Bundesliga) matches for a whopping DM694 million (\$408 million). This prompted managing director Werner E Klatten to moan only distributors were reaping profits.

Klatten was sacked, his statement evidently riling Leo Kirch, a Sat1 shareholder and the broadcaster's main programming supplier. The Kirch Group and another Sat1 shareholder, Springer Verlag, are 50-50 partners in the sports rights company ISPR, which sold the football league rights to the commercial broadcaster.

Meanwhile, financially strapped ARD and ZDF, whose ad revenues have been eroded by competition from the commercial channels, received a huge boost from the Federal Constitutional Court (BVG) in Karlsruhe. In a landmark decision, the BVG said the networks' finances must be assured. The court called for "immediate" reform of the procedure determining the networks' monthly tv set fees of DM23.80 (\$12.80), which are currently frozen until the end of 1996, when an interstate agreement expires. Both networks are deep in the red. ARD faces a deficit of DM1.4 billion (\$814 million) and ZDF one of DM942 million (\$548 million) by the end of 1996.

The BVG ruling also freed the networks from political meddling. In the future, license fees will be set by an independent commission without representatives from politics or the network councils. ARD and ZDF will be able to submit their budget needs and will have the right of appeal as well. Previously they had no say in the set fee question.



Gottschalk: Talked his management into total disaster

by Jack Kindred — MUNICH

SPAIN

Broadcasters Play Dirty For Ad Revenue

Schedule changes are straining network and advertiser relations

Cut throat competition for audiences amongst Spain's television stations has reached almost self-destructive proportions. In a bid for the largest slice of the Pts200 billion (\$1.4 billion) advertising pie, public broadcaster Television Espanola (TVE) and commercial networks Antena 3 and Tele 5 are engaged in a fierce battle of counter-scheduling, making last minute changes to programming in an attempt to either lure viewers away from other channels or protect their own successes. In the process they have made advertisers furious. According to Jose Casals, president of the Spanish Association of Advertisers, last year 30% of programs were shifted at the eleventh hour, without the advertiser being warned. Casals said the association's members are likely to start demanding reimbursements. "It implies a change in the conditions of the contract and causes serious damage to the brand names... A large part of the advertisements broadcast lose their effect," he said.

A study of counter-scheduling in January by Media Planning revealed TVE's main channel kept 76.6% of programs listed unchanged. Antena 3 kept 78.3% as listed and Tele 5 65.2%.

"It's been over exaggerated," said Isabel Vasquez, director of marketing at TVE, but she admitted counter-scheduling was a worrying factor. "Its objective is to improve a channel's audiences or maintain its level when one has an advantage, though it can turn into a perverse phenomenon," she said. "TVE operates in this field in a defensive manner, since we believe counter-scheduling in the best of cases is a tactical tool to be used sparingly."



Tele 5: Schedule shifting to stem ratings drop

Ramon Pradera, head of programming at Antena 3, blamed the problem on the confused state of tv in Spain, referring to what the private broadcasters consider unfair competition for advertising from state-owned TVE. "It will be solved when all television companies play by the same rules. Meanwhile we have to use what weapons there are to reach the widest possible audience." Antena 3's dramatically improved audience share coincided with management and shareholder changes made in mid-1992, and has been one of the main factors in intensifying competition. In November 1992, it had only 17% of the audience, but by the end of 1993, this figure had risen to 26.6%, less than two points behind the leader TVE-1, and well ahead of its private competitor Tele 5, whose share has dropped from 20.8% in 1992 to the present 19.3%.

Relations between the two private stations were also aggravated when Antena 3 stole some of Tele 5's top stars.

by Justin Webster — BARCELONA

HUNGARY

Local TV Licenses Up For Grabs

Up to 80 new local stations may be launched in privatization plan

Hungary's ministry of culture has begun to grant private tv licenses, almost a year after the government first announced it would allow competition for state-owned Magyar Televisió (MTV) at a local level. The awards, which cover Budapest and 31 other cities, may eventually lead to the launch of up to 80 new stations serving over 600,000 viewers.

According to Balázs Molnár, head of the ministry's radio and tv department, the licenses are being issued for a period of six years and a "service fee" of Fts40,000 (\$385). Preference is being given to those who propose to show mostly locally-produced — as opposed to foreign satellite-delivered — programming.

Foreign ownership in the stations is limited to 49%, and several are understood to be backed by non-Hungarian interests. These are believed to include Central European Media Enterprises (CME), a subsidiary of the U.S.-Canadian investment company CEDC, which recently launched the Czech Republic's first national privately-owned terrestrial service, Nova, and is seeking licenses in a number of other territories, including Estonia and Slovenia.

In Budapest, where up to 10 licenses are being awarded for one microwave and three ter-

ANOTHER BLOW FOR STAR TV

Troubled Star TV has suffered another blow with the news it has abandoned intentions to legally force Hong Kong's Cable TV cable system to carry its proposed subscription channels. In a statement issued as TBI was going to press, Star TV announced it would not try to enforce the agreement in which Cable TV's owners Wharf Holdings promised to take its premium channels. In June 1993, Cable TV agreed to take the four subscription channels comprised of movies, children's programming, business and Asian news, in addition to Star's five existing free-to-air channels. The agreement began to fall apart in the run-up to Cable TV's October 31 launch, when Wharf announced its cable service would not be airing any of Star TV's services. Cable TV objected to what it saw as Star's insistence on being the sole provider of English-language channels. In January, it brought an action in Hong Kong's courts to test if the standing agreement was legally binding. The case was due to be heard soon. Star TV chief executive Gary Davey has strongly hinted he will announce his company's plans to introduce premium channels across its footprint in the Spring. However, Star has already abandoned production on the children's channel. With transponder space limited for at least the next 12 months, there is speculation he may have to drop one of the existing services. BBC World Service Television is currently odds-on favorite for the axe.

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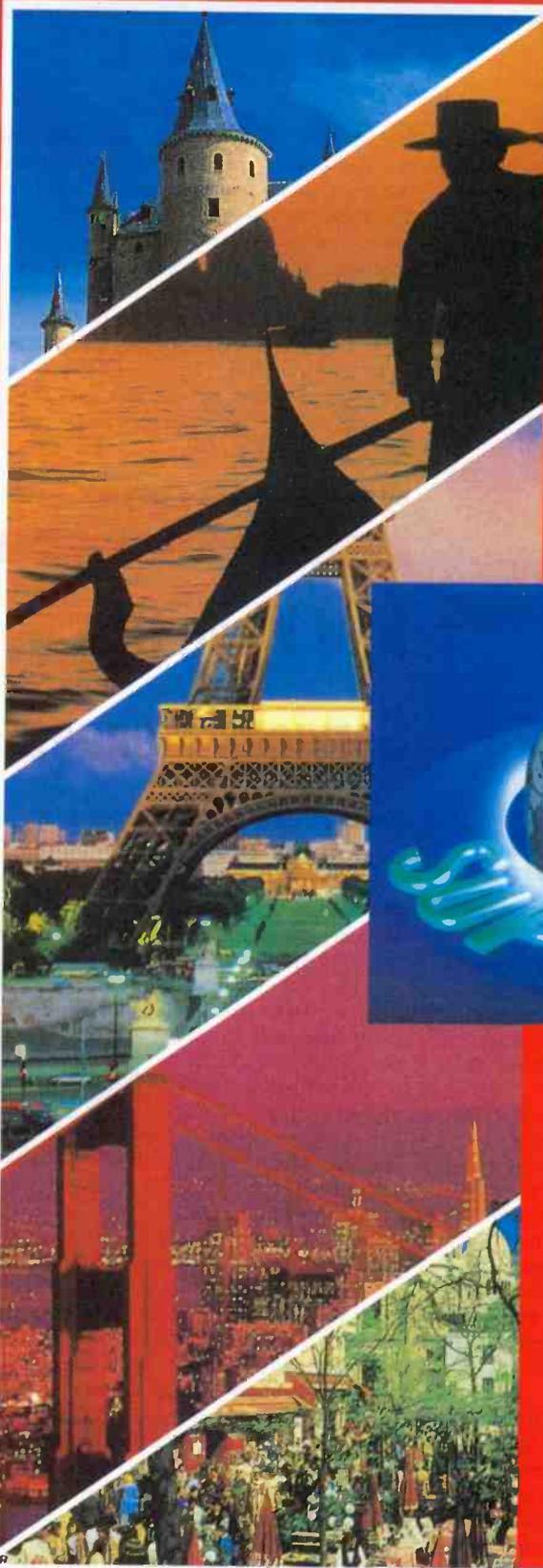
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KOREANS LIFT REGULATIONS

The import restrictions on foreign programming for South Korea's cable services will be eased, in a move set to be a boon for overseas suppliers. The new cable-tv law will raise the limit of foreign programming from 30% to 50%, although regulations will only be eased for sports, science and documentaries. Foreign ownership of local program suppliers will be limited to 15%. With tight restrictions imposed on the level of advertising allowed, Korean cable channels will be hard pressed to find domestic suppliers to fill airtime on the country's 20 cable channels, once the services are launched early in 1995. Currently the industry can easily fill airtime on the four nationwide broadcast channels, but the arrival of cable will mean a sharp rise in available airtime.

restrial frequencies, one of the winners is likely to be Hungarian-owned technical facilities company Movi Alfa TV. A member of a consortium which includes Antenna Hungária (formerly known as the Hungarian Broadcasting Company) and the Hungarian Motion Picture Company, it also plans to launch a satellite channel named Mosaika, aimed solely at central and east European countries later this year.

The awarding of a national, commercial terrestrial license, however, remains almost as distant now as when first mooted over four years ago. A media law paving the way for the launch of such a service has yet to be passed by the Hungarian parliament.

by Chris Dziadul — LONDON

CHINA

Broadcasting A Confused Message

China's crackdown on western tv influences appears discretionary

The Chinese government's decision to crack down on joint ventures with foreign companies has begun to affect the country's film and tv production industry. It also throws into question the expansion of satellite tv in the world's most populated country.

The move comes as political factions in Beijing begin to jockey for position as leader Deng Xiaoping's health continues to deteriorate. Hardliners concerned at the Communist Party's decline in influence are attempting to limit the influx of western ideas and media. The private ownership of satellite dishes has already been banned. Last December, a state-run newspaper attacked the popularity of Taiwanese and Hong Kong singers among China's youth, following a tightening up of the levying of taxes on concerts by overseas artists in the country.

However, the gap between official pronouncements and reality is a vast one. Surveys of viewing habits in parts of southern China able to pick up Hong Kong television show a marked preference for programs from the British Crown Colony over domestic output. At the same time, Star TV reported a 536% increase in homes able to watch its five channels, to more than 30 million. In addition, Australia TV, the international arm of the Australian Broadcasting Corporation, announced a joint venture with the Chinese to air its ABC programs on state-run networks.

An indication of the situation's schizophrenic nature occurred in early February when a Star TV team travelled to Beijing and Shanghai to tape

inserts for a Chinese Lunar New Year special. On the first leg of the tour, in the Chinese capital, the team were shunned by officials from Beijing TV, their supposed hosts, and offered no assistance nor the opportunity to stage a press conference, leading to constant delays in filming. However, the tv crew were never prevented from shooting sequences in the city, as if they were being tolerated but not encouraged. Moreover in Shanghai, the team were given a welcoming reception by the vice-mayor of the city, as well as full cooperation by Shanghai Oriental TV.

by Owen Hughes — HONG KONG

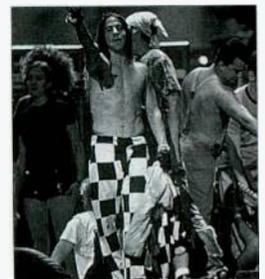
TAIWAN

New Wave Of Services Planned

Taiwanese companies are launching two new channels

Cash-rich Taiwan is emerging as a major player in Mandarin-language satellite tv services, following the announcement of two new ventures.

One Leader Communications began beaming its Chinese Satellite Music Television channel (CSMTV) off of the Palapa B2P



Competition for MTV

satellite at the beginning of the year. The service, which has been available to cable subscribers for almost two years, broadcasts Mandarin-language pop videos and Taiwanese entertainment to viewers across the Palapa footprint. CSMTV said its service differed from MTV, which, beamed via Star TV, has more foreign artists than Chinese, and the TVB Superstation (TVBS) which features Taiwanese variety shows and programs from Hong Kong and Japan.

Another Taiwanese company, Po Hsin Entertainment, plans to launch a mixture of entertainment, music and possibly news channels. With a population of 20 million and the largest currency reserves in the world, Taiwan is a potentially lucrative territory for television. Now its formerly notorious Channel 4 cable tv networks are in the process of being legitimized by the government, program providers will be far less concerned about the pirating of their product.

by Owen Hughes — HONG KONG

THE NETHERLANDS

Pubcasters Get A Ten-Year Reprieve

NOS broadcasters will cooperate in return for government support



The Dutch Parliament has finally reached a decision over the future of NOS, the umbrella organization of the Dutch public broadcasters, after a long and difficult struggle. The channels will be allowed to go on broadcasting with government support for the next ten years, on one main condition: They must cooperate as closely as possible. For most of the eight pubcasters, divided over the three NOS channels, the word cooperation sounds familiar. The Nederland 1 partners (AVRO, KRO and NCRV) are already working closely together. They left the traditional system of broadcasting their own shows on their own evenings long before the recent parliamentary decision was passed. Now they mix their schedules on a horizontal basis.

Second channel partners TROS and Veronica, who serve the broadest range of Dutch viewers, are having no problems working together. Since the beginning of the year, they have been co-producing a daily soap. However, evangelical EO has other plans. It wants to stick firmly to its Christian identity and has said it will not be forced into situations in which it would risk losing its identity. The only real example of cooperation is on the daily news program *2 Today*.

A similar situation threatens Nederland 3 and problems are expected when VPRO, VARA and NOS are forced together. VPRO considers VARA's programs to be of poor quality, while VARA executives describe VPRO's schedule as "still too unapproachable for a broad audience."

The reaction of new NOS chairman André van der Louw was, however, positive. "These changes in the Dutch media legislation will stimulate the public broadcasters to continue with the strengthening of the public broadcasting system," he said.

But at the same time there is a cold reality. Only strong and real cooperation between the broadcasters can save the unique Dutch public broadcasting system in the long term.

by Dick Versteeg — HILVERSUM

CYPRUS

Pay TV Will Extend Its Reach Nationwide

The expanding tv market is eating up available ad revenues

The Cypriot pay-tv channel Lumiere (LTV), which has until now only been available in the capital Nicosia, has announced plans to extend its coverage to the Famagusta region and towns of Limassol and Larnaca from the end of April.

Launched in mid-1993, the UHF-delivered service is owned by a group of local entrepreneurs and currently has about 1,300 subscribers. Its round-the-clock schedule, which includes three daily movies along with relays of MTV, CNN and BBC World Service TV, can be received on payment of C£98 (\$192) for a decoder, followed by a monthly subscription fee of C£8 (\$15).

According to Chris Economides, LTV's president, the extension in LTV's coverage marks the "second phase" in the channel's development and will be followed by a third and final stage, when it will become available in the south western town of Paphos, and therefore nationally, next year. The total investment in the service will then have reached C£4 million (\$7.7 million). Subscribers are expected to total 30,000 by 1997.

While this would effectively make LTV available in around 15% of Cypriot tv homes, for the foreseeable future the market is likely to remain very competitive. Broadcasters operating on the island include Cyprus Broadcasting Corporation (CyBC), Greek public broadcaster ET1 (which is relayed almost in its entirety) and a growing number of private broadcasters. The latter, which currently include the church-owned service O Logos and a Cypriot version of Greece's Antenna 1, will be joined by Mega Channel and a station owned by the Simerim publishing group later this year.

Most terrestrial broadcasters are likely to face considerable financial difficulties. Following a ruling by the Cypriot parliament in late 1993, the CyBC will see cuts in revenues from receiver license fees result in an overall fall in income from \$32.8 million in 1993 to \$25 million in the current year.

Increased competition will, said Chris Economides, also lead to a contraction in ad spend throughout the industry. This currently stands at between \$15.4 million and \$16.4 million, with the CyBC claiming around \$9.6 million, a level of spending that can realistically only sustain three national channels.

by Chris Dziadul — NICOSIA

DIRTY WAR OF WORDS

German national public network ARD has challenged commercial channel RTL's afternoon talk-show dominance with the launch of two pre-prime-time shows. Björn Hergen Schimpf made his debut February 28 with a call-in program running Mondays to Thursdays in the 2pm slot. Viewers consult Schimpf about their problems and basically... any subject goes. Immediately after, ex-protestant minister Jürgen Fliege hosts a similar hour-long production in which he discusses such overtly sexual topics as "my wife used to be a man" and "I'm a hooker!" Two years ago, managing director Helmut Thoma launched RTL's first no-holds-barred afternoon talkshow in a 4pm slot. Han Meiser's hour-long program permits the discussion of erstwhile taboo topics like sado-masochism and draws between 3.5 million and four million viewers, with a market share of 30%. Thoma also lined up Ilona Christen for similar show to fill the 3pm slot. Up to two million viewers tuned in.

LAUGHS ACROSS
THE WATER

U.S. independent producer Anglo-American Productions, headed by Larry O'Daly — creator of the Arts & Entertainment Network comedy series *An Evening At The Improv* and *Comedy On The Road* — is trying to bring its brand of television stand-up comedy to Europe. O'Daly, who claims to have introduced stand-up comedy to U.S. television, has already shot a pilot for a 22x60 minute series called *Live From The London Jamm* and is currently looking for a broadcaster to license it. Each episode will be hosted by a different celebrity to introduce five stand-up comics, two American and three British. The BBC, Central and Carlton Television have all expressed interest. According to O'Daly, when his company first began producing stand-up tv shows in 1980, there were only five comedy clubs and 100 working comics in the U.S.; now there are 450 clubs and 3,000 comics. To encourage development in the UK, Anglo-American Productions is funding the establishment of a live venue in conjunction with the show. Called the London Jam, the club will incorporate a bar, restaurant, theater and small-scale tv studio that can be leased out.

UNITED STATES

Dialling For Dollars Going Global

The market for infomercials is extending beyond the U.S.

In the U.S., the subject of infomercials still sets off twitters, tirades and allegations of tackiness. But like them or not, infomercials are proving to be big business. Domestically, they net almost a billion dollars a year. According to the National Infomercial Marketing Association (NIMA), nine out of 10 U.S. broadcasters air them; they have even begun to infiltrate primetime.

Infomercials are also beginning to spread — some might say like a disease — around the world. One of the largest U.S. infomercial companies working overseas is Regal Communications. The Pennsylvania-based company, which opened an office in London just over two years ago, holds rights to the Joan Rivers product line, the Incredible Sweater Machine, Lasting Kiss lipstick and Cuisine Wok, among others. 1992 revenues were \$127 million, though only \$2 million was earned overseas. Richard Whinfrey, managing director of Regal's London office, said although overseas revenue is low, Regal doubled international earnings from 1992 to 1993.

Revenue growth may seem promising, but advertising and home-shopping restrictions in Europe hardly beckon would-be infomercial producer-distributors. The EC's Television Without Frontiers directive limits per-hour advertising time and per-day direct response programming. Individual country regulations add to the confusion. In France, for instance, rules also restrict the use of brand names, day and daypart scheduling and program time per week.

First Class Marketing president Jeff Glickman, whose overseas business for companies like Phillips, Elizabeth Arden and Sears is primarily focused in France and Belgium, expects EC regulations will change because consumers clearly want access to infomercials.

Even if EC restrictions are relaxed, however, it won't alleviate all the current logistical difficulties. Multiple currencies pose problems U.S. infomercial marketers don't encounter back home, and direct-response programming requires a technological infrastructure that doesn't as yet exist worldwide. "The telephone infrastructure can pose a problem in lesser developed countries," said Roger Deutsch, vice president at Williams Television Time.

And then of course, snobbery is a barrier. Deep down, Europeans are no more comfortable with program-length commercials than Ameri-

cans. In fact, less so. Helene Blake, NIMA's executive director, observed while "advertising has been king" in the U.S. for many years, Europe is more conservative. But like most things, snobbery has its price. Blake said European broadcasters, like their U.S. counterparts, have begun to see infomercials as a tremendous revenue source.

Producers argue infomercial programming and the products sold are of better quality than in the snake-oil days a decade ago. The industry has earned a certain legitimacy as blue chip companies like Apple, American Airlines and Bell Atlantic have begun to use them. Barry Diller's investment in QVC didn't hurt either.

Generally speaking, little if any customizing of show formats has been done for local audiences. "We make very little adaptation for cultural presentation reasons," said Regal's Whinfrey. Where necessary, Regal Shop re-records a program, edits in local price information, and, in some markets like the UK, edits out material prohibited by law, such as testimonials by doctors.

Now, however, Williams Television Time plans to begin customizing formats. The company's first original local production is expected to be for Microcrisp food wrap in Spain.

by Barbara Bliss Osborn — LOS ANGELES

FRANCE

Rousselet Politi-culled

Rousselet quits. Lescure picks up the ball. But will he run?

French regulators know how to make an impact. The new law raising the amount a shareholder can hold in a terrestrial broadcaster from 25% to 49% was expected to usher in a host of corporate manoeuvring, led by the Bouygues group. Instead its first effect was to bring about the resignation of France's best known tv entrepreneur, Canal Plus president André Rousselet.

Until now the Canal Plus founder ran the company almost as if he owned it — maintaining a balance between the two main shareholders, Havas and Générale des Eaux (each with less than 25%). The new rule inevitably meant someone would make a bid for control. Mid February, Havas president Pierre Dautzier visited Canal Plus to tell Rousselet he had signed a pact with Guy Dejouany of Générale. With the bank Société Générale, they would own more than 48% of Canal Plus, and control it. This agreement would be submitted to the Havas board, of which Rousselet was a member, the following day.

Rousselet cried "treason" and threw Dauzier out of his office, screaming he would oppose the pact. The next day held further surprises for Rousselet. France Télécom, previously Canal Plus's arch rival on every issue from the launch of cable and satellite channels to encryption standards and D2-Mac, was introduced and approved by the board as a shareholder of Havas. Despite Rousselet's opposition on all counts, he was out voted by the majority of the board. He announced his resignation and walked out.

On his announcement of his resignation, he said these decisions went against the interests of Canal Plus and he was proposing Pierre Lescure, his general manager, as his replacement.

It is probable the government deliberately postponed any wholesale renewal of the Canal Plus franchise as long as Rousselet, who is seen by the right as "l'ami du Président" (Mitterrand's closest friend), was in charge. Although last December an agreement had been reached on the terms for relicensing the broadcaster, the government had kept on finding reasons to delay the signing of a draft agreement.

But for Canal Plus, the departure of Rousselet raises questions. Will Lescure move as fast as Rousselet did in developing the group? The answer appears to be yes. Following negotiations that began last year, Canal Plus and German giant Bertelsmann have just announced plans for the development of joint projects in Europe in the areas of pay-per-view, video-on-demand and other services. A joint company is to be created before next summer.

by Serge Siritzky — PARIS

JAPAN

Authorities Jump To Defend Hi-Vision

Reports of the demise of Japan's HDTV system are premature

Has the mighty Japanese electronics industry really suffered a blow to its prestige over the death of Hi-Vision, or has the demise of its analog HDTV system been exaggerated? On February 22, the Nikkei Shimbun reported Akimasa Egawa, director general of the Ministry of Posts and Telecommunication's Broadcasting Administration Bureau, had called for the replacement of Hi-Vision with a digital standard during a background briefing to a parliamentary committee.

Japan's broadcasters and electronics companies, with billions of yen invested in Hi-Vision over nearly three decades of development, united in howling down Egawa. The day after the

remarks appeared in the Nikkei Shimbun, Electronics Industries Association of Japan chairman Tadahiro Sekimoto said, "Even if a new (HDTV) broadcast service is launched in the future, the continuation of the Hi-Vision system is the intention of the government and NHK." NHK seconded that emotion: "Mr Egawa's remarks, which imply a review of the Muse (Hi-Vision) system, hinder the progress of Hi-Vision promotion, spoil the efforts hitherto made by the concerned parties, run counter to audience expectation and are thus very regrettable."

At a hastily called press conference, Egawa retracted his earlier remarks, saying the ministry would continue to support Hi-Vision. He also assured networks that HDTV broadcasts using the analog Muse transmission standard would be continued after the launch of the first next-generation BS-3 satellite.

Egawa is hardly a voice crying in the digital wilderness; an MPT-appointed panel reporting to Egawa prepared an interim report calling for the digitalization of the nation's broadcasting system. The report, submitted in March, says multimedia services will "benefit Japanese citizens because the nation will have a more sophisticated infrastructure." Even NHK, which has a large stake in Hi-Vision, realizes digital tv's time will come.

But NHK, commercial broadcasters and electronics manufacturers, are reluctant to kill the Hi-Vision goose just as it appears ready to lay some kind of egg. In the past two years, HDTV receiver prices have dropped to the edge of consumer affordability. The cheapest HDTV set, a 28-inch model made by Sharp, can now be purchased for ¥650,000 (\$6,250). Also, NHK and its commercial colleagues are producing more and more appealing HDTV programs. By 1997, when a new HDTV channel begins broadcasting a full schedule of programming, the price of sets will have dropped below ¥500,000 (\$4,807).

Broadcasters and manufacturers are thus upset by comments suggesting they forget the whole thing and turn to a digital broadcasting technology that, as NHK president Mikio Kawaguchi noted during the press conference, "has not been completed yet. There are many problems to solve before digital HDTV broadcasts will be realized."

by Mark Schilling — TOKYO



Kawaguchi: HDTV broadcasts have problems to solve

To ordinary people, that is, to the vast majority of humankind, television may seem to be a simple means of entertainment and information. These poor stupid folks ignore the fact that to a minority of entrepreneurs and politicians, tv can be a means to get rich, and, respectively, a sure fire way of self-styling and spin control.

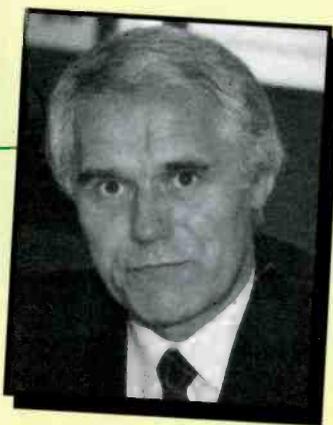
Clever politicians make use of television by getting their faces on the screen as often as possible. The less deft variety even seeks and has found recourse in hindering entrepreneurs from attaining their commercial goals. It is to this species that we are indebted for the technical term "regulation."

In marketing their product, the regulators are at least as inventive as the tv people they attempt to hinder. Their handbook of euphemistic vocabulary reads like a dictionary of political correctness. A typical phrase is "guarding the plurality of opinion." The fascinating point is that the guardian business has been booming to the same extent as the plurality of tv channels has increased. Ten years ago, when most European tv channels were in the grip of public and state monopolies, nobody appeared to have cared about plurality of opinion.

Regulatory activities rest upon the premise that television differs principally from other instruments of diversion and instruction like newspapers, magazines and books. Asked why that is so, a German provincial politician answered: because tv gets into the house unasked.

This presumed difference of tv over other goods and services also accounts for the notion the electronic medium cannot be dealt with by normal antitrust laws. Unfortunately for German regulators, real life is not without whims. For one, there are the Brussels bureaucrats who regard television not as a carrier of culture and propaganda, but as a product which should be no more restricted – at least in the realm of antitrust – than transnational banking or the intra-European transport business. Thus, as far as antitrust action is concerned, the European Commission can only intervene in cases where one tv company or a joint venture of two or more surpasses revenues of 5 billion ECUs (about \$6 bil-

Regulatory Blackmail



BY WILFRIED AHRENS

lion), and then only if more than a third of the revenues accrue from activities outside the companies' native countries. That net is so wide it has yet to snare even the biggest of media concentrators, Silvio Berlusconi.

EC law has one consolation for the regulators: National legislation may be, and in most cases is, more restrictive. But there again, real life looms. The digital future with its hundreds of channels and services, transmitted via satellite irrespective of borders and barriers, once and for all spells doom for the political blackmail potential in having the power to allot terrestrial frequencies.

In Germany, there are no less than 15 such regulatory authorities faced with digital annihilation. For the past several months, they have desperately tried to flex their waning regulatory muscle. Their main target is the Kirch Group.

Owner Leo Kirch, it is argued, has an illegal controlling influence in Pro 7, in which Kirch's son, Thomas Kirch, holds a 49.5% interest. There is no proof that the father has anything to do with the channel. To the contrary, Pro 7 unveiled all possible relevant business details to reassure the authorities. Yet all the authorities, with the exception of one, are convinced there is a case simply because Thomas is the son of Leo.

The intention is to either force Thomas Kirch to reduce his Pro 7 holding to less than 25% or have the father diminish his majority in Sat1. As things stand, the case will end up in court.

The Pro 7 case is a demonstration of the fact media regulation can be and is misused for political purposes. Leo Kirch is a friend of conservative Chancellor Helmut Kohl and thus is deemed an enemy of the Social Democrats, who are the main opposition party in Bonn but rule the majority of the Bundeslander (states), which in turn install and control the regulatory authorities.

While the German regulators are haggling over shareholding percentages, the people in charge of the business are forging the tools with which to tackle the future. At the end of February, Kirch, Bertelsmann and German Telekom announced they intend to form a joint venture. The company, Media Service GmbH, funded with an initial DM 200 million (\$115 million), will be active in the administration and servicing of digital programs and services.

This new venture, as well as the Telekom alliance with Astra operator SES in Luxembourg, testifies to the fact the digital era will surpass anything conventional regulators might dream up on a national scale.

Communications, including digital television and radio, will be the most dynamic, if not the only, growth industry in Europe. This development should be furthered not strangled by regulation, or the European communications train will be pulled by American engines. **TBI**

The fascinating point is that the guardian business has been booming to the same extent as the plurality of tv channels has increased



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REUTERS

TELEVISION

DIRECT FROM THE SOURCE

Major Men

Holland has delivered a big studio onto the European scene. What John de Mol and Joop van den Ende created when they merged their two companies is just now becoming clear.

Nick Bell profiles Endemol Entertainment

In Studio 24, two major stars rehearse a scene for a show that will be recorded in front of a live audience the next day. Even though the studio has permanent seating for an audience of 500, many disappointed fans still won't get seats, and when the show is transmitted, it will top the ratings for that week.

In the adjacent and equally cavernous Studio 22 stands the glitzy set for a gameshow. Giant gold coins piled high on either side of the stage emphasize the big prize money that is on offer; contestants will compete for a \$50,000 purse and incidental prizes like Italian sports cars. The set will be kept up for five days so that two shows can be shot back-to-back, one for domestic and





another for German television, underlining how cost effective the production process is around the complex.

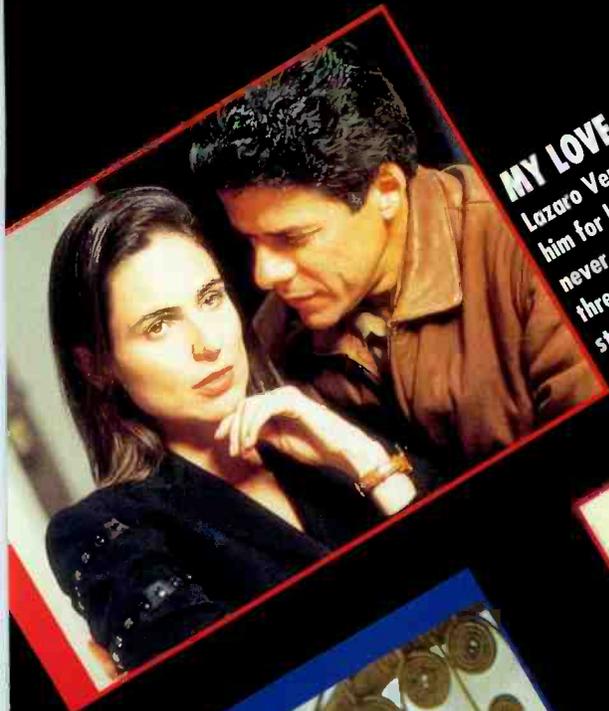
On this particular day, two other smaller studios are also in use. Each is customized for two new sitcoms which the producers confidently expect will run and run. All the studios are linked by walkways and underground corridors to an administrative building, where executives in their offices keep one eye on the progress of the productions via television monitors. The whole place hums with a purposeful efficiency. This is a factory, the nearest thing possible to production-line manufacturing of television programs. And it is not even half of the story.

Another of the company's production complexes, this one 20 miles to the west, is located on what used to be the site of a flower market. The entrance-way leads into a spacious foyer with a huge palm tree in the center and poster-sized pictures of stars lining the walls. Beyond are seven television studios – the largest 20,000 square feet – churning out a constant stream of gameshows, soaps and dramas. Outside the sprawling building is a signpost like the one that used to appear in the old series *M.A.S.H.*, the one that showed the distances to Tokyo, Hong Kong and all the characters' home towns in the U.S. This one, given to one of the company's founders as a birthday present by a grateful host, points north, south, east and west to all the company's other offices, most of which are abroad.

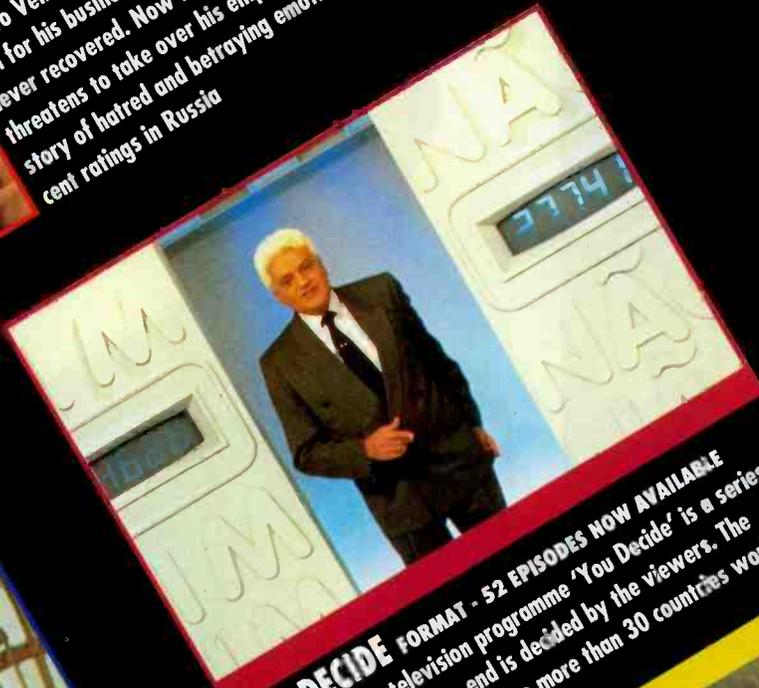
This must be Hollywood. No other country in the world could support this level of activity from an independent producer. And if it isn't a major's studio complex in L.A., then you guess it's gameshow empire King World or tv mini-major Spelling Entertainment you're touring.

Baaaaap goes the buzzer from one of Endemol Entertainment's gameshows. Wrong answer. Endemol is not an American company, and has yet to make a program for U.S. television. No, Endemol is the \$300 million company that was created by the merger of Dutch production outfits JE Entertainment and John de Mol Productions at the end of last year. The studios, the shows, the administrative headquarters, even the palm tree and the sign, those are all Endemol's and they're all found in The Netherlands.

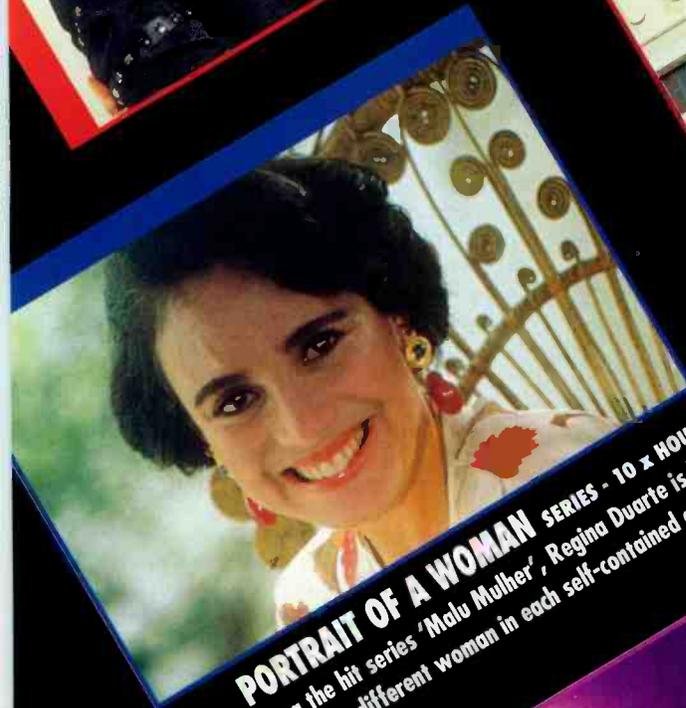
How much programming is now churned out by the sprawling empire? Co-owner John de Mol can't even quote a precise figure, saying it will add up to



MY LOVE MY TORMENT 120 x HOURS
Lazaro Venturini adored his wife, but she left him for his business partner. His wounded heart never recovered. Now the sinful couple's son threatens to take over his empire. A gripping story of hatred and betraying emotions. 30 per cent ratings in Russia



YOU DECIDE FORMAT - 52 EPISODES NOW AVAILABLE
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PORTRAIT OF A WOMAN SERIES - 10 x HOURS
Following the hit series 'Malu Mulher', Regina Duarte is back playing a different woman in each self-contained episode



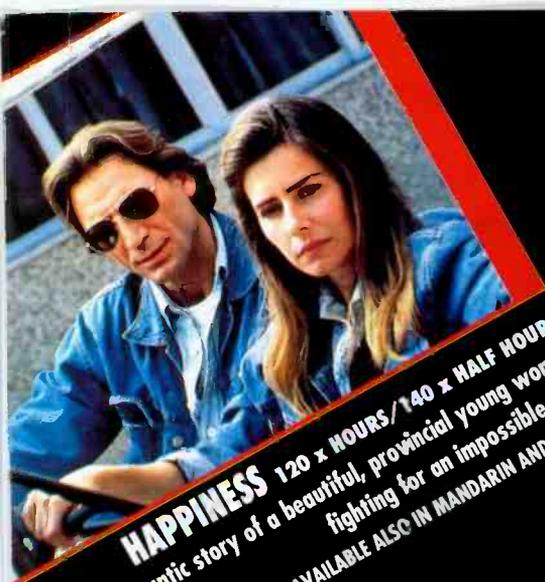
TV MOVIES 8 x HOURS
A collection of eight TV Movies, mostly based on famous works of Brazilian literature



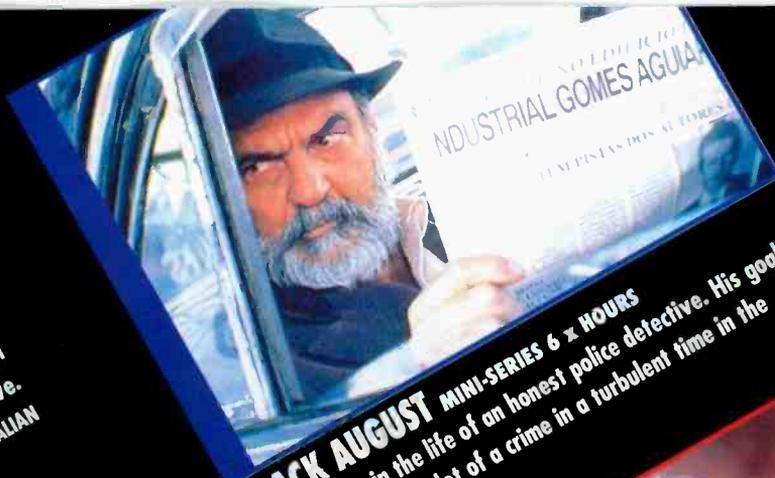
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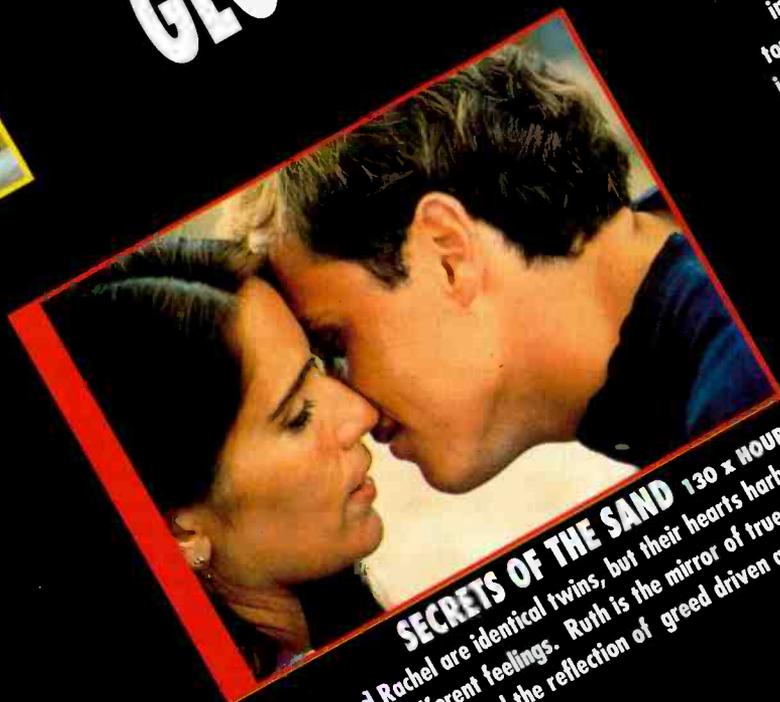


BLACK AUGUST MINI-SERIES 6 x HOURS
 Two women in the life of an honest police detective. His goal is to uncover the plot of a crime in a turbulent time in the politics of the country

THE TASTE OF SUCCESS HAS THE GLOBO FLAVOUR



GOLDEN DREAM
 TELENOVELA - IN PRODUCTION
 This is the tender story of an abandoned little girl who goes in search of her destiny. This touching story is beautifully set in Curitiba in the South of Brazil



SECRETS OF THE SAND 130 x HOURS
 Ruth and Rachel are identical twins, but their hearts harbour entirely different feelings. Ruth is the mirror of true love; Rachel the reflection of greed driven ambition



LITTLE MISSY
 168 x THREE QUARTER HOURS
 19th century Brazil. The story of a young girl's struggle to free the slaves on her father's plantation. She falls in love with another abolitionist, but her father opposes the match.
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The Honeymoon Quiz (Greece): JE and de Mol have both learned and taught new television languages across Europe

a few thousand hours this year, and that, in turn, will add up to a highly profitable business.

Endemol is unique; what it has achieved has never been done before. It is Europe's largest independent producer, yet it is based in one of the continent's smallest countries. In this industry, a company's ambitions have always been imprisoned within the cage of its domestic market.

The Netherlands has a population of only 15 million and a television industry that in total pulls in only a fifth of the advertising revenues of the major U.S. networks. Yet this year, Endemol is on course to exceed \$150 million in foreign sales, a figure that is probably more than double the combined foreign sales of the UK's ITV companies, which benefit from the high quality production funded by \$2.4 billion in network advertising revenues. To add further perspective, Endemol's overseas sales are just behind those of Televisa, the \$1.5 billion Mexican tv giant, which has foreign program sales of about \$185 million.

Endemol does things differently. Whereas the rest of the industry simply exports programs originally commissioned for the domestic market, the Dutch company makes shows for foreign markets. Shows produced for German television are made in German with

German actors, participants and live audiences. The Dutch were pioneers in formatting, and much of Endemol's success today has been built on its ability to source program concepts from one country and then, after some tweaking, turn them into shows for another.

Both JE Entertainment and John de Mol Productions were advocates of that strategy long before the merger. The combination of the two companies has simply created a commercially-minded independent powerhouse ready, willing and able to make shows for anybody, anywhere.

Both operations' complexes are based outside Amsterdam: JE at its own purpose-built seven-studio complex in Aalsmeer and John de Mol at Mediapark in Hilversum, where the Dutch public broadcasters have their offices and facilities.

Joop van den Ende founded JE Entertainment 25 years ago as a special events organizer and theater production company. Those businesses are still operating within the newly formed group, with JE's Studio Seven regularly used for corporate parties and events like car launches. A production of Andrew Lloyd-Webber's *Phantom of the Opera* is currently showing at VSB Cicustheater in Schevingen on the Dutch coast. The theater, built in 1903, was

bought by JE and given an extensive and impressive refurbishment last year. Last November, JE embarked on its first venture on the other side of the Atlantic when it opened *Cyrano the Musical* on Broadway. The show has so far stumbled, with audience attendance hovering just above 50%, and casting changes already being made.

From theater to television was a logical step for JE, and in the early 1980s van den Ende started producing for the Dutch public networks, quickly becoming the largest independent in the country. The company also moved into artist management with JE Artist, serving actors, directors and writers.

As with other independents in the highly regulated European broadcast environment, van den Ende's ambitions in television were blocked by the limited number of outlets for his product. In 1989, he attempted to address the problem by launching the first private commercial channel in Holland, TV10: Station of the Stars. The plan backfired when the government refused him a license, and moreover, he incurred the wrath of his major clients, the Dutch public broadcasters.

As JE suffered, John de Mol Productions benefited. "Because of TV10, we were able to close the gap on JE with roughly the same number of shows and

the same market shares," said de Mol. Slipping in to fill the void, de Mol started producing shows like *Medical Center West*, one of the biggest drama successes on public television. (It finally finished its run this year on its 100th show.) De Mol had set up his company in 1979 at the age of 23, after working as the youngest director in the history of pubcaster TROS, and the company got its first break in 1984 when the newly launched Sky Channel, precursor to BSkyB in the UK, signed the company to provide daily shows like *Euro Chart Top 50*.

But JE did not suffer for long after the TV10 disaster. While he couldn't make private broadcasting work in Holland, Compagnie Luxembourgeoise de Telediffusion (CLT) found the loophole. The Luxembourg-based broadcaster sidestepped Dutch regulations by broadcasting its RTL-4 from Luxembourg and into Holland's 5.2 million cable homes, eventually reaching nearly 90% of households.

Van den Ende, whose proud claim is that he has "the ability to recognize average taste," wasted no time in hitching himself to the CLT wagon. De Mol did likewise. It took less than 18 months for the channel to break even, capturing a 27% viewing share and 50% of the tv advertising market. That success fed back to the two producers.

The first gameshow formats to be developed and produced for RTL-4 by JE included *The Honeymoon Quiz*, played by newlywed contestants and presented by Ron Brondsterder, and *The Miniplayback Show*. A joint venture was formed with Grundy International to produce a Dutch version of Grundy's daily soap *The Restless Years*, re-named *Good Times, Bad Times*. De Mol productions for RTL-4 included *All You Need Is Love* and *Love Letters*.

Both companies actively bought up the Dutch format rights to programs from around the world, partly because there wasn't enough writing talent to create original scripts at home. The focus was on gameshows, which are less culturally specific than drama, but sitcoms and soaps also provided re-formatting fodder. Britain, to date, has provided the richest stream with shows such as *The Bill* and *Casualty*.

At the time of their merger in December, JE and de Mol were each supplying about 20 productions to RTL-4, its sister channel RTL-5 and the three Dutch public networks. The productions covered the full spectrum of family entertainment programming, from staple gameshows

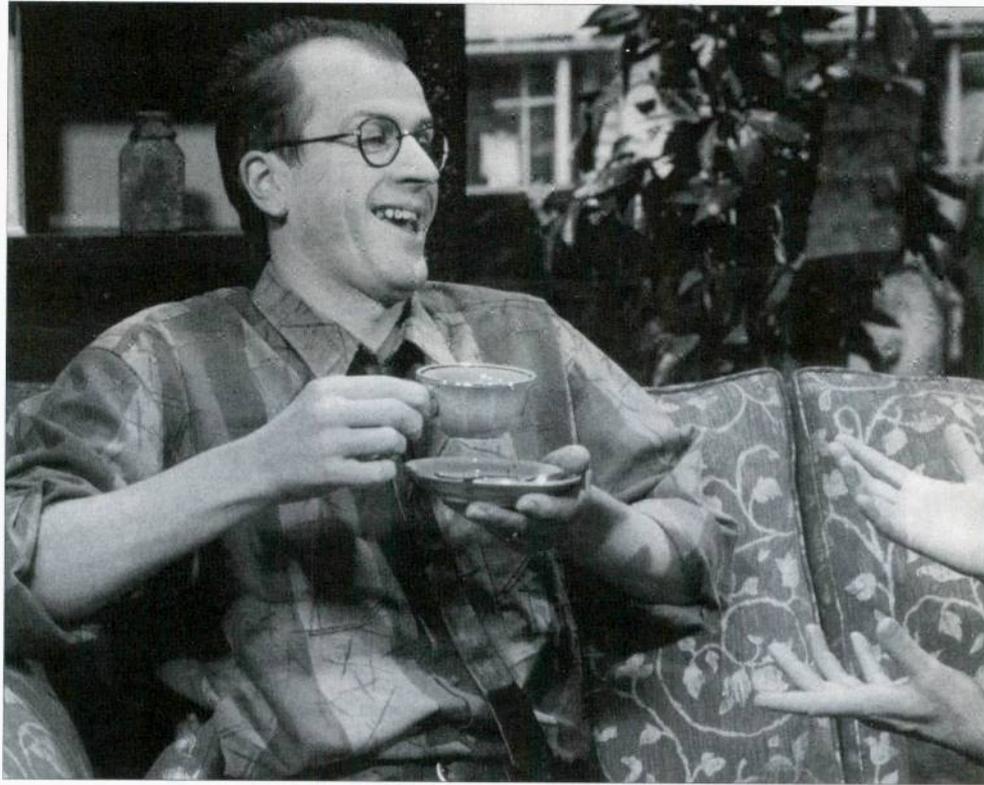
and soaps to drama series.

The international expansion of both companies began in earnest in 1991 and at the behest of CLT. CLT's executives, delighted with the enormous contribution the two companies were making to the success of RTL-4 (together they were providing about 80% of primetime programming), were keen to replicate the relationship in Germany, where their company was a leading shareholder in RTL, the largest commercial channel on the continent with revenues approaching DM2 billion (\$1.1 billion).

JE Entertainment Productions (JEEP) was established in Cologne, with JE owning 76% and German tv personality

show. A candid camera pre-records the reaction of the unsuspecting partner, with the question being popped in extraordinary situations like during the freefall of a parachute jump. Fronted by de Mol's sister Linda, who had already won a big following in Holland, the show began airing on RTL in 1991 to audiences of between seven and 10 million. Recently renewed on a five-year contract, *Love Letters* has since been reformatted for the Swedish, Greek and Belgian markets.

The success of the two German subsidiaries – they supply 60% of RTL's primetime viewing – proved that it is possible for producers to cross borders



In The Vlaamsche Pot: Format fanaticism has extended beyond the gameshows

Rudi Carral the rest. The basic formula of re-formatting its Dutch shows for the German market worked extremely well, with *The Honeymoon Quiz* regularly pulling in 11 million viewers. JEEP also began supplying the other German networks, with the *Soundmix Show*, a show where contestants impersonated famous singers, regularly winning up to 13 million viewers on public broadcaster WDR.

John de Mol first tapped into the German market with *Love Letters*, where the couple to get engaged in the most original way would then be married on the

despite the linguistic and cultural diversity of Europe. And for de Mol and JE it meant that they were superbly placed to ride the wave of deregulation and boom in satellite broadcasting that was sweeping through Europe. Since 1989, JE's revenues have tripled from \$34 million to \$104 million and de Mol's have quadrupled from \$18 million to \$75 million.

The merger should allow Endemol to fully exploit the international opportunities that will be the primary impetus for future growth, with international accounting for about 75% of revenues within the next few years, up from 51%

Endemol's Top Formats And Programs

Formats developed in-house by JE or de Mol

The Honeymoon Quiz

A gameshow in which newlywed couples compete. Family members and wedding guests are asked to help out.

Countries: UK's ITV/26 episodes (*Bob's Your Uncle*); Italy/13 episodes (*Luna Di Miele*); Germany's ZDF/24 episodes (*Fliterabend*), Spain's Forta/TV3/13 episodes (*Luna Di Miel*).

The format has also been sold to Greece and ready-made programs to Beijing TV.

The Soundmix Show

Air guitar gone mad. Contestants compete by impersonating famous singers and stars.

Countries: UK/18 episodes (*Stars In Their Eyes*); Portugal's SIC/26 episodes; Germany's RTL/30 episodes; Belgium's VTM/24 episodes; Australia/18 episodes.

Love Letters

Three couples who got engaged in very weird, odd or original ways compete for the big prize: their wedding held on tv. Sold in Germany (RTL), Sweden, Greece and Belgium.

All You Need Is Love

The show's host tries to reconcile broken relationships – not always successfully.

Format sold in Germany (RTL), Sweden, Spain, Portugal and Italy.

Medical Centre West

This hospital drama ran and ran on Dutch tv. It ended this year after 100 episodes. German version broadcast on WDR as *Staat Klinik*.

Formats acquired

Gameshows: *Surprise, Surprise* from LWT (UK); *Love at First Sight* from Action Time (UK).

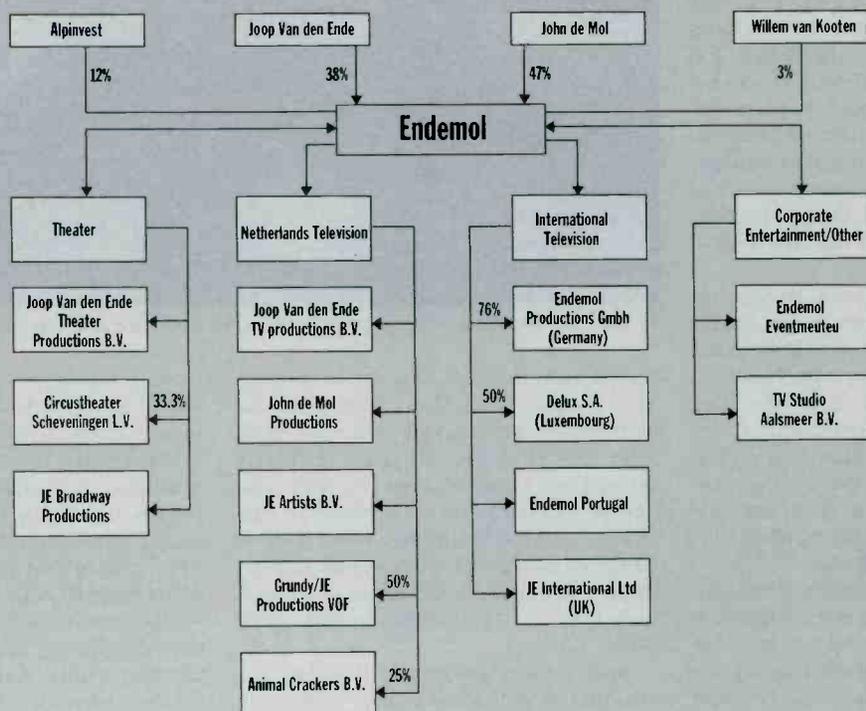
Dramas: *The Bill* from Thames (UK); *Casualty* from the BBC (UK).

Sitcoms: *The Two Of Us* from LWT (UK); *Who's The Boss* from Columbia Tristar (U.S.); *Married ...with Children* from Columbia Tristar (U.S.); *Mary Tyler Moore Show* from MTM (U.S.).

Soaps: *Ryan's Hope* (U.S.); *The Restless Years* from Grundy (Australia).

Reality: *Rescue 911* from CBS (U.S.).

Endemol Corporate Structure



last year. "Both of our companies had already accomplished significant international business but our ambitions go way beyond Dutch borders," said de Mol. "In the past, whenever we were out visiting clients abroad we ran into each other. Now we can properly coordinate that side of the business together."

Originally de Mol and van den Ende wanted to form a joint venture outside Holland, but the legal and fiscal issues favored a full-blown merger. The two companies will continue to compete as creative centers for programming in the Dutch market. De Mol believes that will preserve each company's own style, while enhancing the product that is offered to international clients.

Endemol's home base may be a small country, but de Mol thinks Holland makes a great market to work from. "Holland is the best test market in Europe, and since 90% of formats can be changed for local markets, this means we have a tried and tested product to sell to other countries. The record industry knows this and they have traditionally released new acts and records over here," he explained. "The Dutch have a general European taste. We speak foreign languages and easily adjust to foreign influences. We are also liberal, so we often lead the rest of Europe in what is acceptable." There is nothing particularly unusual, for example, about a gay couple appearing on a Dutch dating game, and Endemol now thinks the Germans are ready for it.

Continued de Mol, "Our combined creative output, experience and know-how gives us a serious production company that is able to fill practically every serious demand on programming. We now have the resources to open offices in foreign territories where we didn't have before."

As a result of the merger, the two German subsidiaries are merging, and a studio has been opened in Portugal to deliver on a big contract with the commercial channel SIC. Negotiations are ongoing with RTP in Portugal and TVE in Spain. Next stop is an office for Spain by May, followed by Scandinavia and Belgium.

Setting up a European network of

production companies with indigenous producers and talent opens up the exciting possibility of cross-border fertilization. Initially the aim is to supply broadcasters with suitably re-formatted programming, but the subsidiaries will be encouraged to become creative centers and produce their own home-grown shows. "The first day a really good format that can be used in other territories comes from Spain or Portugal, we'll be

Setting up a European network of production companies with indigenous producers and talent opens up the possibility of cross-border fertilization for re-formatted programming

sending champagne to them for the rest of the year," promised de Mol.

As for other countries in Europe, de Mol is not sure about France and Italy. About eight formats in Endemol's library have been sold in Italy, including *Love Letters*, *All You Need Is Love* and *The Honeymoon Quiz*, but only two smaller formats in France. The UK is being investigated, although that too is recognized as a difficult market for sales. "The only reason to produce English product is to support international expansion," said de Mol. "If we did enter the market, we'd do it through a takeover or, more likely, a joint venture."

The U.S. is the major priority over the longer term. The company had its first format go to pilot for a major network last month, with *Love Letters* scoring a 1.2% share, higher than the average for the time slot, even though it was facing stiff competition from ice skater Dan Jansen's race in the Olympic 500 meters. "In one or two years time, we'd make a very interesting partner for one of the big American players," de Mol added.

Endemol executives remain confident that they have developed expertise in cross-border production that puts them "quite far ahead of the potential competition." De Mol also believes Endemol's brand of low-cost, high-rating programming will be in great demand as the multichannel environment spreads throughout the world. "Every commercial channel is going to need gameshows," he said. 

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Who Are Those Guys?

Nine Hollywood production companies redefined going independent five years ago when they banded together to set up their own distribution company. Can other producers use ACI as a model? Rich Zahradnik reports

Leonard Hill and Jon Avnet met for lunch to talk about a mutual problem. It was 1984. Hill had recently completed three network movies but had yet to sell their off-network and international rights. Avnet, in partnership with Steve Tisch, also had three titles, including the widely acclaimed *The Burning Bed* with Farrah Fawcett, up for sale. Both veteran producers had been burned in the past by distributors who forked over cash for rights and then didn't do the job well — if at all.

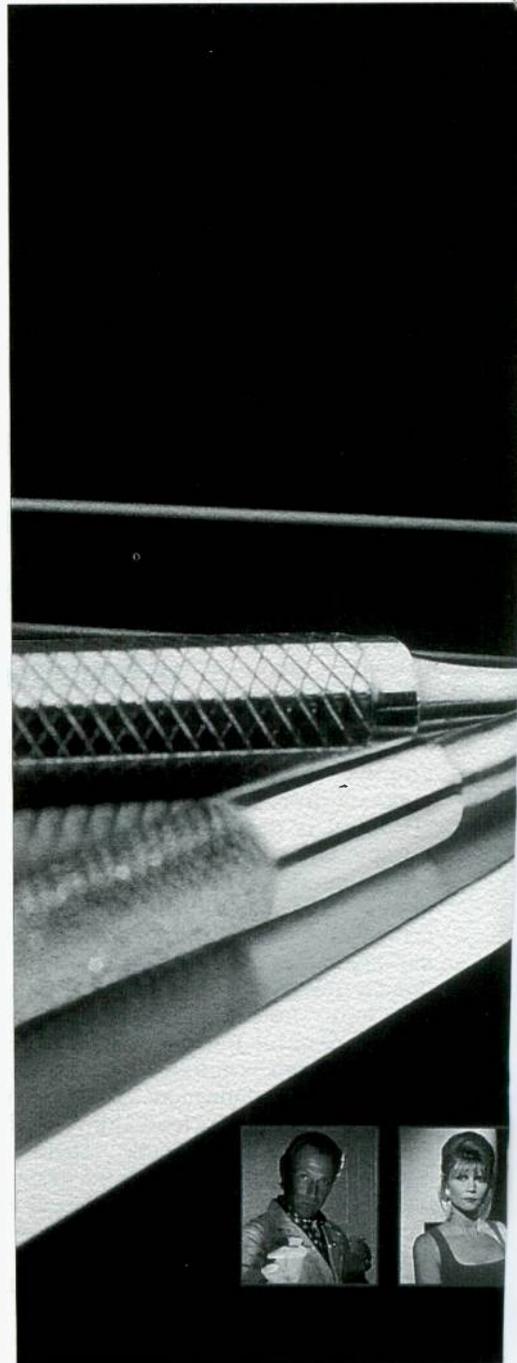
The two producers were determined to make a break, to wean themselves off the quick-fix of cash for long-term rights. "At the end of the day, what right do we have to complain about the inefficiency of the people to whom we sell the distribution rights to?" asked Hill. "If we really believe in ourselves as independent filmmakers, we should, in addi-

tion to taking on the risk of production, also take on the risk of distribution."

The two men left the lunch agreed they'd find some new way of handling their distribution. But the lawyers got in the way and a plan couldn't be put together. Avnet sold his rights to Fries Entertainment and Hill did a deal with King Features. Both were quick to regret their decisions. "Boy, we were jerks," said Hill, describing their reaction at the time. "We were deluded by the mirage of money offered to Avnet by Fries and to myself by King Features." In the case of Avnet, Fries declared bankruptcy in 1991 and, added Hill, Avnet and Tisch lost out on much of what they should have seen from *The Burning Bed*.

Those were the last piecemeal distribution deals for either man. "We were steeled in our determination to pursue the dream because the first time we had abandoned it," said Hill. "We were determined to lash ourselves to the mythical mast of independence and not be misled to crash off the shores of cash."

The next meeting was in 1985, when Hill hosted a virtual summit of Hollywood's top tv movies producers around his dining room table. Tisch, Avnet, Jordan Kerner, Robert Greenwald and Frank von Zerneck, among others, sat down and agreed to form what would become ACI, a worldwide distribution company to handle all of their companies' tv movies. The members of the group, which represented about 20% of



Appointment For A Killing: ACI's producers waited before they struck in the distribution business

all tv movie production in Hollywood, had selected themselves, aided by the expertise Hill had gained from working five years as vp, movies for television, at ABC Entertainment.

ACI wasn't actually up and running until 1989, primarily because of the founding partners' determination to capitalize ACI themselves. In a deft maneuver, they banded together to make one

move into domestic syndication. When the two-year foreign deal finished, sales had been so strong that King Features (now Hearst Entertainment) was desperate to renew. But the partners refused, determined to set up their dream company.

In 1991, top Walt Disney executive James Bennett joined as president-CEO of ACI – allowing Hill, who still serves as ACI chairman, to step down as volunteer CEO – and in 1992, ex-Yorkshire Television Enterprises CEO Brian Harris was hired to establish the London office as managing director of ACI International. At its fifth anniversary, ACI is a fully integrated distributor owned and

operated by nine tv production companies – The Avnet/Kerner Company, Robert Greenwald Productions, Hill-Fields Entertainment, Jaffe/Braunstein Films, The Konigsberg/Sanitsky Company, Spectacor Films, The Steve Tisch Company, von Zerneck•Sertner Films and Steve White Productions.

ACI operates in international distribution from the London office, selling a collection of 100 telefilms worldwide via 14 output deals and title-by-title sales. The company's year-old U.S. syndication operation recently added off-network and first-run series distribution to its bread-and-butter role of selling packages of ACI movies to U.S. tv stations.

"The one reason we became independent producers was the belief that greater risk required greater reward, that security was antithetical to accomplishment in our business," said Hill. "We have now expanded to become a fully diversified international distribution entity that services the international market in all its forms and the domestic market in all its forms."

In the bargain, ACI has become a company where the ethic of the owners pervades down to the staff. "Everybody here knows they work for the producers," said Bennett, producers who didn't like the distribution company excesses they'd witnessed. "They saw behavior in distributors that didn't match their own lifestyles. They were looking for a more straightforward approach to distribution."

The ACI way is both simple and straightforward. The nine partners are required to supply all their network

movies to ACI for international and off-network domestic distribution. The producers receive the revenues earned by each title, less a distribution fee, which goes to cover costs and the partners' continuing investment in the company. Retained earnings, for example, financed the start-up of the domestic sales arm, which now includes offices in New York, Chicago and Orlando, as well as staff in the Los Angeles headquarters.

The partners have yet to take dividends out of the company, which doubled sales in 1993.

The biggest challenge for ACI is continuing to match product that is produced for the demanding U.S. networks with the

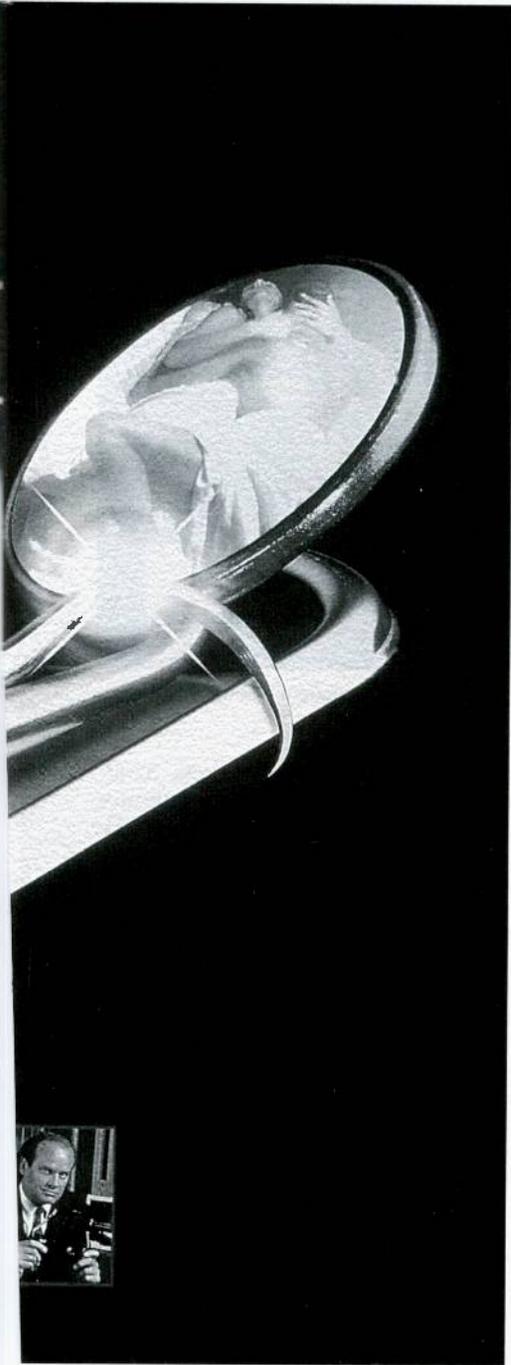
needs of buyers all over the world. Those needs are changing and some complaints are being voiced. Marcus Plantin, ITV network director, recently complained U.S. tv movies weren't working in the UK anymore, citing a spate of bio-pics that failed in the ratings.

Agreed Harris, "There's no doubt that in some territories – and the UK may be one of those – there's been a certain amount of reappraisal as to the suitability of tv movies." That said, ACI maintains an overall output deal in the UK with BSkyB for first, third and fifth plays on all its films. The second and fourth windows can then be sold to the BBC or Channel 4, he said, "neither of whom are desperately concerned about Sky at the present time. ITV is a different kettle of fish, in that one minute they see (Sky as) a major competitor and another minute they're not really worried."

In France and Italy, the picture brightens. TF1 has added two new movie slots in the last year to replace variety shows that had stopped working in the market. The network also plans to play more miniseries. Tv movies are also doing well in Italy, though there's been some recent concern about violence. In many territories, the U.S. tv movie trades on the cache of being a "Hollywood film," with Hollywood stars and Hollywood locales, shot on 35mm film. Networks can play them in the same slots they play theatricals and the average viewer is none the wiser.

But beyond the generic strength of U.S. telefilms, the process that produces them is hardly biased in favor of interna-

The biggest challenge for ACI is continuing to match product that is produced for the demanding U.S. networks with the needs of buyers all over the world



last outside deal to raise the cash they needed. Distributors were interviewed and King Features was chosen to handle a two-year package of titles from all the partners, with the funds raised by the sale of the international rights to be used to finance ACI. From the beginning, they held back domestic rights so that in four years time, when the U.S. network licenses expired, they could

tional markets. Each production company partnered in ACI has a single priority at the beginning of every day: to get buyers at the U.S. networks to greenlight their projects. Those buyers, heads of movies at ABC, NBC, CBS and Fox, don't care about the international impact of a star, or how a script will play in Germany. The network buyer wants a strong film for a certain night during the season. That may be a straight-from-the-tabloids serial killing, a social-malady-of-the-week, or one of four different Olympic-ice-skater-overcomes-attack films.

As head of the international sales effort, Brian Harris has no problem handling true crime stories in the international market, including stories that did not get much press play overseas. He just turns the true crime into fictional crime, as he did with a movie – one of three produced in the U.S. – on the so-called Long Island Lolita case, a suburban scandal where a teenage girl tried to murder the wife of the man she was having an affair with. ACI changed the title from *The Amy Fisher Story* to *Lethal Lolita*, pitching it to international buyers as a thrilling story of love gone bad. "Where you've got something that is a true crime story, as long as it is produced with a thriller element, you will almost certainly *not* treat it on the international market as a true story," explained Harris.

What worries him more than true crime are the social-issue films the American networks are keen to commission.

"If you have wife beating in Cincinnati, rest assured the Germans have it in Berlin, the British have it in Birmingham and the French have it in Paris," said Harris. "You have to be looking at things that have a slightly broader appeal. If you asked me, what do you want, true crime or social issues, there's only one answer. I'll have the crime every day. You can shift 'em."

Leonard Hill agreed: "When you have three Amy Fishers, it hurts. I think when you have four Tonya Hardings, you've got a problem because of over supply." But he remains convinced his Hill-Fields Entertainment can make movies that take into account the foreign market without weakening their American appeal. To do so, he focuses on talent. For example, in the film *I Can Make You Love Me: The Stalking of Laura Black*, Hill – "with a little begging, pleading, arm twisting and other producerly indignities" – convinced CBS to okay Brooke Shields for the female lead. Hill knew



Seeds Of Deception: Ignoring "the mirage of money" offered by international distributors, ACI partners went alone

Shields would be great casting for both the domestic audience and the international sale. On a project for NBC, the network was pushing the stars of two network series, but Hill was able to sign and hold on to Anthony Perkins and Rosanna Arquette, both clear winners with international audiences.

Larry Sanitsky of ACI partner The Konigsberg/Sanitsky Company agreed big stars are important and insisted they need to be married to strong stories. "You can do any story or any subject in any way," he said. "If you do stories in ways that are emotionally true with basic human values and issues, then it tends to be universal." On the other hand, a more superficial approach produces the kind of U.S. tv movie that doesn't play outside America. He cited *The Yarn Princess*, a film that could have been issue-of-the-week, all about the government trying to take away a woman's children. Konigsberg/Sanitsky made it universal by instead focusing on the theme of what makes a good mother, rather than banging away about *the issue*.

Sanitsky and partner Frank Konigsberg have followed the international market since their days at Telepictures, when Michael J. Solomon would introduce them to buyers so they could find out just what the market wanted. Sanitsky continues to take soundings around the world, calling on Harris in London to tell him how one star or another

might work in overseas markets. Sanitsky's own commitment to ACI indicates how the partners feel about the company. Konigsberg/Sanitsky could have taken their series *Angel Falls* to any distributor – partners are only required to channel their long-form projects through ACI – but chose to give it to ACI, even shooting extra material so an ending could be created and the episodes sold as a miniseries. "We brought it to ACI because I thought it was important to ACI."

"What's surprising is how well (the partners) get along in the same American marketplace," he continued. "We're going after the same thing. We're absolutely competitive with each other. It's one of those things that we don't really talk about. I'll be aware that we're bidding on the same book as one or two members of ACI are. But we don't talk about it."

The ACI partners, with that kind of competitive cooperation, may have created a model for producers in other countries who want to catch hold of their destinies. "Filmed entertainment will become more and more popular," said Hill. "Technology will build the tribal fire brighter and brighter. What it will require is efficient, practically-run operations. Again and again, what the ACI producing group has shown is that – putting their own money at risk – they can tell good stories that attract audiences in a highly efficient way." **TE**

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MTV – it means music television. The digital revolution and a new hard-ball approach by the world's five major record companies could change that definition. Sarah Walker looks at how MTV is preparing for the coming battle



Groups like En Vogue have kept MTV in vogue and, to date, unchallenged in the marketplace

Make War, Not Music

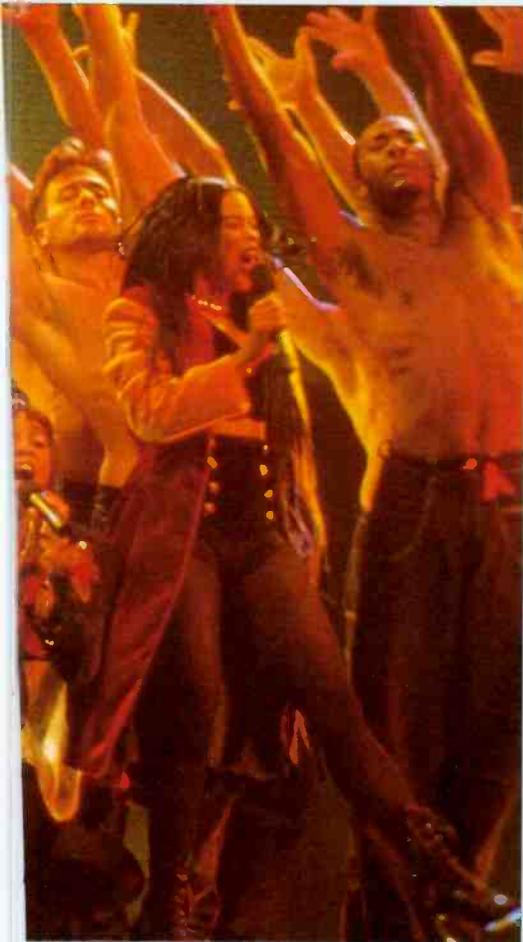
1994 may well go down in television history as the year the music war began. Until now, the genre with perhaps the greatest ability to reach the desirable youth and baby-boomer markets has been dominated by one company and one brand, MTV.

MTV's several different networks, including MTV Europe, MTV Asia and MTV Latin America, are seen in over 260 million homes worldwide. And soon MTV will launch targeted versions of itself, each programmed with a different genre of music and each aimed at a key demographic group.

MTV Networks, owned by Viacom International, has faced competition in the past. MTV Europe, available in 60

million homes across 32 countries, has had to reckon with Video Music in Italy, MCM Euromusique in France and Viva in Germany. In the U.S., channels like Country Music Television (CMT), Black Entertainment Network (BET), MOR Music TV and Video Jukebox have tackled various niches.

But despite this, MTV hasn't really faced a significant challenge to its dominance in the music video field. Not yet, at least. Two factors will change all this. First, digital compression will bring with it a whole host of new services. Offering a multitude of programming possibilities and dedicated audiences to match,



music is the obvious area for a niche-driven explosion. Soon you will be able to tune into channels catering to every conceivable musical taste.

Second, and of more immediate concern, the world's five largest record companies, MTV's chief programming suppliers, have decided they want a piece of the music tv game. Bertelsmann Music Group (BMG) is teaming up with Tele-Communications Inc. (TCI) to launch what is described as an interactive home-shopping channel. The BMG-TCI alliance has since been overshadowed by another venture backed by a partnership of EMI Music, PolyGram Holdings, Sony Software, Warner Music and Ticketmaster Corp. Few details are available on the new channel, other than it will operate as a 24-hour basic service initially in the U.S. The launch of both record company-backed channels is expected to come by the end of 1994.

MTV Networks chairman Tom Freston has already dubbed the four-record-company project the "cartel channel" — the companies control at least 80% of the world music market — and

it's easy to see why the proposed channel, of all the new entrants, might cause executives at MTV the most concern. It will take several years and several hundreds of millions of dollars to build an audience on a par with MTV, but there is the possibility such a channel could withhold product or restrict access to stars for the production of concert shows like *MTV Unplugged*.

"If the (record company) channel doesn't have some sort of exclusivity, then why would audiences bother watching it?" asked Betsy Frank, senior vice president at Saatchi and Saatchi Advertising in New York.

But if Freston views this as a serious possibility, then he isn't letting on, down playing the channel's power over product while still hinting at legal remedies that might be available to MTV. In a worst case scenario, he believes artists would intervene in favor of MTV. "If you are REM and had just spent 18 months touring an album, only to find your videos are only going to get exposure in, say, five million homes, then you aren't going to be happy," he said.

More to the point, though, he is far from convinced the channel will actually see the light of day. "It is a long haul from a press release to having a service up and running," he said. "The channel faces problems of ownership, structure and distribution. There is a legal precedent in the States that means if any cartel is seen to be dictating prices, policy and distribution, then there are grounds for action."

David Burns at media investment bankers Communications Equity Associates said both new channels need to have distribution into at least 20 million cable homes before they can start to crack the advertising market. With carriage scarce in these pre-digital days and rates at a premium, no channel is guaranteed distribution even if it does have an alliance with a cable operator. Freston said in his experience neither the cartel's alliance with Warner Cable, through Warner Music, nor BMG's link-up with TCI guarantees anything.

"We own Comedy Central with Home Box Office (part of Time Warner),

but that hasn't given us automatic access to 50% of their (cable) systems," he explained. "I learnt that a long time ago... channel capacity may not be there and even if it is, the final decisions can be down to local operators who may prefer to go with another service."

According to Frank, for the new channels to have the best chance of getting distribution, each needs to find a unique selling point to attract subscribers and encourage advertisers to move dollars from MTV.

In 1993, MTV took in more than \$171 million in ad revenues. The channel has in recent years moved into programming formats other than music video to consolidate its position and hold on to audience. "Three-minute videos are conducive to channel surfing," said Burns. "Some 30-minute programs are needed to hold the attention of viewers."

According to Freston, MTV will remain 80% music-based but, through its production arm, will develop other properties like features and series. "Music television is a hard business," said Freston. "MTV can potentially make more money out of its other productions... These days we have more money and muscle with which to develop new revenue streams." Viacom's recent acquisition of Paramount Communications can only add to these strengths.

Just how MTV's new competitors intend to differentiate themselves isn't as yet clear. The labels are keeping specifics of their plan firmly under wraps, while BMG-TCI's ideas seem, at best, wide ranging.

BMG Ventures senior vice president Thomas McPortland stressed the network will be general entertainment with a home-shopping component, but will be highly focussed in

terms of genre and content. "We will have a national service, but unlike MTV we will be highly reactive to regional developments by providing regional feeds through local production centers that will closely follow trends and tailor content accordingly," said McPortland. "For example, if we had been launching a few years ago, we would have had a big push on grunge in the northwest area." Although the regional feeds will

The world's five largest record companies, MTV's chief programming suppliers, have decided they want a piece of the music television game and are positioning themselves to take it

cost, McPortland said rewards will come from greater appeal to advertisers and record companies. "We will be able to promote artists coming to a region by broadcasting interviews, reviews and selling records, tickets and merchandise," he said.

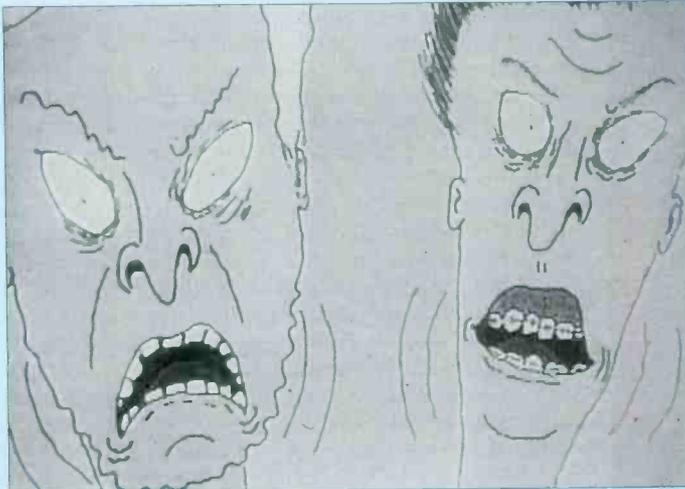
McPortland said BMG-TCI has already lined up a "strong" partner in the home-shopping area. However, BMG and TCI will not have the music merchandising area to themselves. The four other record companies and their concert-ticket selling partner Ticketmaster may

also make interactive retailing of concert tickets, CDs and other entertainment merchandise part of their programming, though, again, details on what exactly the record companies plan are scarce. MOR Music TV – the 24-hour, Florida-based video channel – already sells videos, CDs, cassettes and other merchandise to its eight million viewers, and MTV will begin testing home shopping on MTV, VH-1 and Nick at Nite in April as a precursor to launching a stand-alone, home-shopping service dubbed MTV Express.

Though home shopping is a \$3 billion dollar business in the U.S. and MTV is taking the plunge, Freston isn't convinced music home-shopping will be that lucrative, especially if channel starts providing some form of service.

The real focus of MTV's diversification effort is its plan for niche services covering different types of music. A Spanish-language service is already in operation, and Freston said the network is looking at launching two additional genre-driven channels, one could be playing guitar rock, the other offering a combination of pop, R&B and Hip-Hop.

MOR Music also proposes to take advantage of the channel explosion. According to president-CEO Ron Harris, MOR will launch another six services by digitally compressing their signals and feeding them through one transponder on the Galaxy 5 satellite. The planned channels: Classic Rock, Classic Country, Spanish Music, Gospel Music, Aerobics Channel and the Concert Channel. The last, said Harris, will broadcast recorded concerts and one live event a week at a cost to subscribers of around \$2 per month. The concerts will be filmed by MOR with a budget of \$30,000 a concert. To avoid competition with the pay-

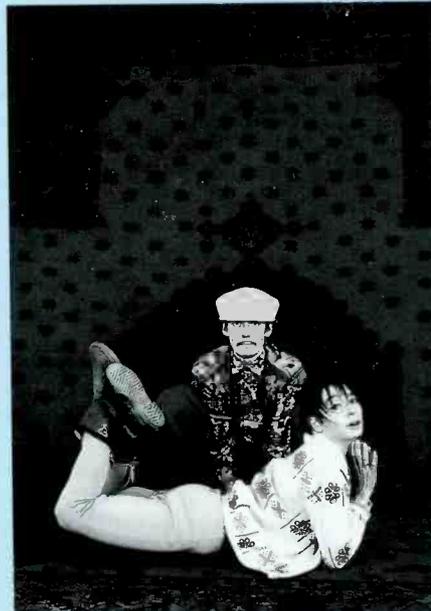


Beavis and Butthead: Expanding the brand

per-view market, Harris said the channel won't be looking to film mega-stars, rather bands that are popular with older audiences but haven't had much recent tv exposure.

While the music war in the U.S. is shifting from phoney to shooting, turf battles are also starting elsewhere. The MTV Asia service, currently broadcasting via Star TV to 30 countries will, said Freston, most likely be split by language.

The U.S. is the second front for the major record companies and their plans to take on MTV; the same consortium is already a majority shareholder in the recently launched German music channel Viva. The 24-hour service, broadcasting via Eutelsat, expects to reach 90% cable distribution by the end of the year and gain a 0.5% viewing share, compared with MTV's 6%. Targeting a 14-29 year old audience, the channel, with an annual budget of \$20.5 million, intends to concentrate on German artists. But observers are skeptical. Few German videos are made and critics remember the fate of Tele 5, which couldn't make it on a similar diet. (Another proposed channel called Com-TV, aimed at a 35-55 year old German audience, has had its Eutelsat launch delayed until



Les Rita Mitsouko: French feel for MCM

later this year.) Nonetheless, Viva could be used as the blueprint for the music industry consortium to launch other regional variations.

BMG's McPortland confirmed there are plans to bring the BMG-TCI channel overseas in 1995, with particular areas of interest being the UK and Asia. MOR Music is also looking for strategic alliances to set up a European venture and is in discussions with an unnamed satellite distributor and record label. Harris said the UK is the prime market, followed by Scandinavia and Spain.

In addition to Viva, a hodgepodge of music services already operate in Europe. And digital compression may be longer in coming than in the U.S., limiting distribution opportunities for the new entrants.

Italy has the terrestrially-transmitted Video Music broadcasting videos, concerts and youth-orientated magazine programs to 70% of the country. About 30% of Video Music's schedule is devoted to Italian music; the channel produces around 40 to 50 live concerts a year at a cost of approximately \$29,600 per show.

France is currently served by the 24-hour French language music channel MCM Euromusique.

Broadcasting via the TDF-1 and Telecom 2A satellites, MCM can be seen by 15 million viewers in France and several other European countries. Another consortium, backed by the French record company association (SNEP) and Canadian entrepreneur Moses Znaimer, has been lobbying the French government for a license to launch a dedicated

music service using a spare terrestrial frequency for the Paris region. The channel, with an initial operating budget of \$10.3 million, would eventually be offered via satellite to other areas of the

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Another Country

CMT is king of country, but down home is getting a mite competitive

The U.S. is a big exporter of music, but one genre it hasn't as yet managed to extensively sell to the rest of the world happens to be one of its biggest sellers domestically. The international market may have been slow to catch on to the potential of country music, but the U.S. cable tv market certainly hasn't.

The grand daddy of them all is the 24-hour cable channel Country Music Television (CMT). Owned by Gaylord Entertainment and Group W Satellite Communications, CMT launched in 1983 with little more than 20 videos to play. Now it is distributed to over 33.8 million households worldwide – 24.4 million of those in the U.S. and 1.5 million in Canada – and record companies provide videos in the hundreds and thousands.

In 1992, a 24-hour version was launched to cabled homes in Europe, followed by a 16-hour service targeted at the UK as part of BSkyB's multichannel package. Despite its fledgling status, CMT has reported viewership figures in Europe of eight million, way ahead of the channel's original projection of one million.

According to Hal Willis, CMT's vice president and general manager, the next step is to launch the service in Latin America and the Pacific Rim. Programming-wise, there are also going to be some changes. The channel schedules only videos, aside from two specials, the *Canadian Country Music Awards* and *The TNN Music City News Country Awards*, but Willis is looking to program concerts and documentaries in the future.

In the U.S., CMT claims to have seen a 44% increase in viewership over the past year. However, more services are fighting for a slice of that homemade country pie. Country music is already a focus of TNN: The Nashville Network, which has the same owners as CMT, and Nostalgia Television spin-off Americana TV. Due to launch later this year is MOR Music TV's Classic Country service.

The Road is not quite a network, but it is certainly more than a show. Tribune Entertainment is producing the super-event in conjunction with High Five Productions. The concept, which will be ready for the 1994-95 season, will take several forms, including a 22x60 minute weekly primetime syndicated tv series, a companion radio program, pay-per-view events and multimedia spin-offs. In addition, a number of state-of-the-art performance clubs where shows can be produced will be established around the country. Shot entirely on film, each episode will profile three artists and will include concert material as well as backstage, tour bus and life-on-the-road perspectives.

According to High Five's Martin Fisher, Tribune, which is putting up \$30 million to fund the project, is in for the long haul: It doesn't envisage making a profit on the venture for two or three years. "It is the biggest commitment ever on a national basis. And the first time one funding source has committed upfront to producing such a series," he said.

country. According to SNEP general manager Bertrand Delcros, the network, based on Zlaimer's Canadian service MuchMusic, would show videos plus features on fashion and sports.

Despite the growth of national services in Europe, MTV Europe has seen year-on-year advertising growth since its launch. Tim Jones, media director at Zenith Media Worldwide, said it is unlikely new pan-European music services would be able to grow the market any more. "I could understand advertisers wanting a regional alternative," he said. "Companies can probably think of more national media budgets in strong markets such as Germany, the Netherlands and Scandinavia. But another pan-European service would just be competing head to head with MTV."

Having taken transponders on the Eutelsat and Thor satellites in addition to Astra, MTV Europe now has strong coverage in Scandinavia, eastern territories and Israel.

And while its U.S. sister service is looking to genre-based niche networks, the geography and culture of Europe make niche services split by region or demographic group more of a priority

for MTV Europe. According to MTV Europe chief executive Bill Roedy, plans to launch a UK version of middle-of-the-road network VH-1 later this year will mark the first demographic-driven channel. Aimed at an older audience, VH-1 will be encrypted as part of the BSkyB multichannel package, but Roedy said eventually it could be rolled out in a culturally-specific form, or alternatively, to all of Europe in one form. For the German market, MTV Europe is already providing

a separate service for advertisers and plans are afoot to provide more. "In terms of other feeds, we will probably compress the Eutelsat transponder, then we will have the option to provide the same service in other countries," said Roedy. "With Eutelsat, when you compress you get four (channels) with one straight away." Of MTV Europe's 200 advertising clients, about 85% are pan-European and the remaining 15% national.

MTV Europe could effectively start providing a German service via Eutelsat, though any such service is likely to be German in language but not German in musical content. The idea behind MTV Europe is to only promote indigenous artists with a wide audience. "We could change our programming over night in Germany, but all our research shows our audience prefers the whole as opposed to the parts," said Roedy. "For this reason, my conviction is the mainstream MTV Europe service will continue to be the strongest and most consistent."

Roedy's conviction will be tested as the world's biggest record companies bring their own services to his side of the world. 



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Playing For (Scarce) Time



PBS is featuring stars like BB King

Music programming may be the latest genre to witness an explosion in niche cable services, but for broadcasters caught up in ratings wars and a recession, it presents an old dilemma. Music shows deliver low ratings for comparably high costs, and the narrowness of their appeal compared with fiction or variety leave channels no choice but to run the shows in afternoon or late-night slots.

The pay-tv networks grab the big concerts, and MTV and its imitators inundate viewers with video clips. Sarah Walker reports major broadcasters are left with little choice but to be very choosy when they call the tune

Music shows around the world fall into three categories: in-house produced video shows like ITV's *The Chart Show* or Denmark's *The List*, magazines incorporating music as part of the overall mix like *Hey Hey It's Saturday* from the Nine Network in Australia, and acquired concerts and rockumentaries.

For its spotty ratings performance, music programming still costs: \$29,600 to \$44,400 for a 30-minute magazine up to \$1.5 million for an hour-long concert or full-length opera. Trends over the last few years indicate buyers are becoming more choosy — many now look for big event shows that can be broadcast live and deliver higher than average audiences, and so cover their costs.

"When we first started selling music in the 1980s, broadcasters were willing to buy a lot more from lesser-known artists," said Dominic Saville of UK-

based distributor Screen Ventures. "Now broadcasters are looking for more; they want a celebrity show as opposed to just a concert." Currently top of Screen Ventures priorities is *Woodstock - The 25th Anniversary Celebration*, a \$3 million, three-hour extravaganza about the legendary music festival. The show, produced by Gravity in association with Warner Bros. Television, will feature festival footage and interviews with today's top musicians and is being pitched as a big-budget, quality event broadcasters will be able to promote in the run-up to summer.

At TV2 in Denmark, entertainment editor/producer Mads Dirckinck-Holmfeld said even concerts featuring big international stars have dropped off. "Recently we broadcast Cliff Richard in concert at 11pm on a Friday night," he explained. "It got an 18 market share. We broadcast Seal at 11.45pm on a Wednesday night - it got a 16 share. And a recent Natalie Cole concert only got an 11 share... The exception is if the artist is Danish, then we can get a market share as high as 52." His eyes on those big numbers, Dirckinck-Holmfeld is putting together a rock gala evening that will feature 20 top Danish artists.

David Chambers, head of sales at Screen Ventures, said the increased importance of the domestic artist is a trend that has developed over the past four or five years.

Luxembourg-based satellite broadcaster RTL-5, which has taken over most of the youth-orientated programming from sister Dutch network RTL-4, features as many Dutch artists as possible in its magazine program *Music Scene*.

However, Paul Brinks, head of entertainment at Dutch public broadcaster Veronica, is downbeat about all music tv in the Benelux region, whether local act or international superstar. He blames the decline on MTV Europe. "With 90% cable penetration in Holland, kids can watch music television whenever they want," he said. "They don't have to sit down for 30 minutes at 7.30pm on a



Naked City: Formed part of the youth strand for UK's Channel 4

particular night." To illustrate the point, Brinks said Veronica used to broadcast a clips show called *Countdown*. In its prime, the program garnered an audience share of 45, but when it stopped broadcasting last year it was only getting between 8% and 10% of the audience.

Brinks said music magazines create a particular problem because they try to do too much. "Kids between the ages of 13 and 17 are generally into one thing. At the moment, it is 99% House music. They don't want to see a show featuring 10% rock, 10% hip-hop and 10% MOR." Veronica is already planning a magazine-style show that will be pure, unadulterated House.

Competition from niche-orientated channels hasn't proved to be all bad for all broadcasters, though.

TVNZ has, on occasions, jointly purchased programming with music tv sta-

tions that serve the cities of Auckland and Christchurch. And MTV, ironically enough, is fast becoming an important supplier of programming for terrestrial broadcasters, providing both single shows and syndicated, re-packaged blocks. MTV Europe recently developed a magazine for TF1 called *There Are No Lizards* and is currently looking for co-production partners throughout Europe. Discussions are already underway for two shows with the UK's Channel 4.

In Germany, the launch of all-music channel Viva caused an increase rather than a reduction in music programming at the terrestrial broadcasters. ARD and regional station WDR both scheduled music video shows, while ZDF plans to air a two-hour video show.

One of the biggest providers of music programming in Germany is Premiere. A pay-tv network, the station doesn't concern itself with ratings, and as such, music programming makes up about 30% of the schedule. Entertainment head Guido Thomsen said music at Premiere is split into three categories: magazines, live concert specials featuring mega-stars like Madonna and pop history specials that incorporate concert footage with archive material. On the magazine front, Premiere produces a 30-minute weekly show called *The Fourth Dimension*. With a budget of \$35,000

per episode, the show airs on Saturdays at 7:15pm and re-runs on Sundays at 1pm. Aimed at 15-25 year olds, it is broadcast unscrambled in order to introduce younger viewers to the channel.

Acquiring the pay-tv rights to a live show isn't expensive, said Thomsen, though costs shoot up when Premiere seeks to produce its own concert in conjunction with a broadcaster like ZDF, which will contribute to the budget in return for a second window. In that instance, the production budget cannot always be offset by international sales. "It is almost impossible to film a major star in concert and get all the international rights," said Thomsen.

Gaining full rights to a star's performance and the fees record companies charge for the use of video clips are twin problems faced by all broadcasters, problems that may even be keeping

some acts off the air.

France 2's variety show *Taratata*, which airs Friday evenings, focuses on a major French or international artist each week and incorporates a great deal of live music. According to France Television Distribution commercial director Herve Michel, the show is of no value on the international market because the record companies insist on retaining the rights to the stars' performances.

Last year, Channel 4 in Britain scheduled seven music shows as part of its youth strand, including the series *Naked City*, *Hypnosis* and *Extreme Asia*. But head of youth Bill Hillary warned the record companies' policy of charging for videos can make shows prohibitively expensive, especially as the charge is the same for all acts, whether successful or up-and-coming. "I would like to make a show that is a showcase for new acts," he said, "but because I know it would never get brilliant ratings, the cost of paying for the video clips would push the budget too high."

Laurence AuPetit, head of music at French broadcaster M6, has to fork out in the region of Fr40 million (\$6.8 million) a year in record company payments, equal to the amount she spends on the actual production of music shows. For AuPetit it can't be helped, since M6's remit stipulates the broadcaster devote 30% of its schedule to music shows, by far the largest commitment to music of all the French broadcasters. During the morning, afternoon and late night, M6 carries video clips as well as a number of in-house produced magazines, including the Saturday morning show *Dance Machine*, *Saex'o*, *Fraquanca* and *Metal Express*, a Sunday evening hard rock show.

The BBC is the other major European broadcaster required by its charter to maintain a commitment to music programming. The pubcaster has its own music department headed by Avril MacRory, though other departments can also commission and produce music. The youth department has a 30-minute weekly music show called *D-Energy* as part of its Def II strand, while the entertainment department is responsible for the venerable *Top Of The Pops* and is reported to be developing a primetime MOR strand and a light classical music series. BBC Bristol, meanwhile, is co-producing a ten-hour documentary on the history of rock and roll with WGBH in Boston.

MacRory herself is responsible for 130 hours of music shows a year that air on both BBC1 and BBC2. Aside from maga-



Dance Machine 2: M6 airs this in-house produced show on Saturday mornings

zine shows like the *Late Show With Jools Holland* and a new series called *The Biz*, yearly productions include five or six operas, five to seven classical concerts and a handful of British and foreign spectaculars. MacRory commissions 25% from independent producers, and because the cost of producing music is so high, between 25% and 30% of BBC productions have co-production funding. Main co-production partners are other public broadcasters, including YLE, SVT, ZDF, France 3 and PBS, plus specialist cable networks like Arts & Entertainment and Bravo.

Perhaps the BBC's biggest financier for music shows is its commercial arm, BBC Enterprises, which will typically put up the major portion of a budget and raise the rest by pre-sales so it can retain worldwide rights. Hazel Wright, Enterprises' senior sales manager, music and arts, admitted slots were diminishing for music because of concern over ratings, but said prices broadcasters will pay for pre-buys have remained stable.

In the U.S., outside of the cable networks, music's main home for the past 20 years has been public television. Primarily a supporter of classical and opera, PBS is now moving into the contemporary and MOR fields in an attempt to reach the youth and baby-boomer markets. Said David Horn, director of music programming at WNET/New York, "A pop show tends to get a 2 rating/14 share, lower than our usual music shows, but this is because they are relatively new to PBS, but we intend to stick with it... Apart from VH-1, no

network with an extensive reach really caters for that market, and the cable networks generally don't have the money to make our sort of performances."

At WNET, the newly created cultural and arts program department provides the framework for established series *Great Performances* – two-thirds of which is devoted to music – *American Masters* and the pop series *In the Spotlight*, which premiered last season with a series of eight primetime concert and documentary specials budgeted at \$3.5 million and featuring the likes of Elton John and Bob Dylan.

Horn said WNET usually co-produces with European broadcasters or record companies, the latter taking the home video and audio rights. "The problem with cable outlets is they generally want the first window," he said. "Record companies have increasingly realized they can reach an entirely different audience if they put money into tv shows and not just videos."

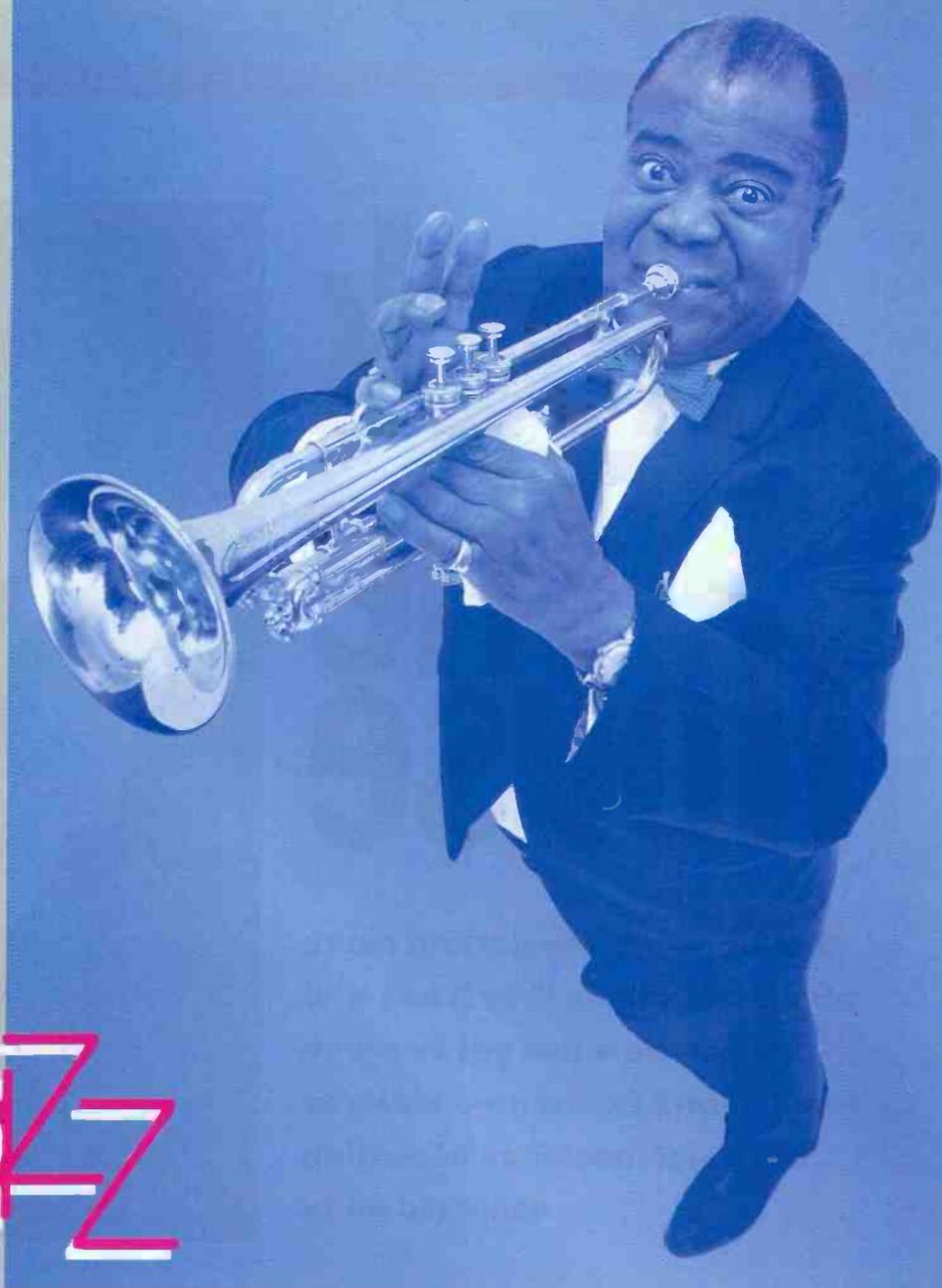
Due to competition from a multitude of outlets and the need to draw a mass audience, music on the U.S. commercial networks has been limited to big-budget specials featuring major MOR and country artists. According to Martin Fischer of U.S. production company High Five, a U.S. network will supply 75% of the budget – usually \$750,000 to \$800,000 for the first airing, \$75,000 to \$100,000 for the second and up to \$1.2 million if a producer can persuade the network to go to two-hours. The rest of the budget has to be made up from syndication (10%) and home video (15%). **EB**

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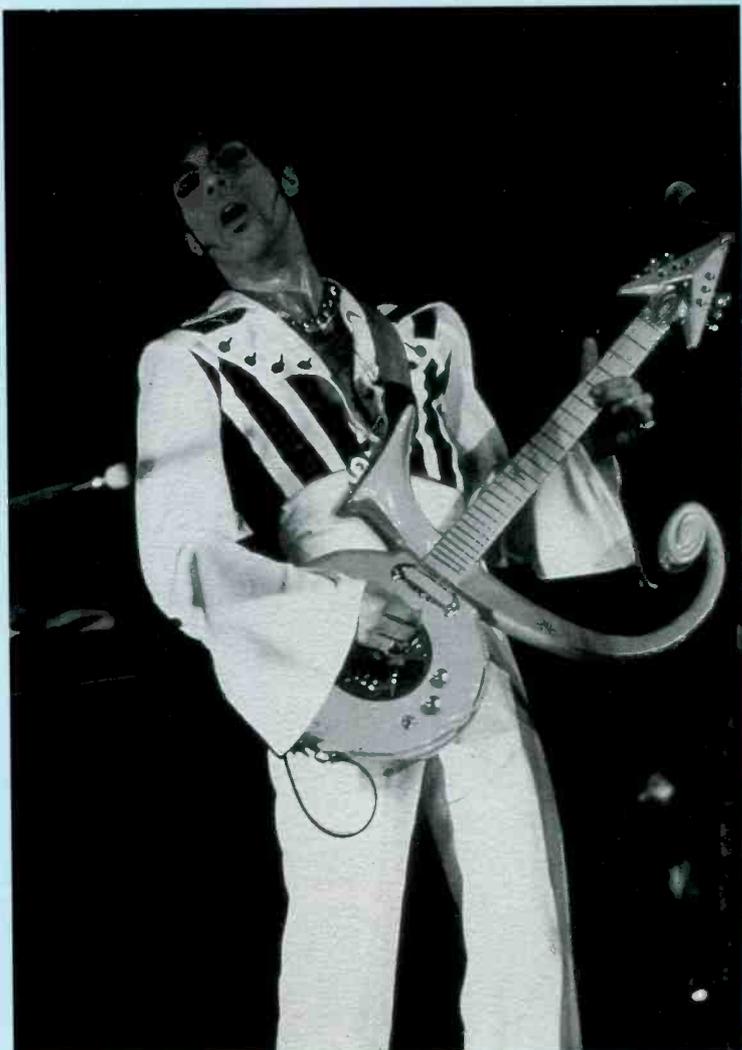


Charlie Parker


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Rock The House

Broadcasters are getting picky about the shows they'll buy and pay-per-view has yet to prove itself. Marie Beardmore looks at the tough business of putting concerts on tv



Prince (now renamed as the logo on his guitar) is singing for a ppv fest

The sweet sound of music can become the sweet ringing of cash registers when concerts are packaged and sold to broadcasters around the world.

But making it in the tv concert game is hard work. Broadcasters are choosy about what they'll put on; worldwide, there are only about 30 artists that have the pulling power to sell internationally, so the competition for acts – the product in this business – is stiff. The growth of music channels MTV and VH-1 in the U.S. and the start-up of channels like Viva in Germany give potential concert consumers a ready supply of what they perceive as “free concerts” which, while not necessarily a threat to free tv, may syphon audience away from music events on pay tv, or even pay per view.

Companies like PolyGram Television International, Radio Vision International and Tribute make a success of this busi-

ness by following distinct and preferred strategies, and always keeping watch to pounce on the blockbuster event.

Like all niches, the market for music event programming has to be worked carefully. There is a more or less recognized formula for selling concerts: pay tv channels, and where existing, pay-per-view channels, get the first, live window, then the terrestrials get the second showing, often at a lower price depending upon the size of the territory. Where pay-tv doesn't exist, distributors go directly to the free-to-air broadcasters.

PolyGram Television International managing director John Gaydon calls his philosophy on the business “love and death.” In tv, he explained, love is the adoration of the fan, death the drama of the loser, usually in a sporting event. A music event must have “love,” as well as be unique, have impact and a level of exclusivity.

The revenue potential of music programming varies widely, depending upon the artist and the territory, but the general rule of thumb is the seven top markets – Japan, U.S., UK, France, Germany, Italy and Spain – yield 70% of the total tv income for music productions. Tribute managing director Tony Hollingsworth said a substantial European pay channel, such as Germany's Premiere, will pay about \$50,000 for an hour-long music concert, comparable to \$100,000 in the U.S. because of the extra audience; this would normally buy two showings in a year.

Gaydon agreed with the price for the first window, and said a channel would rarely pay above \$20,000 for the second broadcast window.

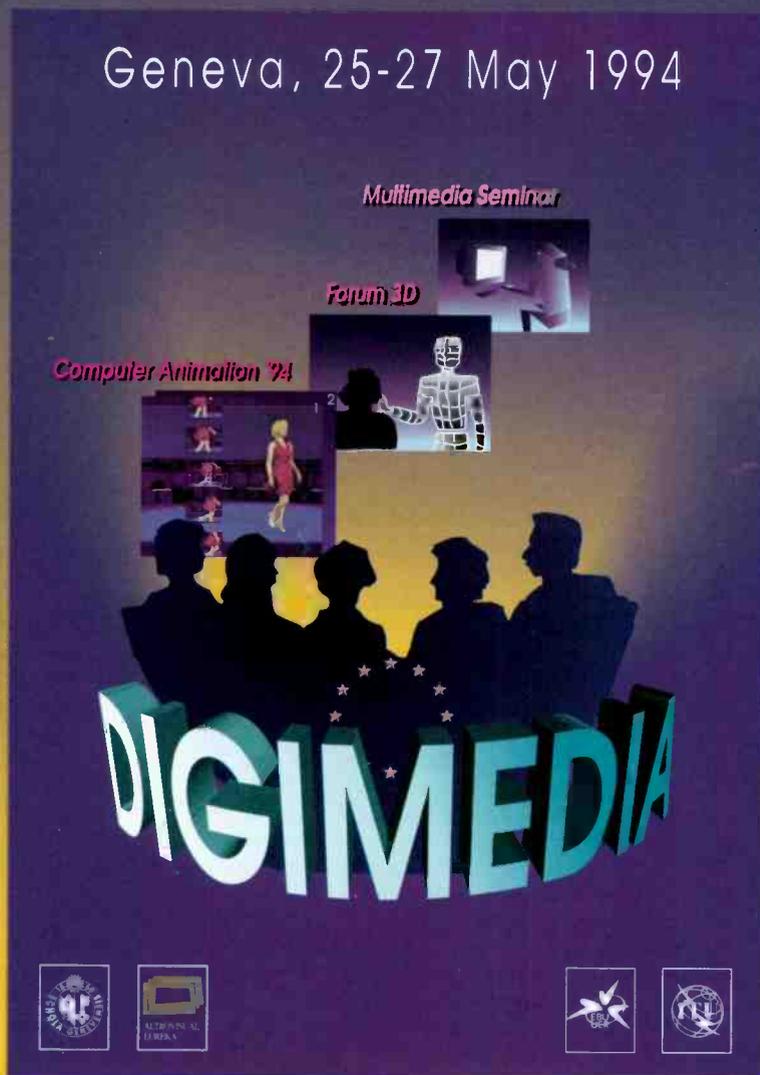
When it comes to pricing and revenues, big is best, said Kevin Wall, managing director of Radio Vision. Wall said he wouldn't get out of bed for a show

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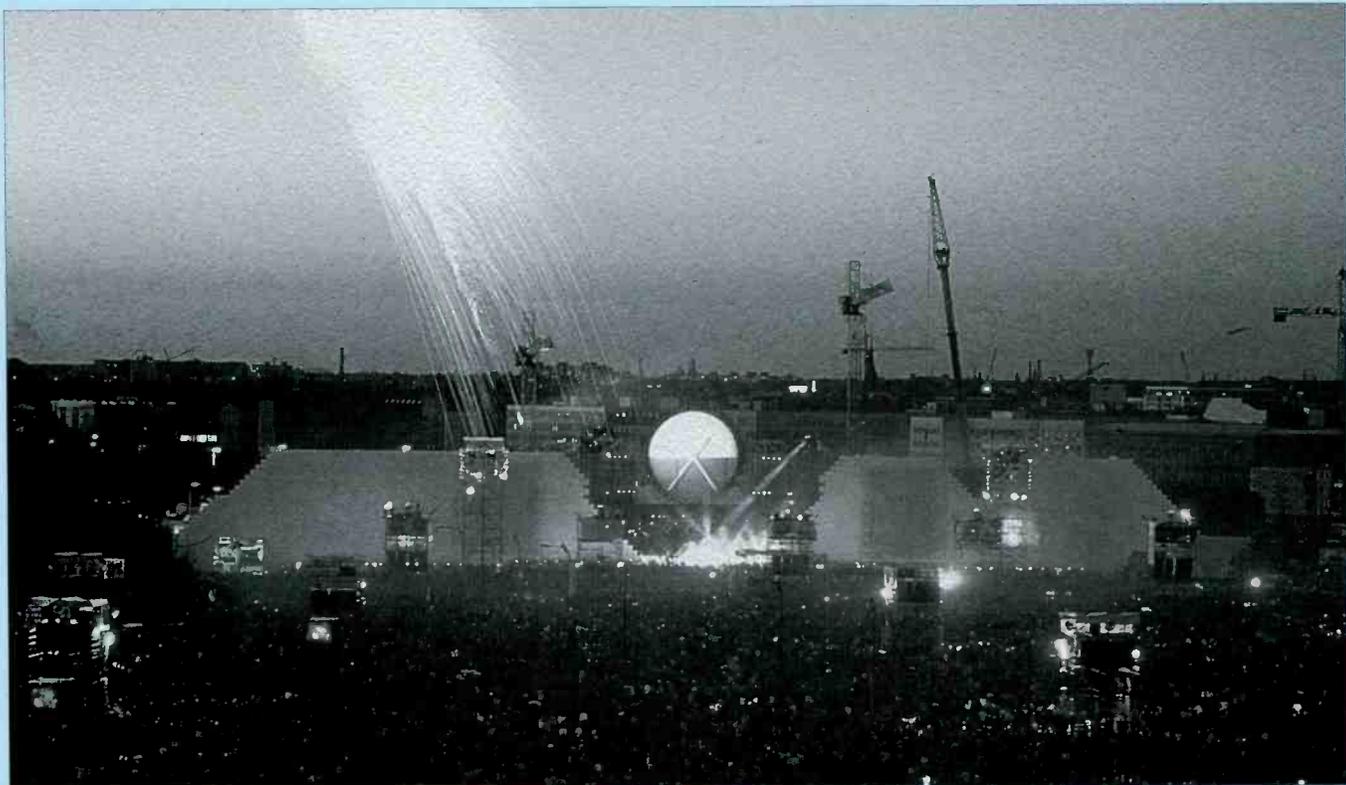


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Tribute's The Wall concert united huge audiences and tv revenues

that grossed less than half a million, pointing out a Michael Jackson or Bob Dylan concert cost is between \$3 million and \$5 million to produce.

Gaydon said that for the right music event, broadcasters will pay more than for any other type of programming, save premier theatrical films, so the stakes are high. The U2 Zooropa concert, live from Sydney last year, worked because the band had never done a live concert on tv before, he said.

In the U.S., Zooropa was sold as a ppv event, but Jeff Rowland, sales vice president at PolyGram Diversified Entertainment, which handled the show, remains cynical about ppv after only limited success with 12 concerts over three years. Ppv has to yet to prove itself in the concert business, and the music distributors still aren't convinced of its viability. The economics of putting a music event on ppv – as opposed to selling it to pay and free broadcasters – are tough. If a ppv event fails, and there have been more failures than successes, expenses can be high, as high as \$700,000 for set, cameras and two satellites (one as back up), according to Martin Fischer of High Five Productions.

High Five has had one of the few big ppv successes in music with its production of country and western act The Judds' farewell concert in the U.S. The

ppv universe was about 20 million at the time, and the Judds sold to 2.1% of those households to garner revenue of \$6 million, 50% of which went to the cable operators.

Radio Vision inked a deal with ABC and Paramount in 1992 to develop the ppv World Concert Network. Nonetheless, Wall is still skeptical about music on ppv and agrees with Gaydon and Hollingsworth that a music event has to be exceptional to succeed. Such an event could well be Radio Vision's own *Prince in Paisley Park*, which will be first distributed on ppv and then repeated on the terrestrial channels.

In distribution to free and pay tv, Tribute's Hollingsworth estimates there is now only half the cash available from tv that there was when Tribute started up in 1988. Tribute specializes in big events – early credits include the second Mandela concert and the huge concert to celebrate the collapse of the Berlin Wall. However, even with the rare winners, Hollingsworth said big events are now far more reliant on sponsorship. "Five years ago, tv producers could rely on 50% or 60% of the budget from tv," he explained, "now its down to 25% or 30%." The boredom factor is making it tough, he continued, as broadcasters tire of the traditional concert formula.

Tribute's solution for bored buyers is

the *Great Music Experience*. A huge project costing at least \$8 million over the next seven years, *Great Music Experience* will offer big name artists in very exotic settings playing with backing artists new and different for them. The first event, in Japan's Todaiji Temple, has been sold to 16 broadcasters without even a performer named.

For Wall at Radio Vision, the key to selling concerts is approaching new pay-tv channels that need events to attract subscribers in the channels' early days. The method is the same for all new pay services: Blockbuster movies, sports and big music events act as subscriber magnets. A channel only begins to worry about how cost effective programs are after its subscriber base has grown.

Radio Vision also sees advantage in collaboration. The company will co-produce and sell a new three-way concert featuring opera tenors Pavarotti, Carreras and Domingo with NVC/Allied Arts, a company that specializes in the classical, opera and ballet markets. The two companies won the contract from Warner Music Group, beating out 50 others, and will handle international rights. Warner will take care of the U.S. The concert will take place July 16 in L.A.'s Dodger Stadium, the night before the World Cup football final in the Rose Bowl. [E]

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Politicians and advertisers gravitate towards tv, and now tv is gravitating towards politics. Berlusconi caused alarm bells to jangle when he acquired the La Standa retail chain. Today, the passage of his legend into politics has aroused hostile passions in the local advertising community, which objects to the idea that he might throw the weight of his stations behind his political campaign, even granted that straight political advertising is banned on Italian television. "I'm worried about this new-found commitment to politics," opined one agency chief. "Berlusconi should stick to running his company."

And yet, is not Berlusconi merely the same as all politicians, but for the fact that he started from the opposite direction of grabbing media control before attempting to seize political power?

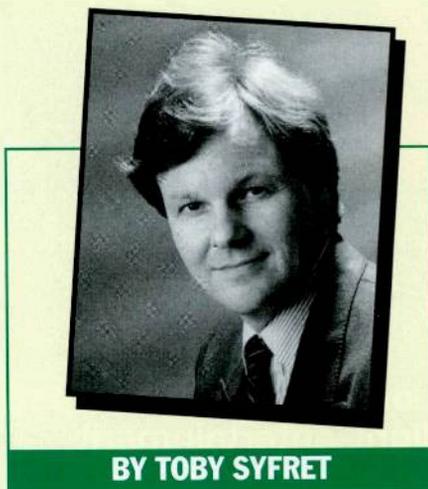
Politicians have always hankered after the audiovisual media. In the golden pre-tv days of cinema, Stalin remarked that if he controlled the American film industry, he could rule the world. Happily for us, the power of Hollywood has always been spread across a group of studios who, in the main, are more concerned with profit than propaganda.

Then Goebbels discovered the charms of radio, and his influence on media politics in Europe lasted well beyond the end of World War II. His interference contributed to the European phenomenon whereby commercial radio was introduced in the majority of countries after commercial television.

And now television. Judged by any standards, 1994 has begun as a bumper year for the commingling of political and media interests. While Berlusconi canvasses votes in Italy, scurrilous deeds have been perpetrated in France, a country with a strong pedigree for government interference in media life. It was, after all, the French politician André Malraux who asked President John F. Kennedy, "How on earth do you manage to govern without controlling television?"

Today, when government interests in media were thought to be receding, the self-professed liberal regime of Edouard Balladur has forced the resignation of

Media's Princes And Politicians



BY TOBY SYFRET

Canal Plus's chief, André Rousselet.

"Edouard m'a tuer," wrote André Rousselet in the French press, his substitution of the incorrect infinitive for the correct past participle an immediately understood reference to a celebrated real-life crime, which went to trial last year. The same words, "m'a tuer," had been found written in blood next to the body of a wealthy and well-educated French woman. Had she written it in order to identify her assassin, but forgotten her spelling at the point of death? Or was it a cruel deception by the killer? We may never know; but in Rousselet's case, the nature of the crime became clearer in his next outbreak. This time it was "Edouard m'a braquer," a reference to the government's intent of diverting Canal Plus's profits into cable activities, in which Générale des Eaux, itself a prominent shareholder in Canal Plus,

holds the biggest interest.

Certain cynics might see Rousselet's departure as a sign that his great friend, President François Mitterrand, is losing his grip over French political life.

So one could continue with a long litany of instances of government interference in the affairs of tv. The interesting thing is that, no matter what happens, real control rests forever in the hands of a few politicians and media princes. And it is in this that they differ so sharply from advertisers.

Advertisers love television too; more and more have flocked to it over the years. Commercial liberalization has multiplied advertising breaks. In almost every country, there is far more clutter on the screen, though southern Europe has it much worse than northern Europe. Whereas German housewives will on average be exposed to about 35 commercial messages a week, Italian housewives will see 60. American and Japanese housewives will see about double the Italian figure.

Audience research shows that even in Germany awareness of specific commercials is on the decline. The only answer, said one Italian conference paper, was for the advertiser to stand a little higher in the crowd and hold up a megaphone; in other words, a sure recipe for more clutter, extra expense and just the possibility of retaining share of voice and creating some vestigial awareness.

At least it can be said that commercial breaks carry a greater diversity of messages than ever before, moreover, at a time when the issue of media concentration is as vexed as ever. All politicians say they want genuine pluralism of media sources, but how frequently it seems that in their world, or the world of media princes, there are few megaphones and fewer still to hold them. Italian advertisers ought perhaps to be thankful that at least their media prince is happy to make their television a permanent market day and not ram Arte down their throats. **EB**

French politician André Malraux asked John F. Kennedy, 'How on earth do you manage to govern without controlling television?'



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Balancing The Trade Gaps

Although the U.S. continues to dominate world audiovisual trade, global audiovisual resources are becoming more evenly spread across Europe, the U.S. and Japan. Jean-Luc Renaud analyzes the latest Idate report

Idate is the research outfit that makes Europeans feel bad by reminding them of the huge audiovisual trade deficit they have with the U.S. To our knowledge, the French organisation is the only one to calculate these figures – which were used to significant advantage in the Gatt negotiations. If there is any consolation for Europeans, it is that the gap is closing, although it is doing so very slowly. In 1990, U.S. cinema, tv and video receipts in the European Community amounted to \$3,719 million, while EC receipts in the U.S. were just \$247 million, producing an EC deficit balance of \$3,472 million. The 1992 figures are, respectively, \$3,663 million, \$288 million and \$3,375 million.

1990-92 assessment of the EC audiovisual trade deficit with the U.S. (\$ million)

	U.S. receipts in the EC						EC receipts in the U.S.	
	MPAA		AFMA		Total		'90	'92
	'90	'92	'90	'92	'90	'92		
Cinema	790	667	344	186	1,134	853	50	74
Television	1,022	1,343	256	305	1,278	1,648	94	95
Video	1,193	950	114	212	1,307	1,162	103	119
Total	3,005	2,960	714	703	3,719	3,663	247	288
EC deficit							3,472	3,375

The strongest growth rates in 1992

Group	Activities	Country	Audiovisual Turnover (\$ million)		Growth
			1992	1991	
			Sega	video games	
Thorn EMI	music	UK	3,922.1	2,497.5	57%
ARD	tv	Germany	5,587.7	3,580.3	56.1%
RTL	tv	Germany	941.3	608.9	54.6%
Blockbuster	video dist.	U.S.	1,200.5	868	38.3%
CLT	radio/tv	Luxem.	1,776.6	1,305	36.1%
MGM	cinema	U.S.	936.7	691.3	35.5%
ZDF (est)	tv	Germany	1,468.5	1,131.7	29.8%
Kirch Group	prod./dist.	Germany	1,000	785	27.4%
Carlton	tv	UK	1,238.7	1,012.8	22.3%

Audiovisual growth rates of the large integrated groups

	1989/90	1990/91	1991/92
Time Warner	9.5%	4.1%	9.8%
Sony	27.3%	12.8%	15.1%
Matsushita	n.s.	21.8%	3.2%
PolyGram	25.6%	17.2%	11.4%
Walt Disney	41.7%	15.3%	20.1%
Thorn EMI	8.7%	37.7%	57.0%
News Corp	23.4%	44.4%	13.3%

Source for all tables: Idate

Revenues of the top 50 audiovisual groups by area of origin

	1988	1991	1992
U.S.	41.5%	36.8%	32.6%
European Community	29.4%	36.4%	34.4%
Japan	22.5%	23.2%	27.8%
Other	6.7%	3.6%	5.2%

Source: Idate

The 10 lowest growth rates in 1992

Group	Activities	Country	Audiovisual Turnover (\$ million)		Growth
			1992	1991	
Matsushita	EGP and MCA	Japan	3,839.5	3,719.7	3.2%
Westinghouse	tv	U.S.	853	832	2.5%
NTN	tv	Japan	1,577.5	1,544	2.2%
TBS	tv	Japan	1,609.2	1,581	1.8%
Home Shopping Network	tv	U.S.	1,097.8	1,078.6	1.8%
Thames	tv prod.	UK	690	680.1	1.5%
Rank	tv prod./film	UK	1,092	1,082.8	0.8%
CapCities/ABC	tv network	U.S.	4,265.6	4,329.7	-1.5%
Fininvest	tv, cinema, print	Italy	3,114.4	3,189.9	-2.4%
Asahi	tv	Japan	1,310.6	1,389.8	-5.7%

Source: Idate

The contribution of foreign markets to American studio revenues (\$ million)

	1989	1990	1991	1992	1993(e)	Average growth rate
Theatrical	1,225	1,380	1,510	1,715	1,820	
% growth		12.65	9.42	13.58	6.12	10.44
Pay-tv	225	300	350	370	395	
% growth		33.33	16.67	5.71	6.76	15.62
Pre-rec. video	1,690	1,945	2,120	2,345	2,605	
% growth		15.09	9.00	10.61	11.09	11.45
Broadcast tv	575	700	750	800	850	
% growth		21.74	7.14	6.67	6.25	10.45
Video discs	50	90	150	225	275	
% growth		80.00	66.67	50.00	22.22	54.72

Source: Goldman Sachs estimates, analysed by IDATE
(e): estimate

More significant is that, since 1988, global audiovisual (not just television) resources are being more evenly spread across the triad of Europe, the U.S. and Japan. Of the world's top 100 media groups, 39 were from the European Community in 1991 as against 31 in 1989. In 1992, Europe is losing some ground, but less than the U.S. whose share of the world market falls to 32.6% from 41.5% in 1988.

Japan is the big winner, a situation mainly attributable to the rise of videogames makers Nintendo, but especially Sega. Absent from Idate's 1990 Top 50 listing (though it is unclear why), the two companies appear on the 1991 listing at the 19th and 42nd place, respectively. On the 1992 listing, they are in the 20th and 30th positions. Sega tops the leagues with the highest rate of growth - 70% over 1991/92. Also responsible for the growing share of the world audiovisual resources controlled by Japan is the performance of Matsushita which moved from 13th in 1990 up to eighth in 1992. Sony holds on to the number two spot (behind Time Warner) in terms of audiovisual turnover.

The world audiovisual market, calculated on the basis of the Top 100 media companies turnover, was valued at \$118.38 billion in 1991. Calculated on the basis of the growth rates of the 50 largest media groups for which Idate was able to compare data up to 1992, the average growth of the world audiovisual market has been 13.2% in 1989, 17.6% in 1990, 9.6% in 1991 and 16.2% in 1992. The latter figure is based on the top 47 companies. The audiovisual sector is therefore continuously growing despite the economic recession.

In the 1991 Top 100, there are 35 groups whose turnover tops \$1 billion; 27 companies generate between \$500-\$999 million and 38 companies between \$200 and \$499 million. But Idate recognises that the last list is incomplete. It is probable that the global market is worth in the region of \$140 billion. The average size of the audiovisual turnover of the 15 largest companies is higher in the U.S. (\$2,172 million), than in Europe (\$2,027 million) and in Japan (\$1,859 million).

The annual World Film and Audiovisual is published by Montpellier-based research centre Idate. Although flawed, in our opinion the three-volume report remains the most authoritative review of trends in the audiovisual market - cinema, radio and television, music and video software. 

No Need To Go Kerb Crawling

New technology increases the capacity of fibre and cable... Oracle says it is ready for on-demand delivery... Now!

One of the big debates among the cable operators and regional bell companies concerns how far they need to build out fibre to their customers. While just about everyone is agreed that there is no pressing need to run fibre all the way into the home to deliver high bandwidth, interactive services, there is something of a split between those who advocate fibre-to-the-kerb (each node serving as few as 25 homes), and those who back fibre-to-the-neighborhood (nodes serving anything up to 500 homes).

The reason this is such a thorny issue is that fibre is expensive to install, so the capital costs need to be balanced against expected future revenues. Trouble is, no one really knows what the demand for all these new fangled services is going to be. Take a cautious view, and that implies relatively less bandwidth close to the home – in other words, fibre-to-the-neighborhood. Take a bullish view, and that implies a lot of capacity close to the customer – in other words, fibre-to-the-kerb.

Either choice is risky. If the pessimists are wrong, they won't have enough capacity to meet demand and will one day be forced into expensive over-builds. If the optimists are mistaken, they'll find they've spent too much and saddled themselves with an unnecessary

debt burden.

Two recent developments have taken some heat out of the argument.

● First, a previously unknown start-up company in the U.S. called Digital Compression Technology claims to have developed a chip that will allow video channels, interactive video-phone, facsimile and other transmissions to travel simultaneously on conventional copper telephone wires. This transmission development is said to allow 16 times as much information to be squeezed on to a wire as before – and would, in principle, allow ten video channels to be sent down a conventional phone line. According to the company, the technology could save hundreds of billions of dollars in the cost of installing fibre, and will thereby allow telephone companies to compete with cable operators by using their existing copper infrastructure to deliver broadband services.

● Second, Canada's Bell Northern Research has just announced that it has developed a device which will quadruple the carrying capacity of current fibre-optic networks. The device is a new implementation of existing technology – dubbed a Mach-Zehnder optical modulator. Essentially, it acts as an electronic shutter that turns laser light on and off at extremely high speeds; the new equipment will be able to push up fibre

transmission rates from the current commercial peak of 2.5 gigabytes per second (Gbit/s) to at least 10 Gbit/s. According to BNR, the new modulator is not only faster, but a hundredth of the size of previous ones – and therefore much cheaper.

What is significant about these two inventions (if we accept that the claims for both of them are true) is that they both reduce the cost of fibre installation. As far as telcos are concerned, the first should mean that they can use their existing copper infrastructures to better advantage. As far as the cable multiple system operators (MSOs) are concerned, the second should mean that they'll get more bang for their buck from fibre than they thought. In both cases, it shifts the argument in favor of the fibre-to-the-neighborhood camp. In a nutshell, it looks as if the information superhighway may be a little cheaper to build than everyone had imagined.

Oracle Sees Future

It may also prove cheaper than anyone had thought to deliver so-called "on-demand" services to the home. Computer software giant Oracle recently unveiled technology that it claims could deliver video-on-demand to the home for as little as \$75 per house-

hold per year in a million-subscriber network – and that includes everything from the cost of deployment, through the video-server at the head-end to the consumer set-top box. The Oracle Media Server is based on connecting a video storage system (basically a lot of optical discs stacked together containing compressed, digitized video information such as movies) to a massively parallel processing (MPP) computer that contains over a thousand processors working in parallel. Each micro-processor acts as a "video-pump," drawing on the discs in the server and pushing the bits down the line. What's clever about Oracle's system is that it spreads the individual frames of the films across a large number of the discs, so that over a thousand people can be watching a single copy of one movie at the same time from a single media server. Each media server is also capable of delivering 1,700 individual video streams at the same time.

The Oracle Media Server concept will be deployed first by Bell Atlantic in a trial to 250,000 homes in Washington, D.C. The trial is expected to extend to one million homes in 1995.

One by one, the building blocks needed for the information super-highway seem to be falling into place. Now all we need is the product! Over to you... **TFI**

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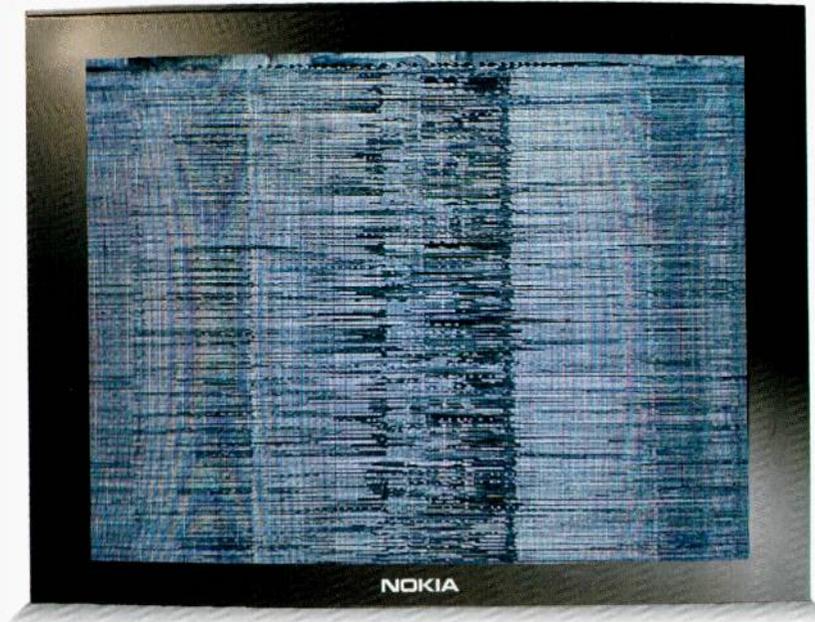
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