

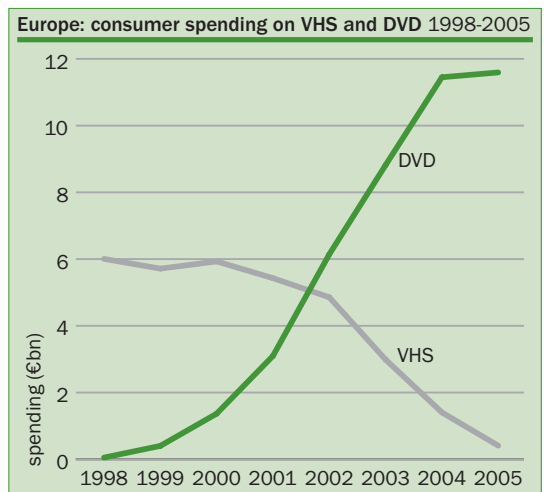
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European video software markets

DVD volume sales continue to climb but spending fell in 2005



Source: Screen Digest

Retail DVD sales continued to grow in 2005 albeit at a slower rate than in previous years. Volume sales of DVD increased by 15 per cent to 657m units, accounting for 94 per cent of total European video sales. However, the gain in volume sales failed to be translated into spending as the average price of a retail DVD in Europe declined by around 13 per cent in 2005.

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Film	Wired media	E-cinema	Technology
Cinema	Satellite	Games	Culture
Television	Wireless media	Production	Piracy
Video	On-line	Sport	Regulation
Audio	Interactive	Rights	Censorship

We are in the midst of a period in which experimentation with different business models to achieve similar ends are rife. For instance, UK's Channel Four Television has switched its Film Four movie channel from a subscription basis to free-to-air on all digital outlets, including Freeview (281b4). It has met with some success, achieving an average audience share of 4.6 per cent in multichannel homes—and peaking well above that. This was approximately the medium-term target for the last terrestrial channel to launch in the UK.

Mostly, however, it is the video-on-demand (VoD) and pay-per-view (PPV) models that are proving more attractive at the moment. Download-to-burn has entered the US VoD market with the support of the major studios, courtesy of CinemaNow and Movielink (281a1). The BBC expects digital retail (download-to-own) will be a principal part of its video distribution strategy, alongside exploitation of high definition product on disc (280a1). With both the high definition DVD formats now on the market, Warner has become the first studio to release the same titles in both formats—a move that will be watched with keen interest (277a1). We also analyse the head-start that HD DVD achieved over Blu-ray disc by launching first (Focus, 260-261).

VoD services are attracting investor attention. The US venture capitalist Arts Alliance Media (AAM), the main shareholder in UK's leading Internet VoD operator LoveFilm, has put money into its French equivalent Vodeo (279b3). For its part, LoveFilm has agreed a three-year deal with Sony to offer 180 of the latter's catalogue films, plus new releases, for download (279b2).

Australia's leading video rental chain, Video Ezy, is setting up a VoD service that will be delivered via an IP-based set-top box linked to the television receiver (282a1). In the US, AOL has launched a beta version of AOL Video, an Internet VoD service with over 45 content channels (280b3). AOL's In2TV portal is incorporated into the new service.

Diversity of offerings is also a key element of a new direct-t-home (DTH) satellite service introduced in Australia by SelecTV, aimed in part at the country's ethnic minorities, plus the gay and lesbian communities (281b1). Confirmation, if it were needed, that targeting niche markets is the name of the game these days.

It may come as a surprise that stereoscopic films are said to be acting as a driver for the deployment of digital cinema (277b1). Until last month there had been only one such release, Disney's *Chicken Little*. Now there is a second, Sony's *Monster House*, which has been screened in 3D on more than double the number of screens that showed the first film. The 3D screenings earned more per screen than the 'flat' version (280a2), although no one can yet say with certainty that this is a product of anything more than novelty value, just as it was back in analogue days 50 years ago, when it was wide-screen that won the day (not to mention being the manner in which the West was won). Nonetheless Dolby is to integrate 3D technology from the German developer Infitec into its digital servers (279a2).

Issue numbering

The February *Screen Digest* should have been numbered issue 413, June 417. All other numbers are correct. We apologise for any confusion caused.

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GLOBAL BOX OFFICE FIRST-HALF SURGE

China, Russia and Argentina lead world BO gains while UK slips



Territories
World
Sectors
Cinema

- China and Argentina had the largest box office rise, but the true level in Argentina is masked by inflation
- UK is the only territory to exhibit a decline in box office revenues in the first six months
- Local films provide major box office momentum in Russia and were stronger in France
- US box office suffered a lower-than-average gain compared with the world box office increase

Source
Screen Digest, using Nielsen EDI data

The US national box office recorded \$4.42bn in first half 2006, according to data from Nielsen EDI, showing a 3.9 per cent increase on the same total in 2005. The increase was due to a strong line-up of product for the summer blockbuster season, particularly in May and June, but the result was still 5.3 per cent down on the benchmark set in 2004 (\$4.67bn), suggesting that second half results will be closely scrutinised.

Fox led the first half **US** distributor rankings with 18 per cent, followed by Sony with 17.2 per cent. Sony's *The Da Vinci Code* became the top title in the first six months worldwide, raking in \$703.5m in global revenues. Total international box office, based on this small-scale survey, rose 12.7 per cent, outperforming the US market. However, international markets suffered heavy losses in 2005, with more ground to catch up.

Of the international territories analysed in this survey, there was only one which registered an overall decrease. The **UK** box office recorded \$699.4m in 2006—a 3.1 per cent decrease and a reversal of fortune from 2005, when the UK was one of the few global territories to exhibit an overall increase in revenues.

International revenues surged on spectacular growth in China, Russia and Argentina. New screens and local films continued growth in **China**. Emerging

market **Russia** (excluding Ukraine) recorded a box office of \$217.0m in the first-half period (November to May) which was a 33 per cent rise on the same total in 2005. The major impact came from local titles, which claimed 45 per cent of the market led by *Day Watch*, a sequel to the very popular *Night Watch*. However, the Russian market is in process of modernisation of cinema infrastructure, which also has a positive effect on revenues.

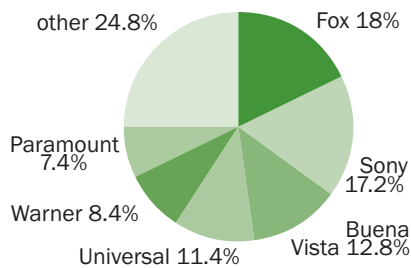
In **Argentina** too, box office increased by 34.0 per cent, which was partly due to a high inflation rate at 12 per cent, but ticket sales were also up by 16.5 per cent overall to 19.5m.

France registered the third largest box office gain in Europe, which was attributed to the strength of local fare in tandem with a stronger run of US films. French films accounted for 47.5 per cent of the market so far, up five per cent on the same period last year. Other major European territories **Spain**, Germany and Italy also registered large box office increases in the first half, buoyed by a combination of strong local and US titles. In **Italy**, local films claimed over 25.0 per cent of the market in first half 2006 due to a run of popular local comedies, whilst in **Germany**, the respective share was a good 17.3 per cent. Attendance in many European and other international territories would have dampened in June, however, due to the World Cup effect.

Smaller European territories **Portugal** and **Netherlands** registered increases at the lower end of the scale around 4.0 per cent. The situation in the Netherlands was hampered by a dearth of strong local titles, which accounted for just 3.0 per cent of the box office in the first half, compared with 13.4 per cent in the full year 2005.

In **South Korea**, local films attracted a massive 55.6 per cent of total attendance to all film screenings, up from 50.4 per cent in the same period last year. Overall cinema attendance in the capital Seoul was up 18.9 per cent in first half 2006.

US domestic studio market shares first half 2006



First half box office revenue 2006 v 2005

ranked by change

	H1 2005	H1 2006	change		H1 2005	H1 2006	change
	\$m	\$m	%		\$m	\$m	%
China	75.0	125.0	40.0	Spain	344.2	386.0	10.8
Argentina	38.2	58.1	34.3	Germany	419.0	465.0	9.9
Russia	145.0	217.3	33.3	Netherlands	62.7	65.3	4.0
Czech Republic	18.9	24.2	21.9	USA	4,246.0	4,420.0	3.9
France	644.0	776.4	17.1	Portugal	38.5	39.8	3.3
South Korea ¹	142.0	169.6	16.3	UK	720.8	699.4	-3.1
Italy	328.2	382.0	14.1				
Australia*	239.2	275.1	13.0	USA	4,246.0	4,420.0	3.9
Norway	58.8	67.3	12.6	International	3,409.6	3,904.9	12.7
Brazil	135.1	154.4	12.5	World	7,655.6	8,324.9	8.0

Notes:

International and World totals here refers only to those territories analysed

¹ Seoul box office only

* first five months

Top 10 movies worldwide first half 2006

	distributor	\$m
Da Vinci Code	Sony	703.5
Ice Age: The Meltdown	Fox	638.7
X-Men: The Last Stand	Fox	422.8
Mission Impossible III	Paramount	337.3
Cars	Disney	196.5

EARLY HI-DEF DISC BALANCE OF POWER

HD DVD's earlier launch gives it a head-start over Blu-ray Disc



Territories
USA
Sectors
Video

- The first hi-def disc releases coincided with the delayed launches of the relevant hardware: HD DVD titles arrived on 18 April 2006, ahead of Blu-ray's slate on 20 June
- Video distributors have announced 202 titles on HD DVD compared with 183 on Blu-ray
- Although generally more expensive, new releases are performing better than catalogue titles

Source
Screen Digest

The long-awaited launch of both Blu-ray Disc (BD) and HD DVD finally became a reality in the second quarter of 2006. Although a handful of titles were available to support hardware launches, studios on both sides manifestly failed to meet their objectives in this regard.

According to information available in the first quarter of 2006, 53 HD DVD titles and 44 BD titles were expected to be available by the time of the hardware launches. In fact, just four HD DVD titles (three from Warner and one from Universal had been released by the time Toshiba's XA1 HD-DVD player launched on 18 April 2006 and when Samsung's BD-P1000 finally hit the shelves on 25 June 2006, seven BD titles from Sony were available.

Within a month of each release date, the total number of titles available had increased to 15 for HD DVD (by 18 May) and 16 for BD (by 20 July). By late July 2006, HD DVD was about 10 per cent ahead of BD with regard to the number of named titles announced. Despite BD having the support of seven major studios compared with HD DVD's three, the latter format's earlier launch has clearly given it a head start.

A total of 202 titles had been announced for HD DVD, compared with 183 on Blu-ray. However, 18 of the HD DVD titles are from France's Studio Canal, and

will be released only in Europe, not the US. If these titles are excluded from the analysis, the two slates are almost exactly the same size, at 183 for BD and 184 for HD DVD.

The exact release date for the majority of these titles was unconfirmed at the time of writing. Approximately one third of the titles announced for each format (29 per cent on BD, 36 per cent on HD DVD) had had their release date confirmed by the time of writing (although in many cases the actual dates are much later in the year). Perhaps not surprisingly, in view of its earlier launch, HD DVD also retains its lead in terms of titles actually available for purchase.

A total of 32 HD DVD titles (45 per cent of those with a confirmed release date) have already been released, compared with just a quarter of the BD confirmed slate (13 titles). HD DVD is also well ahead in terms of the number of exclusive titles named for each format, with 95 titles versus 76. Exclusive titles account for 42 per cent of the Blu-ray slate and 47 per cent of the HD DVD tally.

Screen Digest analysis of data from Nielsen VideoScan comparing the combined standard DVD sales of the confirmed titles suggests that HD DVD boasts a slightly stronger line-up than the rival format. By the end of H1 2006, 61 of the 72 confirmed HD DVD releases had already been released on DVD compared with 44 of the 53 confirmed BD titles. Between them, the 61 HD DVD titles had sold over half as many DVD units again (+56 per cent) as the 44 BD titles, reflecting average US DVD sales for each HD DVD title 13 per cent higher than for their BD counterparts.

Two studios, Warner and Universal, have begun releasing double-sided hybrid HD DVD/DVD discs. To date, 10 of the 202 HD DVD/DVD titles announced are confirmed as hybrid discs. There are currently no indications of hybrid BD/DVD discs, and Screen Digest understands that there are still technical issues to be resolved before such a product can be produced.

Initial pricing strategies for the two formats appear to be fairly consistent. In July 2006 the most expensive discs on the market were Warner's hybrid HD DVD/DVD discs, with a list price of \$39.99, while Universal's initial slate of titles all carried a list price of \$34.98. Perhaps surprisingly, Lionsgate had implemented the highest list price for Blu-ray Discs by July 2006, at \$39.99 for new releases and \$29.99 for catalogue.

Number of titles available by US hardware launch

HD DVD

- Toshiba HD-XA1 HD-DVD player launched 18 April 2006

	release date	distributor	type	price
Serenity	18 April 2006	Universal	catalogue	\$34.95
The Last Samurai	18 April 2006	Warner	catalogue	\$28.99
Million Dollar Baby	18 April 2006	Warner	new release	\$28.99
The Phantom of the Opera	18 April 2006	Warner	recent release	\$28.99

Blu-ray Disc

- Samsung BD-P1000 Blu-ray Disc player launched 25 June 2006

	release date	distributor	type	price
50 First Dates	20 June 2006	Sony	catalogue	\$28.95
The Fifth Element	20 June 2006	Sony	catalogue	\$28.95
Hitch	20 June 2006	Sony	catalogue	\$28.95
House of Flying Daggers	20 June 2006	Sony	catalogue	\$28.95
Terminator	20 June 2006	Sony	catalogue	\$28.95
Underworld: Evolution	20 June 2006	Sony	new release	\$38.95
xXx	20 June 2006	Sony	catalogue	\$28.95

Number of titles announced by format

by July 2006

Blu-ray			studio	HD DVD		
total titles announced	confirmed release date	released by 30 June 2006		total titles announced	confirmed release date	released by 30 June 2006
17	9	—	Buena Vista			
5	—	—	Fox			
4	2	—	MGM			
25	—	—	Paramount	25	11	—
30	22	8	Sony			
			Universal	39	31	12
65	4	—	Warner	77	21	18
			Lionsgate			
16	13	5	New Line	10	—	—
10	—	—	Sony BMG			
2	—	—	Weinstein Co.	15	—	—
			BCI	7	5	—
2	2	—	Concert Hot Spot	2	2	2
1	1	—	Eagle Vision	1	1	—
1	—	—	Goldhil	1	—	—
5	—	—	HBO	2	—	—
			Magnolia Pictures	5	—	—
			Studio Canal*	18	—	—
183	53	13	total	202	71	32

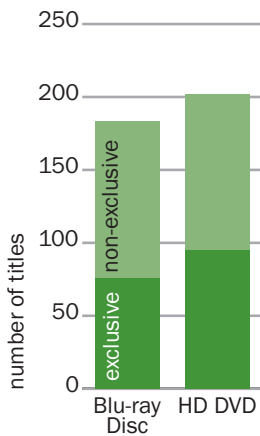
*for European not US release

Source: Screen Digest

SCREEN DIGEST REPORT
Data for these pages are taken from the forthcoming Screen Digest report *HD DVD, Blu-ray Disc and the future of home entertainment: a strategic analysis* [provisional title] which examines all aspects of the rival formats: authoring and replication requirements, hardware and software support. It forecasts the potential for hi-def hardware and software sales in the US, Europe and Japan to 2010.

Number of titles announced by format

as at July 2006



Meanwhile, Sony, unusually, quoted only trade (wholesale) prices for its initial releases, setting these at \$23.45 for a new release and \$17.95 for catalogue titles. At standard industry conversion rates, Screen Digest estimates that these prices would equate to around \$23 for a catalogue title and \$30 for a new release, although Amazon.com is currently quoting the list prices of Sony titles as \$28.95 and \$38.95 respectively.

Warner has set BD prices at \$34.99, and Disney has stated that 'most' of its BD titles will also be priced at \$34.99. However, Universal recently announced that its HD DVD prices will drop to \$29.95 and Amazon.com is already discounting by between 10 and 30 per cent on list prices, depending on the title.

Not surprisingly, at this early stage the hi-def disc market is dominated by feature films, accounting for 87 per cent of the BD slate and 92 per cent on HD DVD, based on the total named titles announced.

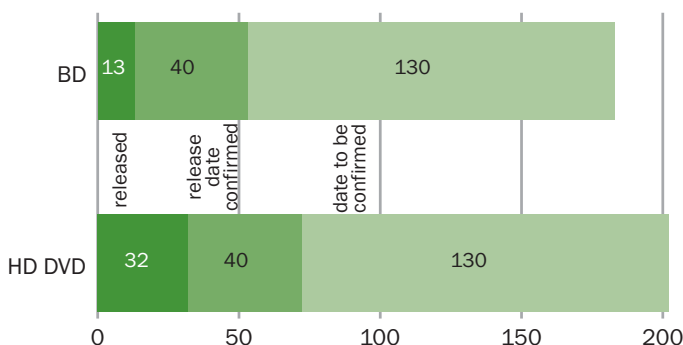
Children's and music titles each accounted for just under four per cent of BD titles, whilst TV had a similar share of the HD DVD's list (compared with 3.3 per cent on BD).

Within the key feature film sector, both slates are dominated by catalogue titles, with new releases (those less than three months old) and recent releases (less than six months) accounting for 15 per cent of BD film titles announced and about a quarter (24 per cent) on HD DVD.

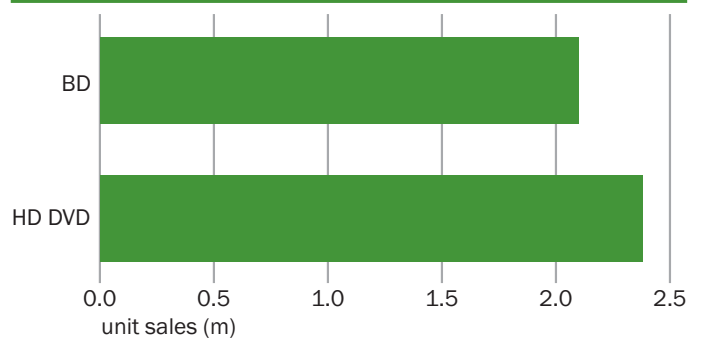
Screen Digest believes that the hi-def disc business will be driven by new releases, rather than by catalogue titles, a theory that is supported by the recent feedback from the US retail sector on consumers' buying habits ([news item]). If this proves to be the case, it could be argued that at this point HD DVD is slightly ahead in offering the kind of titles that may tempt consumers to invest.

Hi-def disc titles by format

as at July 2006



Average DVD sales per title in hi-def release slates



Source: Screen Digest analysis of Nielsen VideoScan data

INDEPENDENT DISTRIBUTION IN EUROPE

Mixed market conditions make a common approach difficult



Territories
Europe
Sectors
Film, cinema

- Europe's independent distributors have more product but face more competition for screen time
- Independent distributors dominate numerically in Europe but revenues are dominated by US studios
- Indies work with smaller promotional budgets, requiring a creative approach to creating a buzz
- Promotion/advertising usually absorb most costs within a release budget, averaging around 60 per cent

Source
Screen Digest, local distributors

Number of active theatrical distributors in Europe	
EU 15	443
all Europe	695

Source: Screen Digest

Independent distribution in Europe is in the spotlight currently, as digital cinema providers examine the sector's players and strategies in order to determine how they might fit as seamlessly as possible into the full-scale digital conversion that is to come. The larger end of the distribution sector consists mainly of Hollywood players, larger national players and some companies backed by other media companies (such as television companies). However, at the smaller end, there are a large number of companies operating at varying levels of activity and with a wide diversity of acquisition and distribution strategies.

There are 695 distributors in Europe, of which a large majority can be classed as independent. Whilst they are great in number, they do not always have the market presence that these numbers could indicate. For example, 55 indie distributors in Germany capture a market share of 29 per cent (an average of 0.53 per cent per distributor).

In the UK, 50 independent distributors have even less market presence, capturing only three per cent of the market (0.06 per cent per distributor), according to one independent distributor operating in the sector. This excludes US studios and companies now owned by third parties (such as Redbus, Optimum, Momentum).

The independent sector in some territories, however, has a stronger presence than this. In Poland, 12 indies captured nearly 40 per cent of the market (3.24 per cent per distributor) and 10 independent distributors accounted for 12.5 per cent market share in Greece (1.25 per cent per distributor).

Promotional and advertising costs

There is a wide difference between the budgets available for distribution by distributors working at the blockbuster end of the market (often the US studios, but not exclusively) and independent distributors working on smaller local, European and other titles. In large territories such as Germany and France, blockbusters can be released on 1,000 screens and promotional campaigns can cost anywhere from €1.5m (Italy) to €2m (France) and €5m (Germany).

However, at an indie level, a 26-print release in France may cost around €120,000 and a 100-print release €0.4m-€0.5m. In smaller territories, such as Greece, a blockbuster campaign may cost €250,000-€700,000, whilst an indie campaign is more in the order of €40,000-€100,000 depending on the size.

Quite often, an indie campaign starts off smaller than it ends up, with costs rising as a film becomes successful, so a 2004 release in France started off with a promo budget of €120,000 for a planned 26 prints, which rose to €206,000 as continuing success pushed the release wider to 68 prints.

P&A cost breakdown

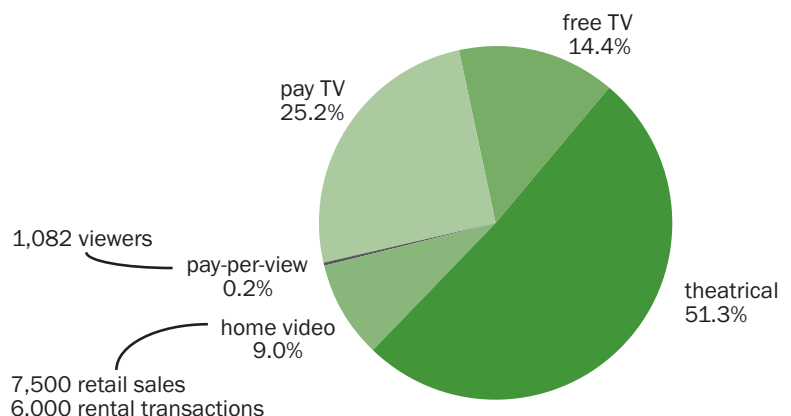
Using an actual example, we can take a closer look at the cost breakdown of distributing an independent film. The percentage given over to the P side of P&A (ie, prints) is 22.1 per cent for the striking of prints and trailers and 14.8 per cent for dubbing and sub-titling (the film in question being a foreign-language film in the Italian

Market share of independent distributors in Europe 2005

	independent distributors	independent distributor market share	market share per distributor
	no	%	%
France	90	20.0	0.22
Germany	55	29.0	0.53
Greece	10	12.5	1.25
Norway	9	10.0	1.11
Poland	12	38.9	3.24
Switzerland	41	40.5	0.99
UK*	50	3.0	0.06

*small UK-owned only

Italy: example of an independent film revenue life cycle



Italy: P&A cost breakdown of an independent film (actual example)

cost		cost	
	€		€
Prints/copies	89,796.3	Publicity spaces	169,653.4
<i>striking prints of trailers (102 copies) ● striking prints of film (89 prints)</i>		<i>placing of posters ● advertising on TV ● advertising in professional press ● advertising in papers</i>	
Dubbing and sub-titling	58,174.4	Promotion	33,674.7
<i>dubbing film and trailer (88 copies) ● subtitling of film (1 copy)</i>		<i>bromides and postcards ● promotion material (press files ...) ● other promotional costs</i>	
Publicity material	25,358.6	Other costs	18,579.2
<i>inter-negative trailer ● poster design and layout ● poster printing ● TV spots ● website</i>		<i>audit fees ● transport and taxes levied on film ● censorship</i>	
		total direct costs	392,236.6

Europe: typical theatrical release promotion costs 2005

	blockbuster		independent	
	costs	prints	costs	prints
	€000s		€000s	
Austria	:		12	8
Belgium	:		36	15
France	2,000		400-500	100
			120	26
Germany	900	200	100	30
	5,000	1,000		
Greece	250-700		40-100	
Italy	1,500		300 average	85
			250	
Norway	300-500		20-30	
Poland	450-730		50-150	
Switzerland	250-450		15	2
			150	50

market)—a total of 36.9 per cent. The advertising side takes up a larger slice of the overall P&A budget: a total of 58.3 per cent, whilst ‘other’ costs accounted for 4.7 per cent.

Across Europe, it is common for promotional costs to outweigh print costs in the distributor’s outgoings for a film campaign.

- France: promotion/advertising takes up 50 per cent of the release budget, prints 30 per cent and other costs 20 per cent.
- Switzerland: promotion takes 40-60 per cent.
- UK: an average 55 per cent of release costs.
- Italy: 75 per cent of P&A costs.
- Greece: 60-80 per cent of overall release costs.

Performance breakdown by exploitation window

Using an actual example of a independent film’s release life cycle in Italy (from a popular European director), it can be seen that theatrical window provides 51.3 per cent of total revenues. The other significant contributor to revenues was television, pay TV contributing 25.2 per cent of total revenues and free TV 14.4 per cent. Pay-

per-view was a negligible contributor, as only just over 1,000 viewers watched it in this format. Home video revenues contributed nine per cent, with retail sales outweighing rental viewings.

The strength of a country’s television and video sectors will determine the amount of money collected in revenue through exploitation windows outside theatrical. Theatrical revenues can amount to as little as an average of 20 per cent of overall revenues—in the case of US studio films, for example. However, independent films usually take a higher proportion of revenue through theatrical exploitation than blockbusters, which can be very popular on DVD and can command huge sums of money in TV rights, whereas European or indie fare is not usually as sought after for the small screen.

A European film in Norway may typically receive a relatively small €5,000-€10,000 from television. In Italy, a smaller title may get €15,000-€400,000 for a TV contract, whereas a larger blockbuster title may get up to €1.8m (based on admissions) on Sky Italia.

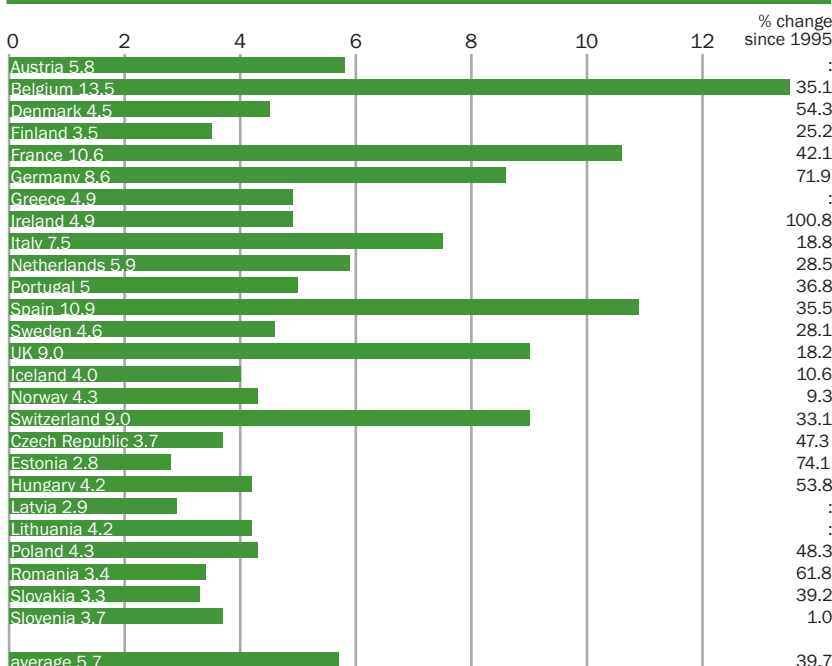
Weekly releases

An indication of the growing competitiveness within the theatrical distribution market-place in Europe is the average number of films released into cinemas on a weekly basis. Across the continent as a whole, numbers grew by an average of 39.7 per cent from 1995 to 2005.

In fact, not one territory experienced a decline in the releases per week in this 10-year period. In Ireland weekly releases doubled from 2.4 to 4.9 in 2005. Other territories showing a high growth in the number of theatrical releases over a decade include Estonia (74.1 per cent), Germany (71.9 per cent), Romania (61.8 per cent) and Denmark (54.3 per cent). This is an indication of growing competitiveness within a market but is also fuelled by higher production levels around the world.

Whilst there is increased competition at the distributor level, there has also been a huge increase in the number of films available at the production level for distributors to pick up. There were 3,329 films produced in the world in 1995. This grew by 38.3 per cent to stand at 4,603 in 2005, all of which need to find a release in a market somewhere. Allied to rising concentration levels in the exhibition sector in many European territories, the market place for European independent distributors is significantly more competitive in 2005 than was the case in 1995.

Average number of films released per week



APPLE'S MUSIC REVENUE DIPS

Hardware revenue from iPod sales fall faster than music sales



Territories
World
Sectors
Audio, Online



- In four years Apple has earned almost \$15bn from its iPod MP3 player and related services
- In the two most recent quarters Apple's music related revenues have fallen 42.5 per cent
- Revenues from downloads and 'other' streams have fallen less sharply than from hardware sales
- Apple's iTunes Music Store (iTMS) is said to account for 85 per cent of legal music downloads in the USA

Source
Screen Digest

Apple's cumulative music revenue—which adds iPod revenue to 'other music revenues' from iPod accessories, services and video and music downloads through iTunes Music Store (iTMS)—fell just shy of \$15bn at the end of second quarter 2006. Despite this significant cumulative revenue, second quarter 2006 is the second consecutive quarter in which total music revenues and iPod unit sales have declined, following the Christmas boom of 2005.

As Apple has attempted to increase the iPod's market share and prices of specialist audio products have continued to fall, correspondingly the company's earnings have dropped to about \$185 per iPod in second quarter 2006, the second lowest quarter for earnings per iPod since its launch. Apple sold 8.1m iPods worldwide in the second quarter 2006, a decrease from the 8.5m sold in the first quarter and the 14m sold in the three months before Christmas 2005.

According to the company's July 2006 report, however, the sale of iPods brought 45 per cent of its total revenue in the second quarter, while the iPod held a 75 per cent market share in the US and was the best-selling player in Canada, Australia, the UK, France, Spain, Italy and Japan (50 per cent). Screen Digest estimates that the iPod will hold a 28 per cent share in the European specialist audio device market by end 2006, rising to approximately 44 per cent in 2010.

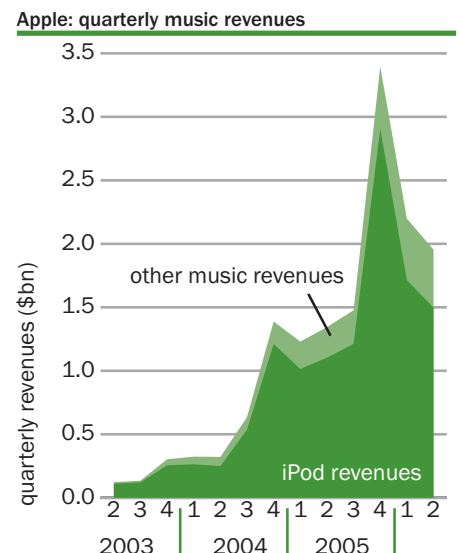
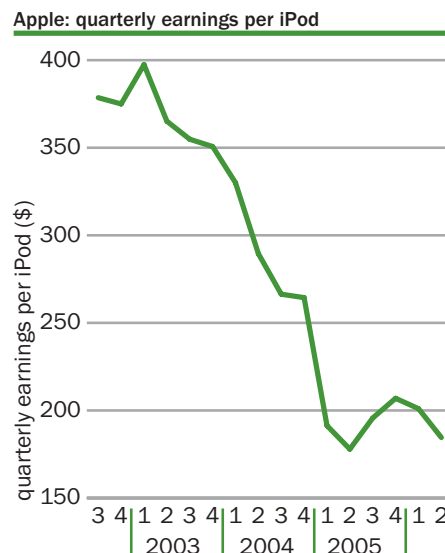
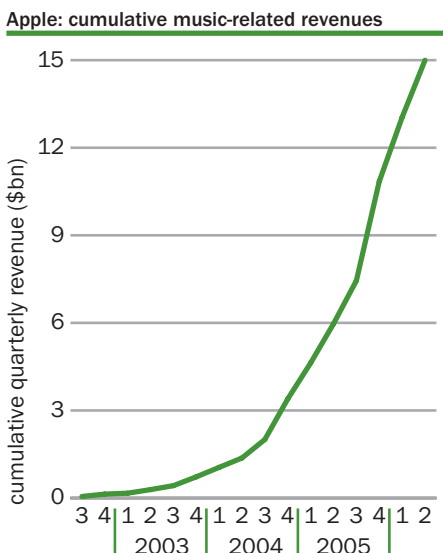
Downloads and hardware accessories have be-

come increasingly significant in the past six months for Apple's revenue, despite the low margin from each track sold on iTMS—around €0.03 per track sold in Europe. The net addition of 7.8m iPods sold from third to fourth quarter 2005 brought with it a large corresponding jump in revenue for 'other' music-related services: from \$265m to \$491m between the same quarters.

Since the Christmas boom, the 'other' music-related revenue has dropped for the first time, as iPod unit sales fell from end 2005 to between 8m and 9m in the last two quarters. Nevertheless, the 'other' music revenue has not fallen as sharply as hardware revenue, and not below \$450m. As previous iPod owners have retired old players, new users seem to have grown the iPod installed base and have been stocking up on extra hardware and digital files from iTMS. Indeed, since the end of 2005, the share of 'other' music-related revenue in total music revenue has been increasing to reach its peak of 23.4 per cent in 2Q 2006.

By February 2006 the company had sold 15m videos (including music videos, short films and TV episodes from the likes of MTV Networks, ABC, NBC and Bravo) and 1bn music files worldwide. By August 2006, 200m music tracks had been sold via iTMS within Europe since launching in June 2004. In the US, the iTMS now accounts for 85 per cent of legal music downloads, according to Apple's July 2006 report.

Other music revenues include those from music related products and services: sales from iTunes Music Store (iTMS), iPod services and Apple-branded and third-party iPod accessories



GERMAN DVD'S AGING DEMOGRAPHICS

Older consumers account for a growing share of DVD purchases



- The average age of a German DVD consumer has risen from 32.6 to 37.7 since 2001
- Only one third of German DVD consumers are female
- DVD purchasing among the over 50s has risen 10-fold since 2001
- One third of online DVD renters are 40 or older, against 19 per cent of traditional video store renters

Territories
Germany
Sectors
Video

Source
BVV analysis of data from GfK/FFA

According to Screen Digest analysis of research published by Germany's video association, BVV, German DVD consumers are getting older. In 2001, 54 per cent of German DVD purchasers were over 30; by 2005 this proportion had risen to over 70 per cent. The data, based on research commissioned from GfK by Germany's federal film organisation, FFA, also shows that the share of DVD purchasing accounted for by 20 to 29-year-olds dropped from 38 per cent to just 23 per cent between 2001 and 2005.

The over-40s now generate more than 40 per cent of total DVD purchases, as opposed to only 24 per cent in 2001. Germans are among the least active DVD buyers in Europe, accounting for an average of just 3.8 purchases per year per DVD household, compared with a European average of more than six discs. Despite this, total DVD sales increased five-fold to 99m units between 2001 and 2005, Screen Digest analysis of the GfK findings indicates that the number of units purchased by the over-50s increased 10-fold over this period, whilst those bought by 20- or 30-somethings merely tripled.

Meanwhile, in common with other mature DVD markets, the increasing availability of TV titles on DVD has had a noticeable impact on

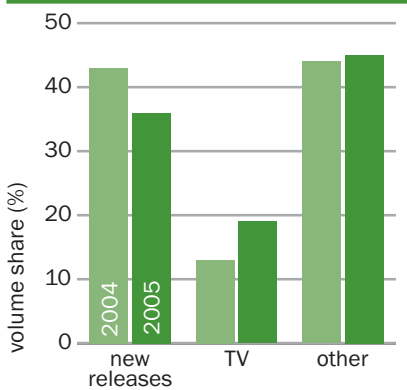
buying patterns. TV product—TV series and TV films—accounted for 19 per cent of total purchases in 2005, almost double the 10 per cent share they recorded in 2001. New releases, in contrast, dropped from 43 per cent to 36 per cent in a single year, while the remaining 45 per cent of the market was divided among catalogue films, music and special interest.

For the first time ever, three German titles featured in the DVD top 10, with leading local independent Universum's sci-fi comedy TV series (*T*)*Raumschiff Surprise* at number three, behind *Harry Potter 3*.

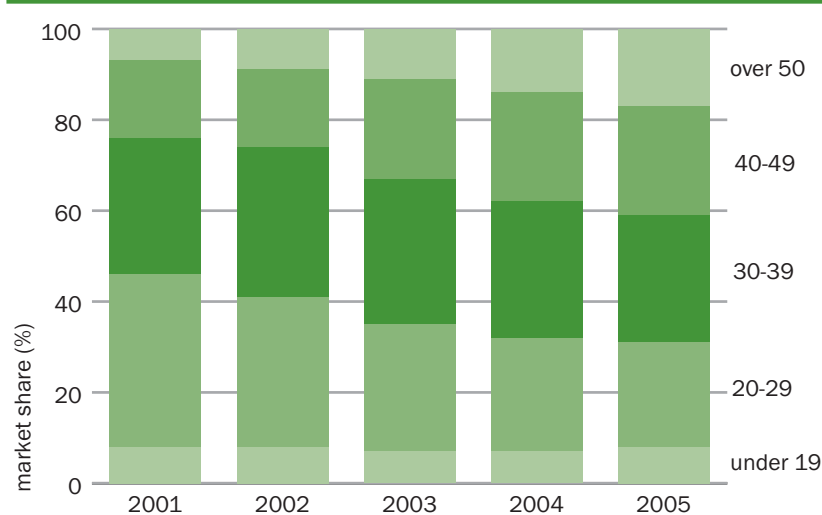
Germany's traditionally weak rental sector has not proved any more able at attracting consumers. According to the research, the total number of people renting DVDs fell from 11.6m in 2004 to 11.2m in 2005. However, rentals-by-post and through vending machines did increase, accounting for 12 per cent of total transactions between them last year. According to BVV, 900 of Germany's 4,300 video rental stores now have an automatic rental machine.

Unlike retail, DVD rental is still relatively popular among 20-29-year-olds, with this demographic group accounting for over 40 per cent of rentals. However, Germany's growing rental-by-post business is particularly popular with the over-40s, who accounted for one third of transactions through this channel, compared with less than 20 per cent of store—or machine-based rentals.

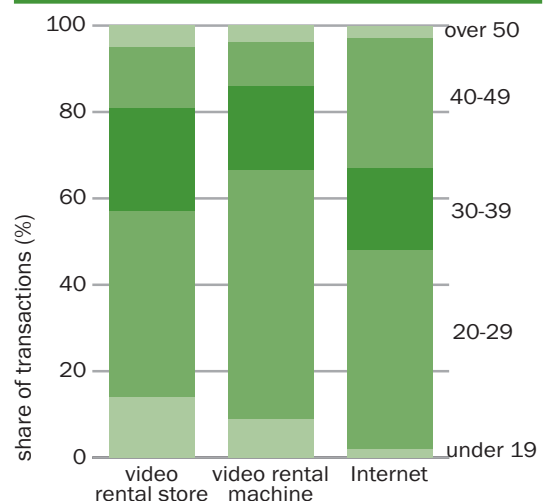
Retail DVD market split by genre



Retail DVD market split by age group



Retail DVD market split by retailer and age group 2005



EUROPEAN MOBILE MUSIC TAKES OFF

Full track mobile music downloads gain over online services



- Increased storage capacity makes mobile phones increasingly popular as music player
- Japan is the leading country for mobile music consumption, with the US in second place
- Over-the-air (OTA) downloading direct to mobile devices rather than PCs is gaining market share
- Two thirds of respondents to a Nokia survey expect their phones to replace MP3 players

Territories
Europe
Sectors
Mobile, Online, Audio

Source
Screen Digest

The popularity of ringtone downloads on mobile phones shows the consumer appetite for personalisation through music content. MP3 phones have been available in Europe since 2001. So far, the larger storage capacity has given iPods a big advantage over MP3 phones. Nowadays, MP3 phones may store up to 4,000 songs (Sony Ericsson's W950i)—an acceptable capacity for casual music listeners. Where the iPod provides only the ability to carrying a music library, MP3 phones also allow communication, music video clips (3G phones) and showbiz gossip (eg, Virgin Bites), as well as full track music downloads. In 2005, Nokia shipped around 40m devices with an integrated music player, representing 15 per cent of their total mobile device volume. Sony Ericsson has sold 10m of its Walkman music phones only one year after its launch.

The four biggest mobile music consuming territories in Europe are UK, France, Germany and Italy. Still, the European interest in mobile music remains well below Japan. The US, typically a laggard in terms of mobile content, is actually the second largest market for full-track mobile music downloads.

The mobile music supply chain can be very varied, as is typical in a nascent industry. The three key players are the network operator, the music service provider and the record labels. In most cases, the service provider acts as an intermediary between the labels and the network operators. Partnerships are created between service providers and multiple music labels so a wide music catalogue is available to the network operator's customers. For instance, Musiwave, the European leader of music service provision, has partnerships with EMI, BMG, Sony, V2, Universal Music and Warner Music.

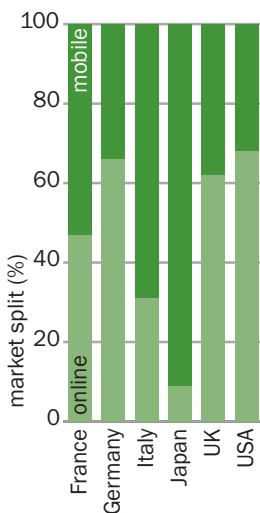
Occasionally, network operators may have direct contact with the music labels, especially in the case of the event promotion (such as the MTV Awards on the Virgin Mobile network) or album releases. Content aggregators, such as The Orchard, which distributes music from indie record labels, also have deals with some operators. Various third parties may also be involved in providing applications, platform infrastructure, billing, DRM and other services.

With the appearance of faster 2.5G and 3G networks, OTA download became easily achievable. Download times vary between 30 seconds on a 3G network to two minutes on a 2.5G network for a specifically compressed music file (AAC+). Full-track over-the-air (OTA) music downloads may be performed in various ways. Users generally access the operator's music portal (Orange World, Planet Three, Vodafone Live and so on) through the handset to buy individual music tracks for playback on the device. Recently, some operators have launched 'dual downloads' (3 and Vodafone). These services allow the user to access downloaded music on both the mobile handset and the home PC. The first form of music OTA download in Europe, launched by O2 in November 2003, was actually a dual download system.

Only two European operators (Bouygues Telecom and 3 Italia) have launched subscription services in parallel with on-demand services. Track prices are around £1.50/€1.99 per track; about twice the track price on iTunes (£0.79 UK/€0.99 EU). Early deployments often charged according to the content file size instead of the content itself. This confused the consumer and has been mostly abandoned except for Wind in Italy (€0.01/kb). Since operators are heavily involved in current services, billing is automatic to the consumer's account. Partnerships with operators negate the need for heavy advertising spend by service providers.

Other ways to distribute music tracks OTA include peer-to-peer sharing (not yet deployed in Europe) and digital radio broadcast. In June 2006, Unique Interactive started UK trials in partnership with Virgin Mobile using DAB-enabled handsets provided by manufacturer TTP. The download cost is expected to be around £1.25 per track. A similar system is to be launched by XM Radio in the US. Copyright issues generated by such approaches are the main obstacles in their deployment.

Online/mobile digital music download market volume split 2005



Digital music market 2005

	total digital music market	digital sales by channel		mobile music market	mobile subscribers 2005
	\$m	online %	mobile* %	\$m	m
France	28	47	53	14.84	48.06
Germany	39	66	34	13.26	79.20
Italy	16	31	69	11.04	71.54
Japan	278	9	91	252.98	94.75
UK	69	62	38	26.22	61.09
USA	636	68	32	203.52	201.65

*excluding ringtones

Source: IFPI and ITU

European over-the-air (OTA) download services

	operator	service	content provider	catalogue tracks	launch	track price
France	Bouygues	i-mode	various	various	various	various
	Orange	Orange World	Musiwave/digiplug	550,000	Jan 2005	€2 or 5 for €5.50
	SFR	Vodafone Live!	Musiwave	500,000	Jun 2005	£2.00
Germany	E-Plus (KPN)	i-mode	various	various	various	various
	O2	O2 Active	Loudeye	Jun 2004: 135,000 Sep 2005: 230,000 Jul 2006: 600,000	Jan 2005	€0.99-€1.99
	T-Mobile	T-zonesMobile Juke box	Siemens M2Y Music	250,000	May 2004	€1.99
	Vodafone	Vodafone Live!	Musiwave	Jul 2004: 10,000 Jul 2006: 600,000	Jul 2004	€1.99
Italy	TIM	I-TIM/i-mode	various	various	Various	various
	3 Italy	Pianeta 3	Buongiorno Vitaminic	250,000	Jan 2004	subscription €5.50 a month unlimited
	Vodafone	Vodafone Live!	Musiwave	600,000	Nov 2004	from €0.99
UK	Wind	i-mode	various	various	various	various
	Orange	Orange World	Groove Mobile	500,000	Jul 2004	£1.50 or 3 for £3
	O2	O2 Active	2003: Siemens now: Loudeye	130,000	Nov 2003	from £0.99
	T-Mobile	T-zones/ Mobile Jukebox	Musiwave		Mar 2004	£1.50
	3 UK	Planet Three	Musiwave	500,000	Aug 2004	£1.50
	Virgin Mobile (NTL)	Virgin Bites	Musiwave	400,000	summer 2004	£1.50
	Vodafone	Vodafone Live!	Musiwave	600,000	Nov 2004	£0.99-£1.50

Digital music market includes single track downloads, album downloads, music video online downloads, streams, master ringtones, full track audio download to mobile, ringback tunes, music video downloads to mobile and subscription income. It excludes midi files (monophonic and polyphonic ringtones) and other content to mobile (including logos/wallpaper).

Music is also frequently 'sideloaded' (transferred from PC to phone) rather than distributed OTA. For instance, Motorola and Apple incorporated iTunes music players into the latest mobile handsets, such as the Motorola SLVR, offered through Cingular. Mobile music sideloading offers strong competition to OTA download since requested tracks may be obtained through online music stores at a much cheaper price. Online music stores typically have much larger catalogues: Napster's 2m tracks is four times the size of a typical mobile music service. Personal music libraries can also be downloaded to the mobile handset.

A key factor in the uptake of mobile music services has been the increase in the music catalogue's size. For example, O2 Germany's music catalogue increased five-fold in two years. Recently, Musiwave, the

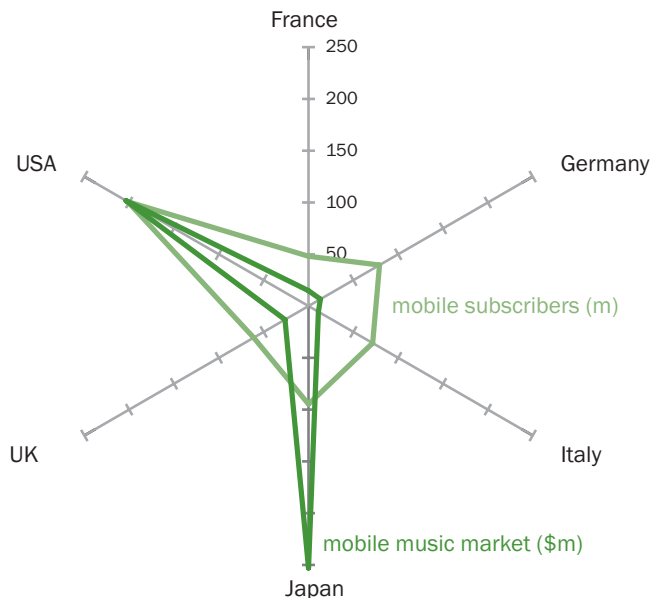
leading mobile music provider in Europe, announced that it extended its music catalogue to 1m tracks.

Another key factor in the OTA full-track download market is interoperability. The library the consumer invests in must be accessible through all music devices. The service provider has to choose the music format (MP3, AAC, WAV, WMA, RA) that is the most appropriate for its consumers. Consequently partnerships between operators and the multimedia software industry are common (T-Mobile and Real, Vodafone and Microsoft, Motorola and Apple). Dual downloads provide virtual interoperability from the user perspective and give operators a share of the online digital music download market. It is too early to evaluate the market impact of such schemes. However, it has reportedly contributed to the recent fall in iTunes' market share in Germany.

The role of Mobile Virtual Network Operators (MVNOs) in full track OTA downloads is very limited. The majority of MVNOs are aimed at budget users, although some record labels have invested in MVNO operations. In the UK, Virgin Mobile provides full track downloads for 3G handsets. In France, however, even Universal Music Mobile does not provide a full track OTA download service. Many MVNO customers are pay-as-you-go (as opposed to post-pay or contract) -- a billing system unsuited to the distribution of content.

The European market for OTA music download is growing rapidly, particularly in the four leading countries. It is too early to provide predictions for such an early market where operators are still testing customers on pricing models, download methods and DRM. On the other hand, consumer interest is extremely high. A recent study from TND showed that 35 per cent of mobile phone users want to use the phone as a music device. In an 11-country Nokia survey during March 2006, 67 per cent of survey respondents predicted the mobile phone will replace their MP3 players. As the memory capacity of phones grows and interoperability becomes more common, this should trigger further full track OTA download market growth.

Mobile over-the-air (OTA) music download market v mobile phone subscriptions 2005



TERMS OF TRADE FOR UK INDIE TV

New deal gives independent producers more exploitation rights



Territories

UK

Sectors

Television



- Following passing of the Communications Act 2003 UK independent producers are entitled to retain rights not explicitly assigned to a producer
- The major broadcasters and the producers' trade body have finally agreed a set of terms of trade
- The new agreements cover all current distribution methods, including downloads, pay-per-view and VoD

After months of painstaking negotiations, UK public service broadcasters have agreed terms of trade for the exploitation of rights for independent productions on new media platforms. The terms of trade agreements between the BBC, Channel Four and ITV and PACT, the body representing independent producers, were finalised in June. A deal with the remaining broadcaster, Five, is expected soon. Ofcom, the regulator, had been concerned enough at how slowly talks were progressing that it threatened to impose its own terms on the broadcasters.

The Communications Act of 2003 established the principle that any rights to independent programmes not explicitly assigned to a broadcaster reside with the producer. The Act has strongly reinforced the position of independent producers in capitalising on the rights to their programmes outside the primary broadcast window—including home entertainment, mobile telephony and the internet.

The way is now clear for the public service broadcasters to develop their own online services. For Channel Four (C4), agreement with the independents was crucial as it commissions almost all of its original programming from the independent sector. The company has already started offering pay-per-view downloads of the US series *Lost* and *Desperate Housewives* and plans to launch a full scale video-on-demand portal in November 2006. Subject to agreement with operators, the portal will be available not only direct to PCs but also on IPTV and cable.

ITV is also launching its own online VoD portal later in the year, whilst the BBC is planning to launch its interactive media player (IMP) application as soon as it gets clearance from its board of governors. Five has already signed a deal to offer episodes of the US drama franchise *CSI* on demand, probably by the end of the year. Other broadcasters—including BSkyB and the other cable and satellite channels—are not under any obligation to agree terms on new media rights with UK independents.

The terms will be in effect for two years to allow the industry to see how the market for new media rights develops. Channel Four's on-demand service will be reviewed after one year. The broadcaster intends to make all of its independent programmes available to the PC. RDF Media, one of the largest indie groups, has also announced plans to launch its own VoD portal.

The terms of trade are complicated, but the general lines are as follows.

Licence period

When it commissions a programme, the broadcaster acquires the right to transmit the programme on its channel a set number of times within the licence period. After that, all rights revert to the producer (although the broadcaster continues to receive a share of revenue). C4's licence period has been reduced from five years to three years. For the BBC and ITV, it remains five years.

Catch up window

The BBC will make all programmes available free of charge for download and streaming for seven days after transmission. However, users will be able to store a downloaded programme for up to three months; once they view the programme, it will expire after seven days. Licence payers will also be able to 'series stack' episodes of non-returning series available for up to three months.

Both C4 and ITV have an exclusive 30-day window for subscription VoD, full VoD and PPV rights. If C4 does not choose to offer the programme on its VoD service, the rights revert to the producer. During these 30 days, ITV and C4 can seek to strike a deal for continued use of the programme. If no deal is agreed, producers will not be allowed to sell the programme to a rival V-D service for a further five months after the 30-day window.

VoD/PPV versus download-to-own

All the agreements make a distinction between SVoD/FVoD/PPV and retail download (download to own).

In the case of C4, retail download rights are exclusive to the producer but C4 can acquire these rights from day one. If terms are not agreed a 'holdback' period

applies and producers will not be able to sell retail rights to other platforms during that time. Single programmes are in holdback for 30 days. Single episodes of a series are in holdback for six months after first transmission. Series can be exploited the day after transmission of the last episode of each series.

Producers of BBC commissioned programmes will be allowed to sell them on a download-to-own basis after the seven-day window. For the first time, they can also offer these retail download rights to commercial third parties.

Revenue shares

Both C4 and ITV will split revenues from VoD and PPV exploitation 50:50 during the licence period. After that, revenues will be split 85:15 (in favour of the producer). If C4 does offer programmes free, it will be required to pay the producer a royalty.

The BBC will give producers a 75 per cent share of VoD revenue during the licence period and 85 per cent thereafter.

Linear holdbacks

The new terms also include improved holdbacks for the release of programming to the UK secondary market. Under the old licence terms, ITV did not allow any UK TV secondary exploitation of programmes during the five-year licence period. Now the holdback for returning series is 30 months after transmission, or 18 months on non-returning series.

For the BBC and C4, returning series are now subject to a new 'rolling release', where series one is released after transmission of the last episode of series three. Non returning programmes on BBC1, BBC2 and are released six months after transmission.

The BBC could previously designate programmes as 'landmark' programmes and hold them back but this will no longer apply.

EUROPEAN VIDEO SOFTWARE MARKETS

DVD volume sales continue to climb but spending fell in 2005

KEY FACTS ABOUT EUROPEAN VIDEO

- DVD penetration reached 65 per cent in Western Europe in 2005, and 25 per cent in CE Europe, taking DVD penetration in total Europe past the halfway mark to 53 per cent.
- Retail DVD continued to show strong growth in 2005 with volume sales increasing by 14 per cent year-on-year and accounting for 94 per cent of total video sales.
- Average European retail DVD prices fell by 13 per cent in 2005, slightly further than the 10 per cent decline in 2004.
- Total retail video spending in Europe declined for the first time in 2005, falling by seven per cent to €9.5bn (\$11.9bn).
- European consumers spent €2.5bn (\$3.1bn) on video rental in 2005, a decline of seven per cent on the equivalent figure in 2004. DVD accounted for 95 per cent of this.
- The online DVD rental sector continued to grow in 2005, generating €136m (\$93.7m) in consumer spending—six per cent of the total video rental market.
- In 2006, Screen Digest expects the retail DVD market will continue to grow in volume terms but a steady decrease in average prices means we anticipate spending will fall in 2006. This will be compounded by the deterioration of the VHS business.
- Meanwhile, we are forecasting that the rental market will remain in a downward spiral with online DVD rental unable to compensate for the depression in the traditional market.
- This year, 2006, is turning into a watershed year for movie downloading in Europe with the arrival of digital retail expected to accelerate growth in spending on Internet video-on-demand.

GROWTH IN VIDEO SALES SLOWS IN 2005

Retail DVD sales continued to grow in 2005 albeit at a slower rate than in previous years. Volume sales of DVD increased by 15 per cent to 657m units, accounting for 94 per cent of total European video sales. However, the gain in volume sales failed to be translated into spending as the average price of a retail DVD in Europe declined by around 13 per cent in 2005.

This trend was exacerbated by particularly severe declines in price in three of the big five European markets—France, Italy and Spain—

which each experienced a drop of around 20 per cent. Given that the big five—UK and Germany completing the elite group—accounted for 75 per cent of DVD volume sales in 2005, price declines in these territories had a significant impact on the total market.

The deflation of average prices negated growth in volume sales and meant that spending on retail DVD was flat between 2004 and 2005. In total, European consumers spent €9.23bn on buying DVDs in 2005 compared to €9.25bn in 2004.

Western Europe accounted for 98 per cent of total European spending on retail DVD in 2005. In spending terms, the largest five European territories accounted for more than three quarters of the total European market, with just below 70 per cent generated by the top three countries. Germany and France generated 14 per cent and 19 per cent of spending respectively, while the UK alone contributed 35 per cent.

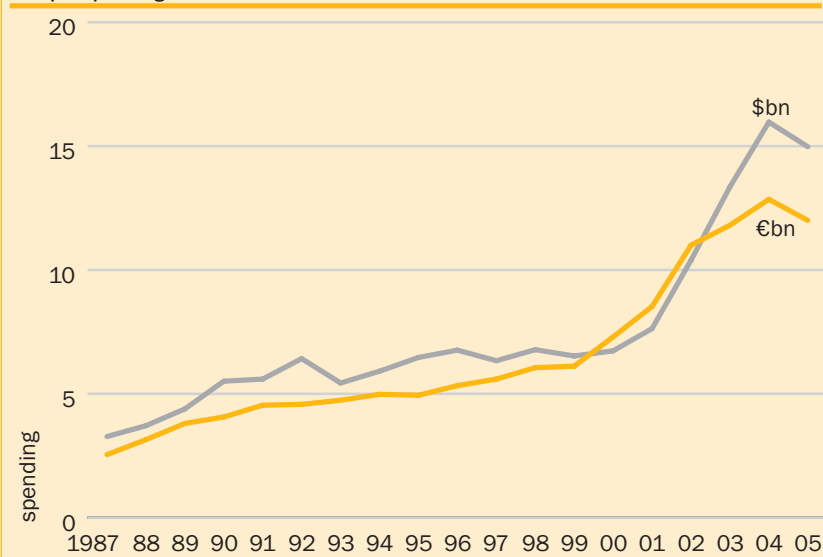
Of the five Central and Eastern (CE) European countries analysed, Hungary was responsible for the largest share of spending for the region at 26 per cent, although it accounted for just 0.4 per cent of total European spending. Russia boasted the greatest gain in DVD spending, with value sales in 2005 almost three times higher than in 2004 at €35.4m.

The Russian DVD market was boosted by a dramatic increase in the penetration of DVD hardware which climbed over 20 percentage points to 26 per cent in 2005. This is slightly higher than the average for the region as a whole, with 25 per cent of CE European television households now believed to have at least one DVD player or recorder. And with DVD penetration in Western Europe reaching 65 per cent on average in 2005, DVD penetration in the wider European market has been taken past the halfway mark to 53 per cent.

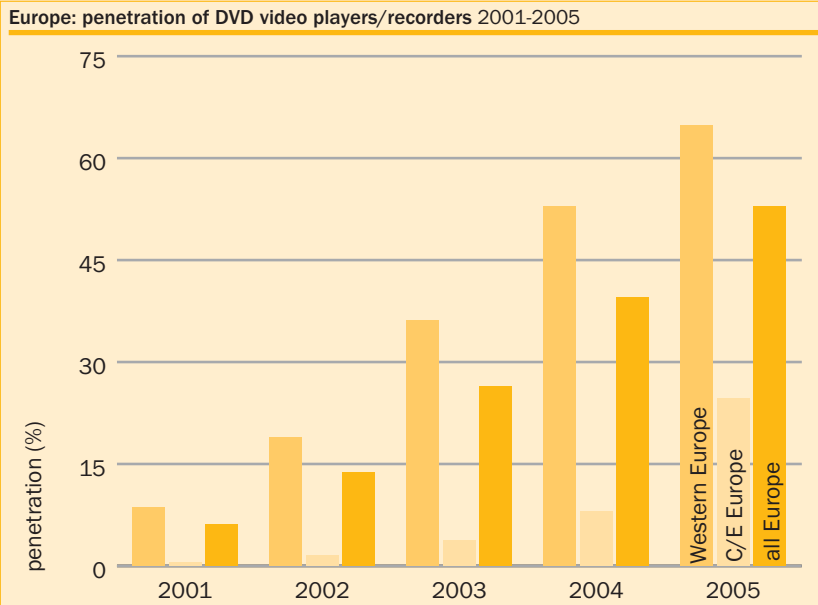
So dominant is DVD in the European video market now that the VHS format is almost extinct. Spending on retail VHS in Western Europe fell by 70 per cent in 2005 from €857m in 2004 to €261m. Even in CE Europe, where the DVD market is less developed, the demand for VHS has declined almost as dramatically; spending on retail VHS totalled €27m, falling by 63 per cent compared to 2004.

The market for retail VHS effectively disappeared altogether in Portugal in 2005, and virtually vanished in a great many more countries at trade level as returns exceeded shipments. In such cases, where the available data resulted in distorted average price and thus value data, Screen Digest has recorded zero values for both volume and value, rather than reporting misleading figures.

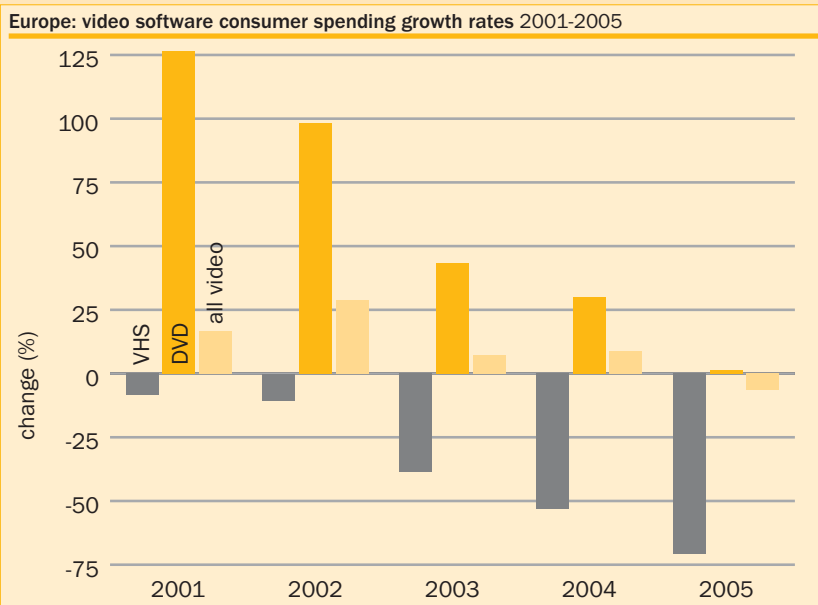
Europe: spending on video software 1987-2005



Source: Screen Digest



Source: Screen Digest



Source: Screen Digest

Outlook: Results in the first half of 2006 indicate that growth in the European DVD retail market is continuing to slow down. A lack of key titles contributed to disappointing first quarter results in most markets, although the arrival of key titles such as *Harry Potter and the Goblet of Fire*, *The Chronicles of Narnia* and *King Kong* helped offset the impact of the football World Cup and heatwave on second quarter sales.

However, Screen Digest is currently forecasting growth of just a few percentage points in DVD volume sales in 2006, and a continuing decline in average prices, albeit at a slower rate than before. Consequently, we expect a single-digit decline in consumer spending on DVD retail by the end of 2006. This will be exacerbated by the almost complete collapse of the VHS business (just four of the first half's top 10 titles were even available on the format), which will further dampen overall spending.

RENTAL MARKET ON THE DECLINE

Total spending on rental video in Europe declined for the third consecutive year in 2005, falling by seven per cent compared to 2004. The decline of the rental VHS sector was to blame, as a nine per cent rise in spending on DVD rental could not compensate for a 75 per cent fall in VHS rental spending. In fact, our research indicates that the VHS rental market almost entirely evaporated in 2005, generating just €121m across all 22 countries analysed and accounting for only five per cent of total rental spending.

VHS boasts a greater share of rental spending in CE Europe—34 per cent—despite the fact that in Russia, the largest of the CE markets, neither DVD nor VHS rental will be viable for much longer thanks to extremely high levels of piracy. The price of a pirate DVD is cheaper than the cost of a night's rental, rendering the latter redundant for Russian consumers.

DVD rental in Europe grew steadily in 2005 but is no longer recording the double digit growth seen in previous years. Consumer spending on the sector rose by nine per cent in 2005 compared to 34 per cent in 2004. The market did however witness a decrease in the average number of rentals per DVD household. DVD rental tie ratios (the number of DVDs purchased annually per DVD household) in Western Europe declined by nine per cent in 2005 to less than seven.

The decline was even more pronounced for the total European market (-17 per cent) due to the failure of DVD rental transactions in CE Europe to grow at the same rate as DVD hardware adoption.

ONLINE DVD RENTAL SERVICES EXPAND ACROSS EUROPE

The online DVD rental sector cannot be blamed for conditions in the market overall, having generated one and a half times as much spending as in 2004. According to Screen Digest analysis, DVD-by-post services accounted for around five per cent of total rental spending in Europe in 2005, compared with two per cent in 2004.

A number of key players in the online DVD rental market expanded their local operations into wider Europe in 2005. UK-based company Video Island entered the Nordic market with the acquisition of Sweden-based online renter Brafil. The purchase also offered Video Island a foothold in Norway, another territory in which Brafil operated.

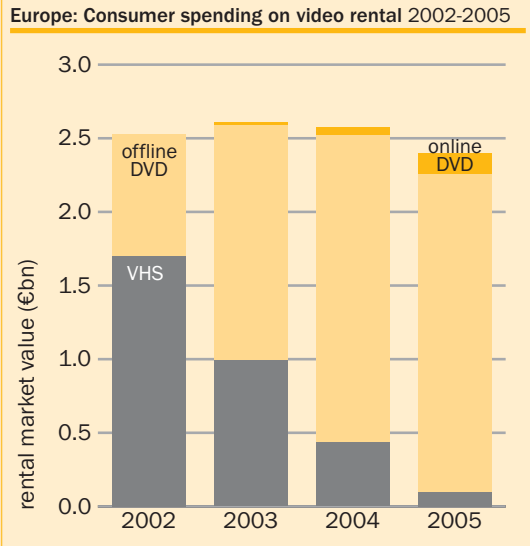
However, it was Video Island's biggest rival in the UK, LoveFilm, which was the most active in this respect. LoveFilm's majority shareholder, venture capital company Arts Alliance Media (AAM), launched its own foray into the Scandinavian market with the purchase of a controlling stake in Swedish renter Boxman and the acquisition of Danish online video rental service Digitarian. LoveFilm also established itself in the Irish market at the turn of the year, acquiring its local equivalent Screenlick. LoveFilm and Video Island subsequently joined forces to create LoveFilm International, the largest online DVD rental company in Europe. Both firms brought strong portfolios to the deal, each having a range

Note

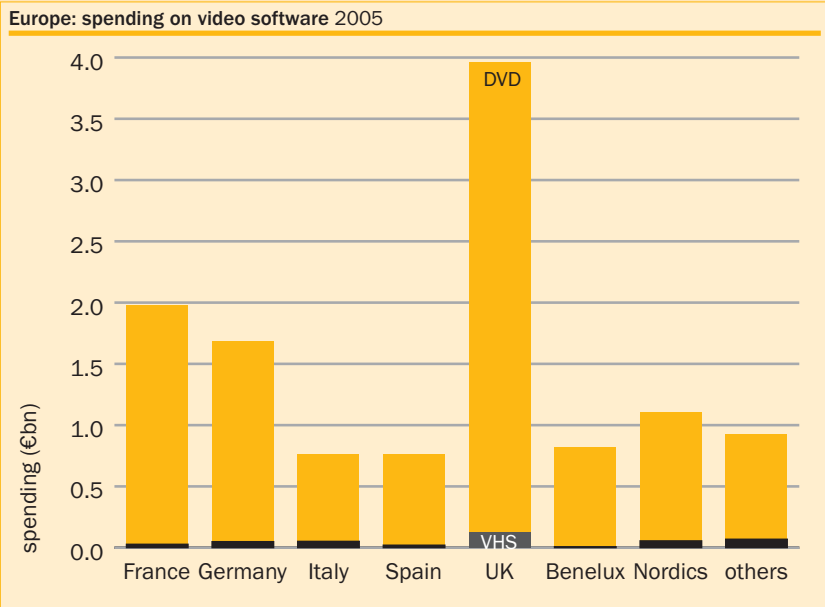
Throughout this report 'Europe' is taken to mean the 22 European countries analysed in detail by Screen Digest.

'Western Europe' comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and UK.

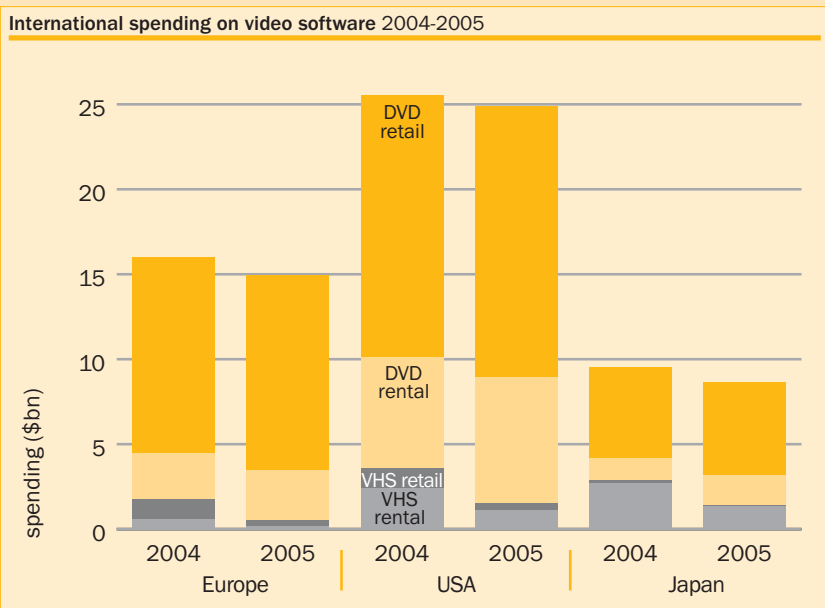
'Central and Eastern Europe' covers Croatia, Czech Republic, Hungary, Poland and Russia.



Source: Screen Digest



Source: Screen Digest



Source: Screen Digest

of strategic online partnerships in place, as well as white-label services, with various UK brands including AOL, CD Wow, Channel Four, Dixons Store Group, easyGroup, Guardian Newspapers, ITV, MSN, News International, Odeon, Sainsbury, Tesco and Vue cinemas.

French-based online DVD rental operator Glowria began its own market consolidation in the early part of 2006, making two acquisitions in the neighbouring German market. Glowria acquired German online DVD renter DiViDi Entertainment and Palago, owners of German DVD-by-post company inVDeo. By expanding its service beyond its native France, Glowria now appears to be heading for direct competition with the new, unified pan-European operation LoveFilm International, although the latter has not entered the German market.

Outlook: The online DVD rental market showed continuing growth over the first half of 2006. By the end of the year, Screen Digest anticipates that the DVD-by-post sector will account for 13 per cent of total DVD rental spending in Europe. Results for the traditional rental market in 2006 so far have been disappointing by comparison. The rate of decline in rental activity at bricks and mortar stores has meant that the European market remains in a downward spiral overall, with online DVD rental market unable to compensate for the slump in its offline equivalent.

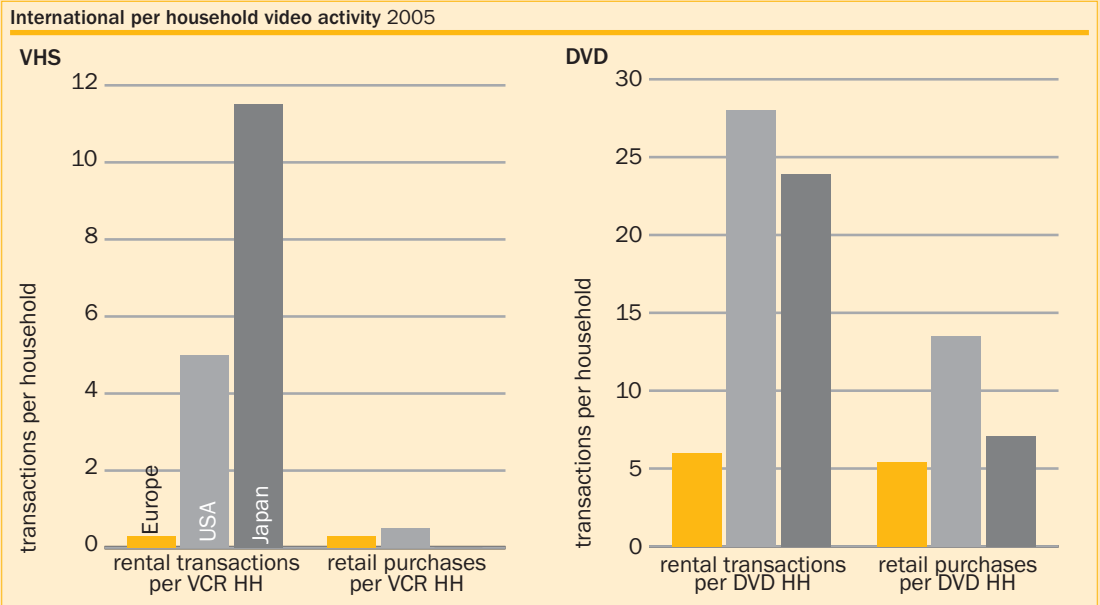
EUROPE ON THE WORLD STAGE

The European video market generated \$15.0bn in spending in 2005, accounting for 27 per cent of worldwide video spending, with Western Europe alone representing just over 26 per cent of the global market. The US market accounted for the largest proportion of the market at 45 per cent as US consumers spent \$24.9bn whilst the Japanese spent \$8.8bn, which translates into 16 per cent of video spending worldwide. Consumer spending on video in the US fell by just three per cent in 2005, a more gentle decline than in Europe and Japan in 2005, where video spending fell by six per cent and nine per cent respectively.

The DVD format is now more dominant in Europe than in either the US or Japan. DVD generated 97 per cent of total consumer spending within the region in 2005, compared with 94 per cent and 84 per cent in the US and Japan respectively. In 2004, DVD's share of spending was the same in Europe and the US but in 2005 the ascendancy of DVD in the European market accelerated beyond that in the US. This is due to the fact that the decline of the VHS market has been more rapid in Europe—where consumer spending on VHS fell by 71 per cent—than across the Atlantic where consumer spending decreased by 57 per cent.

Average DVD buy rates also declined in 2005, falling by 15 per cent in Europe. The retail DVD tie ratio fell at a slightly slower rate in the US (-6 per cent) but deteriorated even faster in Japan (-20 per cent). However, the latter's buy rate remains above its European equivalent at 7.1 compared with 5.4. The US tie ratio tops both at 13.5.

The decline in buy rates reflects a slowdown in volume sales despite steady growth in hardware



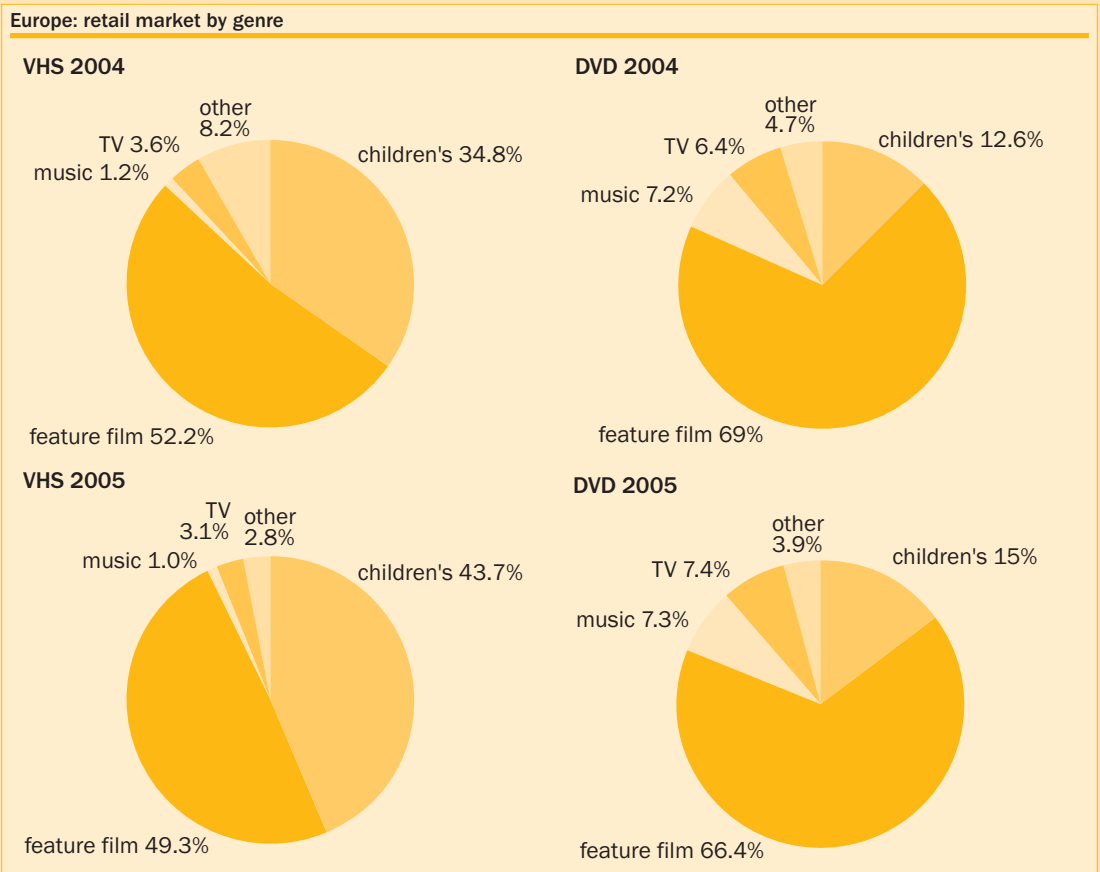
Source: Screen Digest

adoption. This trend, common in the consumer electronics sector, is caused by the arrival of late adopters who purchase fewer units and therefore depress overall tie ratios.

DVD rental tie ratios also fell slightly faster in Europe than in the other major markets in 2005, with European consumers renting around one disc less per year on average in 2005 than they did in 2004. In the US and Japan—which have historically boasted stronger rental markets than anywhere in

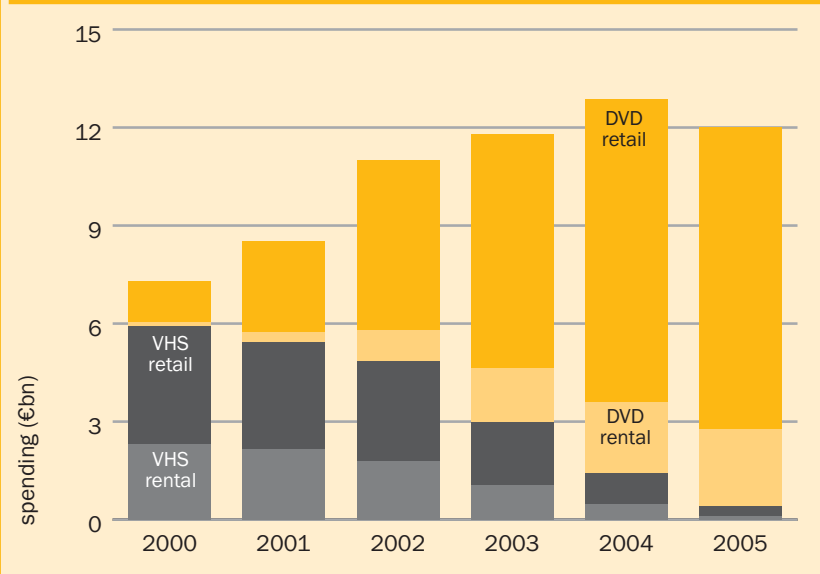
Europe—the equivalent tie ratios actually increased slightly, rising by one per cent and five per cent respectively.

The downturn in European VHS rental tie ratios (-70 per cent) was also more pronounced than the declines in the US (-51 per cent) and Japan (-47 per cent) as European consumers exhibit a now almost exclusive preference for DVD over the analogue format. The declines in retail VHS tie ratios for the three markets were a little



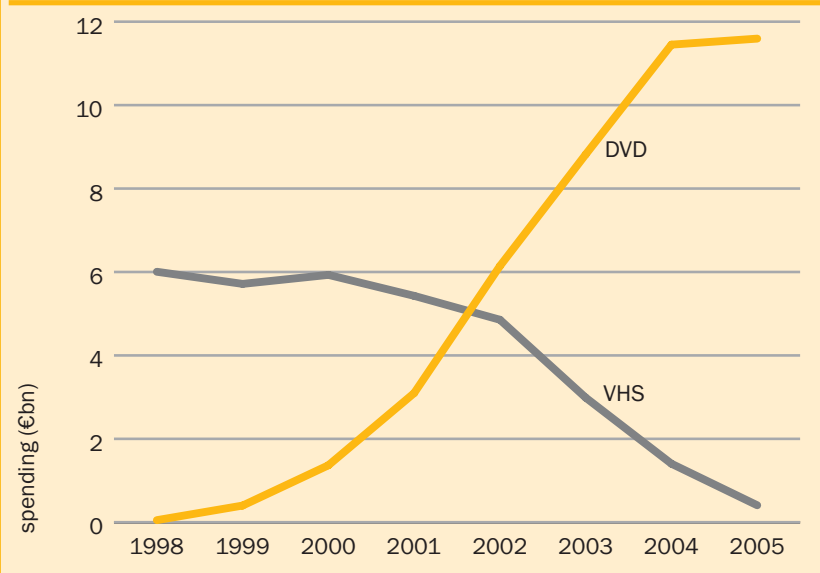
Source: Screen Digest

Europe: spending on video software by sector 2000-2005



Source: Screen Digest

Europe: spending on VHS and DVD 1998-2005



Source: Screen Digest

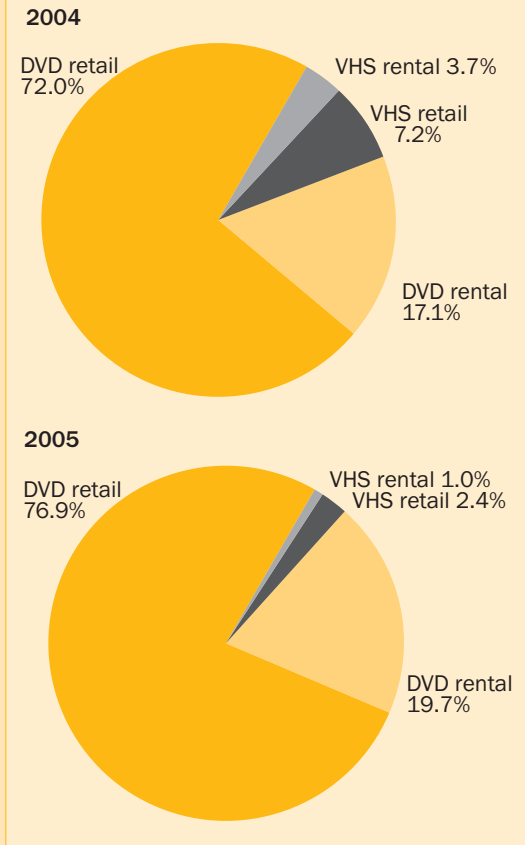
closer, falling by 62 per cent in Europe, 62 per cent in the US and 66 per cent in Japan.

Outlook: Screen Digest and our US research partner Adams Media Research are forecasting total consumer spending on video—DVD and VHS, retail and rental—to decrease by around one per cent in the US in 2006. The decline in Japan is expected to be slightly more pronounced at around three per cent but it is in Europe where the decline will be most severe, falling by six per cent.

THE EUROPEAN DVD HARDWARE LANDSCAPE

Penetration of DVD hardware reached 53 per cent in Europe in 2005, which translates into 122m DVD households. These figures are based on TV households equipped with at least one stand-alone DVD Video player or DVD recorder. They do not include households equipped with a DVD enabled games consoles or PC. Around 105m of Europe's

Europe: spending on video software by sector



Source: Screen Digest

DVD households are concentrated in the Western region, where DVD penetration reached 65 per cent on average at the end of 2005. The DVD market in CE Europe is yet to match the level of maturity reached by the neighbouring region with average penetration at 25 per cent.

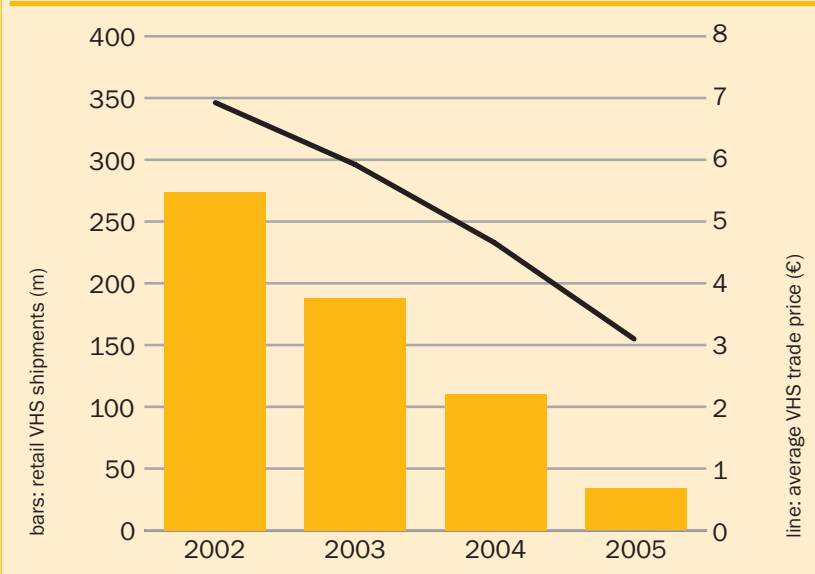
Norway boasted the highest penetration rate of all the European territories in 2005 with 80 per cent of TV households equipped with DVD hardware. However, the largest installed base belonged to the German market: it reached 26m in 2005. It was Russia that made the greatest strides in terms of DVD hardware in 2005, with penetration rising by 21 percentage points to 26 per cent. This is relatively low compared with the European average but nevertheless Russia's installed DVD base is now one of the largest in Europe at 12m, larger even than that of Spain—one of Europe's big five video markets—which has 10m DVD households.

Russia is not alone as a European market with significant room for growth: in both Finland and Greece, for instance, DVD penetration is below the 40 per cent mark.

Europe now accounts for approximately 35 per cent of DVD households worldwide, making it the largest region—larger than North America, Asia Pacific or Latin America—in the worldwide video market.

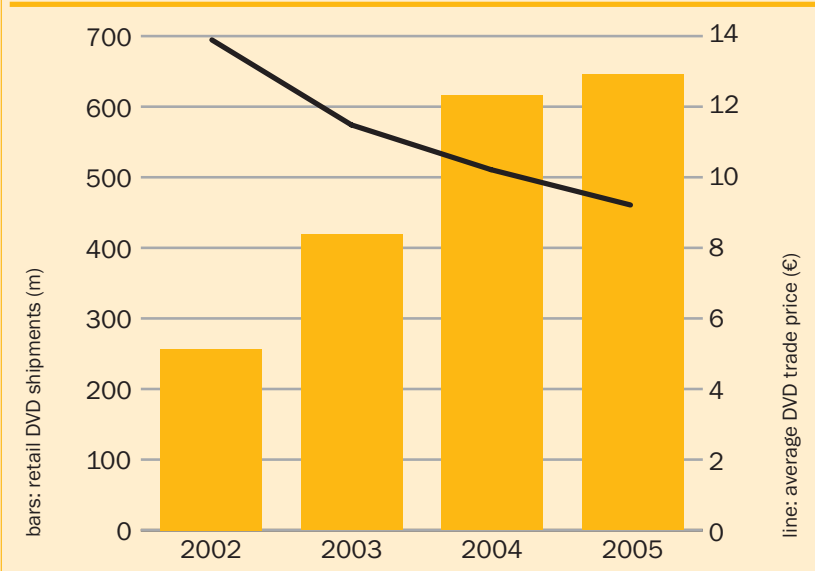
Outlook: Screen Digest is forecasting DVD penetration to reach 73 per cent on average in Western Europe by the end of 2006, which

VHS retail shipments in Europe v average VHS retail trade price 2002-2005



Source: Screen Digest

DVD retail shipments in Europe v average DVD retail trade price 2002-2005



Source: Screen Digest

translates into around 119m households. It is anticipated that there will be stronger growth in the less developed Central and Eastern European territories, where DVD penetration is expected to exceed 33 per cent in 2006 on average, giving the region an installed base of about 23m units.

BUDGET PRODUCT DEPRESSES AVERAGE PRICES

The European retail video market witnessed a further fall in average DVD prices in 2005; prices have now been falling for seven consecutive years, ever since the format was launched. The average price of a retail DVD decreased by just over €2 from €16 to €14—a reduction of around 13 per cent compared with a 10 per cent decline in 2004. This is despite hopes in early 2005 that the fall in prices was slowing.

Spain was home to the most significant drop in average price in 2005 as the cost of a retail DVD fell by almost a quarter. Prices held up better in

neighbouring Portugal, falling by just four per cent, the second smallest decrease in Western Europe behind Austria, where prices were stable. Despite this, however, the Portuguese video market suffered the worst decline in Western Europe in 2005, with spending on retail DVD down 17 per cent and total video spending falling by more than 28 per cent.

Of the big five European markets, our research shows that the UK recorded the highest average price with a retail DVD costing around €16. This in part reflects the high proportion of TVDVD product sold in the territory, which helps to prop up average prices thanks to the higher price points typically prescribed for series box sets.

Whilst price pressure continued on video product in the traditional retail market in 2005, the growth in volume sales of budget product also helped depress total spending. In France, for instance, budget DVDs (product priced below €3) represented 16 per cent of total DVD volume sales in 2005 but just two per cent of spending. In markets such as Italy, Spain and France similarly low-priced titles have been available for some time through the country's news kiosks, but their proliferation in mainstream retail outlets is a newer phenomenon.

If sales through kiosks were added into the total market figures, instead of being monitored separately, the average price in these markets would have fallen even further.

The absence of a kiosk market in the UK and Germany has not prevented the use of cover-mounted DVDs as a promotional tool in these markets. In the UK, where the number of cover-mounts reached epic proportions in 2005, the decision by newspapers to give titles away for free (instead of charging a nominal premium over their usual publication price) has made the practice even more controversial. (See the Profile feature in the July issue, pages 237-244.)

Meanwhile, VHS prices collapsed as retailers attempted to offload their stock. Despite boasting one of the most stable average DVD prices in 2005, Portugal was home to the steepest decline in average VHS prices which fell by 70 per cent. Sweden was the only European territory in which average VHS prices were stable in 2005.

Outlook: Results in the first half of 2006 point towards a deceleration in the decline of average DVD prices. Screen Digest is forecasting that the average price of a retail DVD will fall by five per cent in 2006, compared with a 13 per cent drop in 2005.

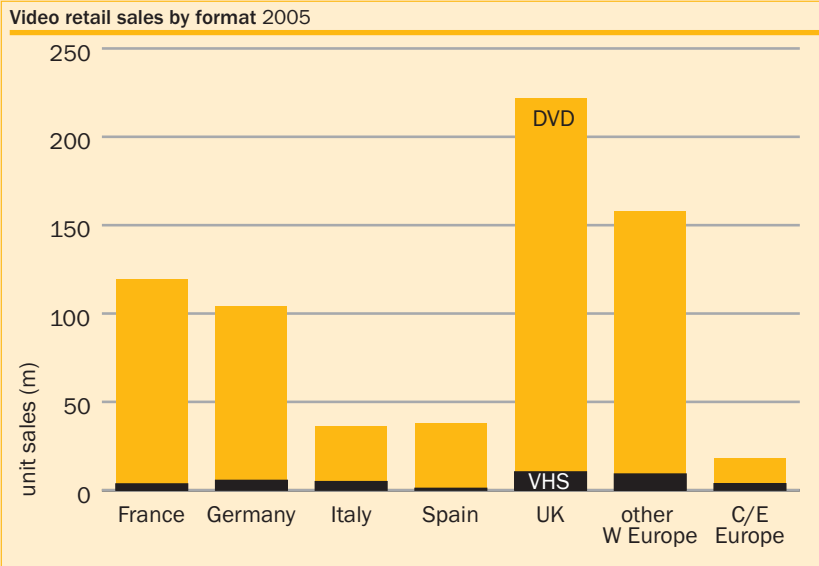
NON-TRADITIONAL DISTRIBUTION CHANNELS GAIN IMPORTANCE

The shape of the traditional retail video market in Europe is shifting. It is no longer dominated by the specialist retailers and consumer electronics stores that pushed the DVD format in the early years following its launch. Instead, generalist stores and supermarkets are coming to the forefront of Europe video retail. Mass merchants have become popular among consumers by combining the convenience of a wide product range with a below-average price point for DVD as they use DVD as a

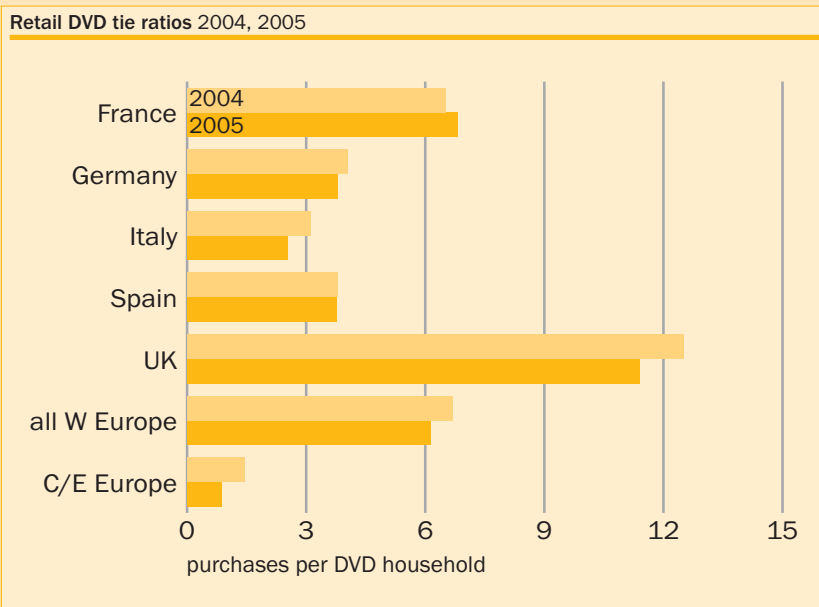
MUCH MORE . . .

Screen Digest's detailed statistical analysis of the video industry in Europe (and the rest of the world), along with forecasts and key market information, is available through **Video Intelligence**, one of five continuously updated online research services available from Screen Digest.

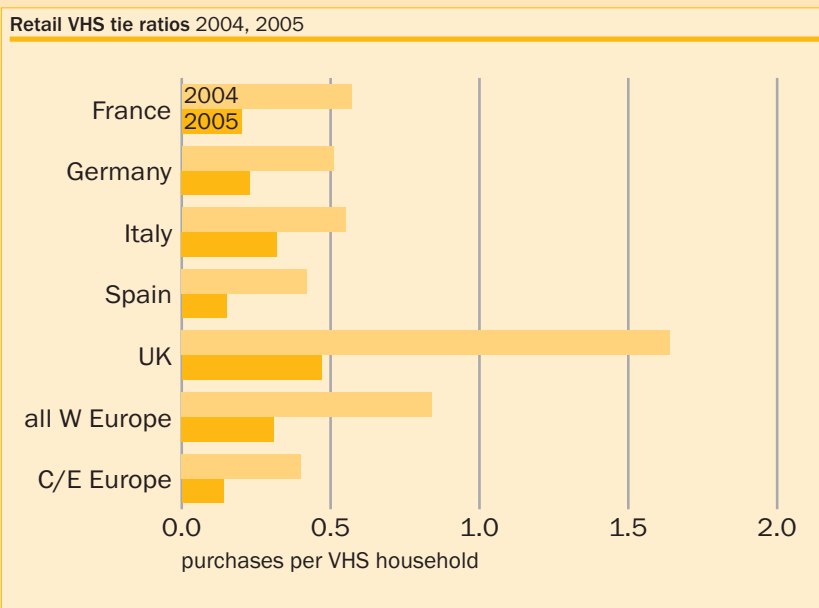
For more information visit www.screendigest.com/intelligence



Source: Screen Digest



Source: Screen Digest



Source: Screen Digest

loss-leader to generate store traffic and boost sales of core product.

This is exemplified in the UK where mass merchants carved out a 27 per cent share of DVD volume sales in a market with a historically strong specialist sector. Leading supermarket Tesco single-handedly accounted for 11 per cent of the market in 2005. The ascendancy of such retailers is even more pronounced in Spain, where supermarkets represented 43 per cent of the local DVD market in terms of unit sales.

This trend is not evident in all European territories, however. In Norway for instance, supermarkets' share of total video sales was just nine per cent. This is perhaps an indicator that the diversification of the video market has been slower to occur in Scandinavia than in the larger European markets.

Arguably just as significant as the changes in bricks-and-mortar distribution channels was the continuing ascent of digital delivery in 2005. Internet video-on-demand (VoD) services have been arriving gradually in Europe since 2000, and 2005 witnessed the launch of the first platform in the UK. Online DVD renter LoveFilm was behind the UK's first VoD platform, offering movies for download on a pay-per-view rental basis.

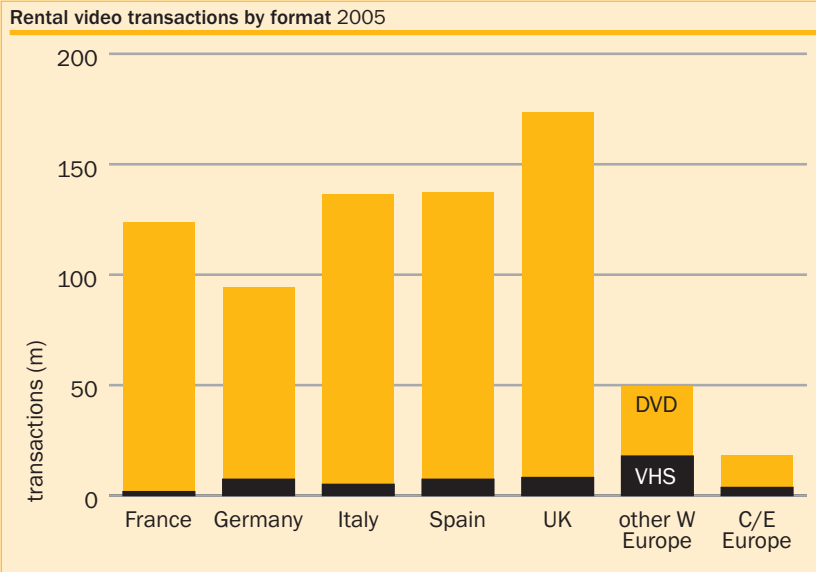
LoveFilm's French equivalent Glowria subsequently launched a service in early 2006, marking a trend as online DVD rental services look to digital distribution to reduce delivery time and overheads. Both services, and a number of others across Europe, have since added digital retail to their business models suggesting that 2006 will be something of a watershed year for movie downloading.

Meanwhile, the European video industry is gearing up for the arrival of high definition DVD at some point in late 2006. It now looks almost inevitable that the format war between rival standards Blu-ray Disc (BD) and HD-DVD, already under way in the US, will be extended to Europe. Both camps are understood to be planning launches for fourth quarter.

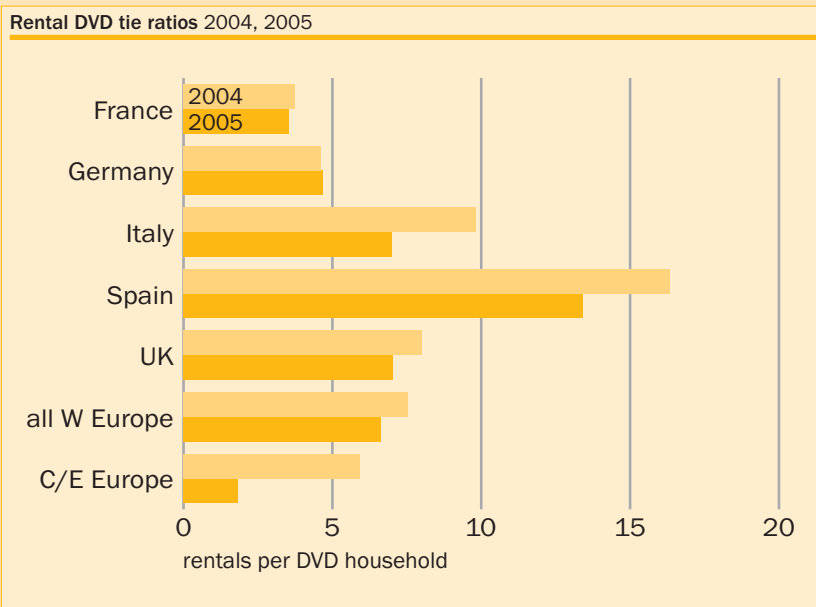
Outlook: The arrival of digital retail has been arguably the most exciting development in the European video market in 2006. Premium content from Universal and Warner among others is now available on a 'download-to-own' basis in all but one of the big five European territories, Italy being the exception. This market is expected to expand rapidly, particularly as content providers begin to grant DVD burn rights, a precedent recently established in the US by sites like Movielink and CinemaNow. However, the market is still small in comparison with the DVD business: in 2006 Screen Digest expects total European spending on digital retail to reach just €5m.

PIRACY

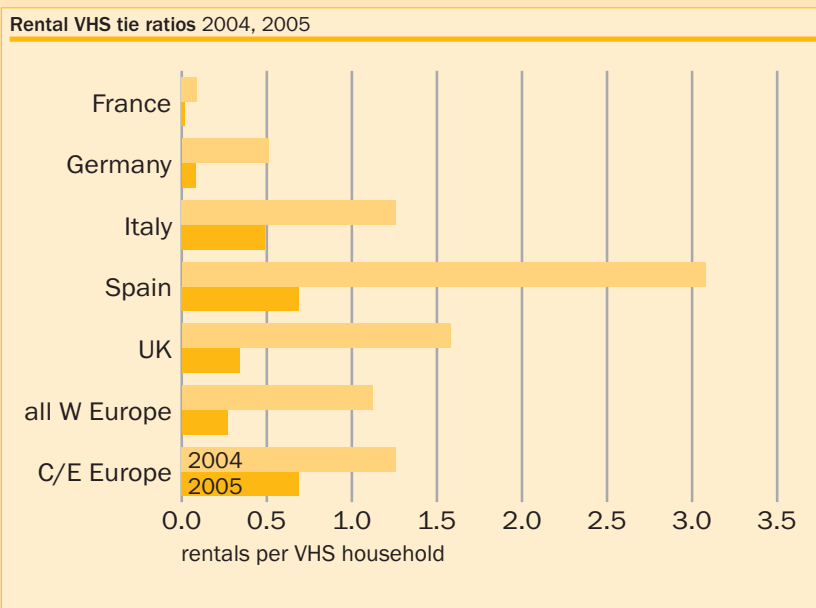
The Hollywood majors lost around \$6.1bn to piracy worldwide in 2005, according to a recent study commissioned by the Motion Picture Association and prepared by LEK. Approximately 21 per cent—around \$1.3bn—of this was lost in the big five European markets.



Source: Screen Digest



Source: Screen Digest



Source: Screen Digest

According to the new research, based on a survey of over 20,000 movie consumers in 22 countries, Spain has the highest piracy rate of the big five at 32 per cent, followed closely by Italy, where approximately 25 per cent of the potential market is lost to piracy. However, it is in the UK, rather than either of these territories, where most potential studio revenues are lost, according to the analysis, the studios missing out on around \$406m in 2005.

The study also attempted to quantify revenue losses for the wider movie industry, stating that independent and local producers and distributors lost around \$1.6bn in the big five European markets. France was the worst affected (accounting for 58 per cent of these losses) due to the strength of its domestic film market. Indeed, according to the MPA, the shortfall in potential revenues for independents (\$903m) was actually greater than that for the Hollywood majors (\$604m).

Physical piracy remains the biggest drain on revenues, accounting for 61 per cent of total losses to the movie industry at \$11.0bn, according to LEK's worldwide analysis. Internet piracy—which, for the purpose of this study, was defined as obtaining movies by either downloading them from the Internet without paying or acquiring hard copies of illegally downloaded movies from friends or family—was responsible for losses of around \$7.1bn.


Outlook: The levels of physical piracy in Europe are unlikely to diminish in 2006, however, the arrival of legitimate alternatives to illegal movie downloading on the Internet might help stem the rise in online piracy.


	2004	2005	change
	€m	€m	%
Austria	90.2	84.0	-6.9
Belgium	369.1	319.6	-13.4
Denmark	258.1	271.4	5.2
Finland	144.0	146.8	1.9
France	2,149.4	1,979.9	-7.9
Germany	1,746.5	1,686.4	-3.4
Greece	23.6	20.7	-12.5
Iceland	22.6	22.8	0.8
Ireland	178.2	179.3	0.6
Italy	788.6	760.5	-3.6
Netherlands	578.8	500.5	-13.5
Norway	296.1	340.9	15.1
Portugal	126.9	100.3	-21.0
Spain	825.3	763.4	-7.5
Sweden	337.7	345.3	2.2
Switzerland	288.1	249.2	-13.5
UK	4,359.7	3,965.2	-9.1
All Western Europe	12,583.0	11,736.1	-6.7
Croatia	11.4	11.2	-1.3
Czech Republic	55.4	60.7	9.7
Hungary	66.9	60.7	-9.4
Poland	49.0	57.2	16.9
Russia	78.7	45.7	-41.9
Central/Eastern Europe	261.2	235.6	-9.8
All Europe total	12,844.3	11,971.7	-6.8

Source: Screen Digest

GENERAL


Warner first with titles on both hi-def formats


 By 1 August 2006, six weeks after the format's initial launch, there were 22 Blu-ray Disc (BD) titles in US stores from four studios: Sony, Lionsgate, MGM and Warner. That date marked Warner's entry into the BD field, with *Rumor has It*, *Kiss Kiss Bang Bang* and *Training Day*, all of which were already available on HD DVD, plus *Good Night and Good Luck*. The latter title had been expected to be the first to be released day-and-date on all three formats (BD, HD DVD and DVD), but the hybrid (HD DVD/DVD) disc was postponed until 22 August. By 1 August, Warner had released 20 HD DVD titles, of which only nine are also currently earmarked for BD release.

 Warner is the first 'format agnostic' studio to release on both formats. Sister companies New Line and HBO have yet to confirm any release dates, whilst Paramount has so far only scheduled HD DVD releases. Availability of directly comparable discs has been eagerly awaited by those keen to assess the quality of the two formats. It will also provide observers (and indeed Warner itself) with the opportunity to compare sales on BD and HD DVD, although the latter's head-start (the hardware has been available since April) makes it likely that it will initially outsell its rival. Warner's BD slate does not so far include the top sellers from the HD DVD list (such as *Goodfellas*, *Swordfish* and *The Perfect Storm*), which might suggest that the studio is reserving its stronger titles for the format it has supported the longest. Perhaps more likely, however, is that the studio is waiting until technical issues affecting the production of dual layer BD discs and/or implementation of advanced interactivity via BD-J are resolved before releasing its more popular titles. Whatever the case, the studio's real 'crown jewels' (franchises such as *Harry Potter* and *The Matrix* have yet to be scheduled on either format. The impact of releasing such titles could be significant; Warner's release of *The Matrix* in late 1999 is widely regarded as having contributed to the early growth of the DVD market in both the US and Europe by becoming the format's first 'must have' title (see also *Focus*, pages 260-261).

→ Warner Home Video: USA; +1/818 954 6000; www.warnerbros.com

Digital cinema heads to Russia


 Russia has joined the digital cinema pursuit with a move by multiplex chain Cinema Park to equip up to 70 screens using the latest high-end technology. The group will begin its roll-out at the eight-screen Cinema Park South Multiplex, scheduled to open in November 2006 on the outskirts of Moscow. The chain has earmarked high-end D-cinema equipment for the transition, including 2K D-cinema projectors from Cinemeccanica, incorporating Barco DLP technology. The company has targeted 70 digital screens in Russia by 2009, of which 48 are expected to be in place by end 2006.

 Cinema Park hopes to cash in on the advantages of digital cinema—cheaper and more flexible distribution and a lower exposure to piracy, the latter of which is particularly problematic in the territory. Russia will be one of few territories in Eastern Europe, after Czech Republic, Hungary and Bulgaria, to embrace digital cinema, mostly because of the high costs associated with the equipment.

→ Cinema Park: Russia; +7/495 933 2841; www.cinemapark.ru

→ Cinemeccanica: Italy; +39/02 74 81 151; www.cinemeccanica.it

Worldwide mobile TV service digest

 ● **Australia:** Following trials, operator Telstra has opted not to use DVB-H and instead use Ericsson's MBMS technology, an IP broadcast system that uses the operator's existing 3G network.

● **China:** Guangdong Mobile Television Media is reportedly building a DMB network in Guangdong for mobile TV broadcast.

● **Italy:** Network operator 3 Italia announced 111,000 users had signed up to its new mobile TV service, which uses the DVB-H technology, in the first week of the soccer World Cup. This represents the most successful mobile TV service launch to date. Users pay €29 per month subscription in addition to normal mobile phone usage charges.

● **Japan:** Softbank, which recently acquired Vodafone's Japanese mobile operations, is to trial Qualcomm's MediaFLO technology. Other companies trialling the system include KDDI (also based in Japan) and BSKyB (UK).


● **UK:** The BBC is to trial its Local TV service on mobile. The service broadcasts local news stories over the 3G network.

● **UK:** Mirics Semiconductors has received an undisclosed investment from Pond Ventures to fund development of a chip capable of receiving broadcasts from all of the major mobile TV technologies (DAB-IP, DVB-H, T-DMB and MediaFLO). Qualcomm and Texas Instruments have already announced development of similar chips.

● **UK:** Mobile TV provider ROK Entertainment announced the acquisition of FoneDream, a mobile content provider with a wide range of original content.

● **USA:** Mobile video service provider Smartvideo has raised \$9m from a private placement of common stock. The company subsequently announced a deal to broadcast an advertising supported feed of news from MSNBC.

Digital 3D acts as catalyst for more deployments

 Second digital 3D release, Sony's *Monster House*, has acted as a catalyst for several d-cinema deployment deals. The movie was screened on 178 screens in 163 sites in the US, with 218 screens in 203 sites expected worldwide, more than double that of the first digital 3D release Disney's *Chicken Little* in November 2005. (See also *3D continues to strike a chord with audiences* under Markets.)

A total of 39 individual exhibitors now have the RealD format installed, led by Regal (34), National Amusements (25) and Rave Motion Pictures (23). New customers include Cinemark (17), Carmike (17) and UltraStar (5). National Amusements agreed to roll out an additional 14 d-cinema projectors for the screening, bringing its total to 24 sites and 25 screens in the US. In addition, RealD has struck a deal with Cinemark for a total of 150 digital 3D systems, of which 17 were installed for the screening of *Monster House* in July and the remainder by 2007. The deal is the largest so far in the digital 3D arena. However, d-cinema facilitator Christie/AIX had agreed a non-exclusive deal with rival stereoscopic firm In-Three.

Meanwhile, Kodak was employed for the installation of international deployments for *Monster House*, including screens in Canada, Australia and Singapore. The systems will comprise RealD's filter and Kodak's networked Digital Cinema Operating System (DCOS), in a total of 27 multiplexes covering eight exhibitors. RealD advocates a passive 3D digital system, requiring disposable eyewear and projection on a silver screen.

→ RealD: USA; www.reald.com


→ Kodak Digital Cinema: USA; +1/716 724 4000;

www.kodak.com/US/en/motion/products/digital/index.jhtml

→ National Amusements: USA; +1/781 461 1600; www.nationalamusements.com

→ Cinemark: USA; +1/972 665 1000; www.cinemark.com

Swiss film funding rises but success is elusive

 Strong feature film production sector has not necessarily fed through into market success, according to a study into film production in Switzerland between 1995 and 2004. Federal Office of Statistics found that the number of feature films produced rose from 37 films to 61 films. Of the latter, 29 were fiction, 31 documentaries and one animation. The strong documentary tradition was a constant feature over the decade. Films made for TV rose from 18 in 1995 (13 documentary, five fiction) to 73 in 2004 (55 documentary, 18 fiction). In the vibrant short film sector, production rose from 72 to 128 (made for cinema) and 15 to 22 (made for TV).

Switzerland is an active co-producer, notably with countries sharing its three languages. Of 146 co-produced features in 2000-2004, France made up 29.5 per cent, Germany 23.3 per cent and Italy 10.3 per cent. Other partners included Austria (6.2 per cent), Luxembourg (5.5 per cent), Belgium (5.5 per cent) and UK (5.5 per cent).


Total public investment in the film industry nearly tripled from Sfr 21.7m (\$17.6m) in 1995 to Sfr 64.5m (\$52.3m). The main investor was broadcaster SSR/SRG, rising from Sfr 6.1m (\$4.9m) in 1995 to Sfr 31.4m (\$25.4m) in 2004, thanks to the Audiovisual Pact. Other significant contributors are the Federal Office of Cinema and regional funds. Half of public funding of Swiss film comes from TV (48.7 per cent from SSR/SRG), whereas in 1995 TV only contributed 28.1 per cent.

However, the obvious strengthening of the film production sector has not really had much effect on the success of Swiss films in the cinema. In 1995, 41.7 per cent of Swiss films attracted fewer than 1,500 spectators at the cinema. This rose to 48.8 per cent in 2004. Very few films took over 50,000 admissions during that period, the best year being 2003, when three films exceeded that level.

→ Federal Office of Statistics: Switzerland; +41/32 713 60 60; www.bfs.admin.ch

REGULATION


EU reviews hi-def disc licensing policies

 European Commission has requested details of licensing rules from backers of Blu-ray Disc (BD) and HD DVD next generation video formats in what could be the first step in an enquiry into possible anti-competition issues. Sony and Toshiba are understood to have received letters requesting details about how they intend to license their respective hi-def disc technologies to other hardware manufacturers and disc replicators. The letters stop short of an official investigation. Depending on the answers it receives, the Commission can choose to drop the matter or launch a formal investigation.

→ Toshiba: Japan; +81/3 3457 2105; www.toshiba.co.jp

→ Sony: Japan; +81/3 5448 2111; www.sony.co.jp

China designs box office levy for production fund


 On the back of rising box office, Chinese government is to impose a five per cent levy on annual box office revenues to invest in local production. The Special Fund for National Cinema Development will lend, reward or finance local production. The amount of funding will depend on box office earnings but significantly increases the current levy of 5 fen (0.6 US cents) on every cinema ticket sold. The government has also continued with a month when no revenue-sharing foreign releases are allowed (see 2004/147b2), this year from 11 June to 10 July, generally timed to coincide with school holidays.

Box office in first half 2006 is reported to have climbed 40 per cent to finish at 1bn yuan (\$125m), which is half the amount of 2005 total of 2bn yuan (\$250m). This continues the strong market growth experienced in the past few years. The increase from the first half 2005 total of \$89m is partly down to new screens going up in second half 2005. Of the first half total, revenue-sharing films (generally Hollywood product) captured 51 per cent, with 49 per cent taken by local films and flat-fee imports. Leading title of 2006 so far is *Da Vinci Code* with 105m yuan (\$13.2m). Second half of the year is usually stronger for local product given the traditional view that the first half is the low season.


Interest in China by US majors seems to be consolidating. Warner China Film has announced its release slate for the rest of 2006. Warner is also implementing measures to combat the high piracy rate in China. The first film from joint venture Warner China Film, *Crazy Stone*, was released in cinemas on 30 June 2006 and 12 days later Warner released a DVD version—a very quick turnaround—costing 10 yuan (\$1.25), significantly less than a multiplex cinema ticket, which can cost up to eight times as much. *Crazy Stone* is the highest-grossing locally-directed film in 2006, having taken 6.2m yuan (\$0.78m).

→ Warner Bros International Theatres: USA; +1/818 977 6278

FCC auction for better mobile services in the US


 In an auction planned by the US Federal Communications Commission (FCC) for 9 August 2006, 1222 licenses in radio-frequency bands 1710 MHz-1755 MHz and 2110 MHz-2155 Mhz are to be sold. These bands are called Advanced Wireless Services Spectrum and are supposed to be used for applications requiring a lot of bandwidth such as web browsing, text and video. From over 100 applications the FCC selected 81 bidders, including carriers such as T-mobile, Verizon Wireless, Cingular.


Cable companies are also in the running with Cable One and Cable vision requiring spectrum for potential triple-play services. Two satellite service providers, Direct TV and EchoStar Communications, jointly applied under the name Wireless DBS to obtain spectrum to start broadband services. With 100 rural licences for auction and a discount of 15-25 per cent on the winning bid price, the FCC makes it easier for smaller providers. The US government expects to raise at least \$15bn through this auction.

 T-mobile is expected to be the most aggressive bidder at this auction since it needs the spectrum to upgrade its network to 3G. Verizon and Cingular, the main competitors of T-mobile, already offer 3G services and need for spectrum to extend service coverage in the US.

→ FCC: USA; +1/888 225 5322; www.fcc.gov


Rentailers found guilty of copyright infringement

 UK's Rental Rights Protection Programme (RRPP), which monitors illegal rental of retail-priced DVDs, has extended its activities to Scotland and Ireland. Scottish rentailer MovieXpress was sued for renting out retail-only titles, resulting in it paying £7,000 in legal costs and damages. Meanwhile, the RRPP also claims to have successfully concluded court proceedings against offenders in Ireland.


 RRPP was founded by the Federation Against Copyright Theft (FACT) and several home entertainment distributors in February 2004 (see 2004/52b2) to protect the rental rights of programme's funding studios. Since its launch, the RRPP has issued several court proceedings against video dealers found renting product destined for retail. Four UK rental dealers have been issued court orders for copyright infringement and one year ago UK online rental service Boxchoice.com ceased trading following an RRPP investigation.

→ RRPP: UK: www.rentalrightsprotection.org

Dutch law allows cities to roll out fibre


 Telecommunication Law passed in the Netherlands allows the city of Amsterdam to continue with its Citynet municipal fibre rollout, capable of handling IPTV, VoD and VoIP services. It enables Dutch municipalities to participate in building optical fiber networks, but they must consider every five years whether to keep their share in a given local fiber network. The new law does not obligate networks with municipal shares to be open, unlike the Amsterdam network.

The first phase of the rollout of Amsterdam's network will reach 40,000 homes, which is expected to rise to 420,000 connections (total city connections) at a projected cost of €300m. The network is jointly owned by City of Amsterdam, GNA (owned by ING Real Estate and Reggefiber) and five housing corporations. The City has invested €6m on the same terms as the other partners. The network has been leased to operator BBned (a subsidiary of Telecom Italia), which will invest to activate the network and as a wholesaler will sell capacity to corporations that provide end-user services on a free competition basis.

 The fibre network is likely to unsettle both the incumbent telco KPN and cableco UPC since the new municipal network will deliver high-speed internet at low consumer prices, owing to the competition encouraged by its open access nature for interested providers.

→ Citynet: Netherlands; www.citynet.nl; +31 20 552 5626

EC agrees aid to bridge Greek broadband divide

 The European Commission has endorsed a €210m state aid fund for Greek authorities to boost broadband coverage and penetration in regions where accessing the benefits of broadband is difficult. The Commission decided that the amount in aid would not cause undue distortion of competition within the Single Market and was compatible with EC Treaty state aid rules.

This is the most ambitious broadband project undertaken by a member under state aid rules, and follows the Commission's policy to promote broadband in rural and remote areas with funding. The project also complements Greece's national broadband policy that complies with Community priorities as outlined in the i2010 initiative. The nation has a very low population density and numerous highland and island areas. This has meant broadband network providers have mainly focused on the metropolitan areas of Athens and Thessalonika. The aid will first fund the provision of broadband access services by service providers and second fund promotion of the purchase of PCs, modems and training of end users.

→ Information Society: Greece; +30 210 3722400; www.infosoc.gr


EU members agree to extend MEDIA Programme

 European governments have agreed in principle to continue joint financial support for European film and TV production for another seven years. The new MEDIA Programme will offer €755m funding for the industry in the European Union and other participating countries from the start of 2007. The largest slice of funding (55 per cent of the budget) will be earmarked for distribution support, with development allocated 20 per cent and the rest of the funds going to promotion, training, pilot projects, MEDIA Desks and the European Audiovisual Observatory. The European Commission's original request was for €1.055bn. The Council of Ministers, representing the 25 EU member states, agreed the proposal in July and it now goes to the European Parliament. The new programme is expected to be passed into law by the year end.


→ European Commission: Belgium; +32 2 299 9399; www.ec.europa.eu

BUSINESS

Unity Media and Premiere agree Bundesliga deal


 German cable operator Unity Media and pay TV platform Premiere have reached an agreement under which Premiere will offer Unity Media's Arena Bundesliga football channel to its subscribers in Kabel Deutschland's network area. Until this deal Unity Media would have been able to offer Arena Bundesliga to cable households within its own network and those of Kabel BW, with which it has concluded a carriage deal. It has not agreed carriage with Germany's largest cable operator, Kabel Deutschland, however.


The agreement between Unity Media and Premiere means that nearly all of Germany's cable customers will be able to get Arena's Bundesliga Soccer Channel once the 2006/07 season starts this month (August). Kabel Deutschland customers will buy the channel directly from Premiere, whereas Unity and Kabel BW customers will subscribe directly with Arena. In addition to cable, Unity Media will offer Arena football via its own satellite platform.

 *The deal is an important step for Unity Media, which at last will be able to reach all German cable customers. Premiere, albeit to a lesser extent, can also be considered a winner, as the company is likely to retain a part of its subscriber base. Premiere had held Bundesliga rights for more than 10 years, but surprisingly lost them to Unity Media last December. As soccer has always been a cornerstone of Premiere's premium offering, the company is now in danger of losing part of its subscriber base. At least on Kabel Deutschland's network—via which an estimated 25-30 per cent of Premiere's subscribers are served—Premiere is now likely to keep subscribers who otherwise might have churned. On the other hand, Premiere will still have to face potential subscriber loss in areas outside Kabel Deutschland's network. Earlier, Premiere also agreed a deal with Deutsche Telekom, which holds the live IPTV rights to the Bundesliga. Premiere will manage the Bundesliga rights for the telco in return for being able to sell Premiere subscriptions via Deutsche Telekom's T-Home IPTV platform. There is thus likely to be some migration of Premiere subscribers from satellite to IPTV.*

→ Unity Media: Germany; +49/221 377920; www.unitymedia.de
→ Premiere: Germany; +49/89 9958 7400; www.premiere.de


Dolby acquires solution to 3D technology


 Dolby has signed a deal to license stereoscopic technology from Infitec, a German manufacturer of 3D applications, thereby proposing its own 3D solution. Dolby will integrate Infitec's 3D server widget with Dolby digital servers for the projection of stereoscopic movies. Dolby expects that its 3D solution (in collaboration with Infitec) will be more cost effective than existing stereoscopic formats because it is a passive system using cheaper disposable eyewear, but will not require projection on a silver screen.

 *Whilst there are two types of stereoscopic technology, passive 3D systems, such as the one developed by RealD, currently have the larger take-up. However, RealD's system requires the installation of a filter and a silver screen to project the image. Active systems, like the one offered by In-Three, can be projected on a cinema's standard white matt screen, but the active eyewear requires repeat washing. Dolby's new system is expected to be available by spring 2007.*

→ Dolby: USA; +1/415 558 0200; www.dolby.com


Non-film specialist distributor launches in Iberia

 New video distributor, So Good Entertainment (SGE), launches in the Iberian region, with the financial support of Portuguese financial corporation Banco Espírito Santo. The new company will specialise in television series, documentaries, catalogue films, special interest, animation and music titles. SGE will also handle the distribution of titles from Beetz Entertainment—European branch of Japan's Bandai—in Portugal and Spain. At the time of writing, the company is also negotiating the co-production of three full-length movies.

 *The newcomer's decision not to focus on new releases reflects the increasing importance of non-film product, especially TV DVD, in the territory. Screen Digest analysis indicates that Spanish consumer spending on DVD fell by two per cent in 2005, but spending on catalogue titles increased by 10 per cent and that on TV DVD rose by 35 per cent.*

→ So Good Entertainment: www.sogood.es


Key players epitomise video rental market

 Mid-year results for rental warhorse Blockbuster and US DVD-by-post pioneer Netflix reflect trends in the wider rental market.

- Blockbuster's revenues declined by \$21.4m in the second quarter of 2006, despite savings made from store closures and a tax break. In the US, same-store rental revenues increased by four per cent but total domestic rental revenue fell by three per cent in second quarter 2005 to \$821m in 2006. Revenues from its international business were even more disappointing as same-store rentals fell by five per cent. Consequently, Blockbuster is looking to make further cuts and is understood to be considering the sale of around 250 of its 700 UK stores, perhaps even exiting the market altogether, as it did in Spain (see 2006/88b2).

Blockbuster's online offering has fared better than its bricks-and-mortar business. Its subscriber base increased by 100,000 in the second quarter to 1.4m and the company is optimistic that it could rise to 2m—which it says would take the operation into profit—by year end. Subscriber levels remain some way behind those of market leader Netflix but Blockbuster contends that its unique online-offline combination will maintain its dominance overall. It is currently testing allowing subscribers to return rent-by-post discs to a Blockbuster store and rewarding them with a free in-store rental.


- Netflix added three times as many subscribers as Blockbuster in second quarter 2006. Its user base increased by 303,000—up 6.2 per cent—to 5.17m, just shy of the rentmailer's 5.20m projection. This encouraged a 46 per cent rise in revenues, generating \$239m for the quarter. Netflix also secured \$100m in a second stock offering, which it intends to use to mount a challenge in the Internet video-on-demand (VoD) marketplace. The company will reveal its digital delivery ambitions in January 2007.

 *Blockbuster's fall from grace and Netflix's strong growth are signs of the times in a rental market whose focus is shifting from high street stores to the Internet. The store closures are perhaps the best indicator of a rental climate so volatile that it saw the two rivals taking pot shots at each other earlier in 2006 (see 2006/149b2). The sniping now appears to have subsided as they formulate their respective strategies. Blockbuster is concentrating on its USP—the ability to offer video rental both through stores and through the post—although the store closures will shorten the reach of its dual distribution capabilities.*

→ Blockbuster: USA; +1/212 854 3000; www.blockbuster.com
→ Netflix: USA; +1/408 399 3700; www.netflix.com


Sony expands LoveFilm VoD library


 UK Internet video-on-demand (VoD) and online DVD rental service LoveFilm has agreed a three-year digital distribution deal with Sony that allows LoveFilm to offer 180 catalogue titles from Sony as well as new releases for download. Content will be available for à la carte rental. This is Sony's first foray into Internet VoD on a pay-per-view (PPV) basis in the UK. Until now its involvement has been limited to Sky's free-to-subscribers movie download service.

 *LoveFilm now boasts content from three of the six Hollywood majors, with Warner and Universal already on board, the latter on a digital retail basis. The deal is a testament to LoveFilm's aggressive online strategy as it bids to become a one-stop shop for home entertainment in the UK, and in wider Europe as it expands geographically.*

→ LoveFilm: UK; +44/279 434844; www.lovefilm.com

UK venture capitalist invests in French VoD



 Arts Alliance Media (AAM), principal shareholder of UK online DVD rental and Internet video-on-demand (VoD) service LoveFilm, has invested in La Banque Audiovisuelle (LBA), parent company of French VoD portal Vodeo, with an option to acquire the company within the next 12 months. Vodeo offers over 2,000 titles, primarily documentaries, for pay-per-view (PPV) and digital retail.

 *The move is designed to augment LoveFilm's broader European VoD ambitions. The company has already branched out into the continent via its acquisition of Swedish rentmailer Boxman and Danish DVD-by-post service Digitalian (see 2006/313b3). Entering the French VoD marketplace would place LoveFilm in direct competition with its French equivalent Glowria. The latter has launched its own assault on the European market in recent weeks, acquiring two German online DVD rental services, DiViDi and InVDeo (see 2006/118b1), both of which—according to Glowria—will be expanded to include VoD in third quarter 2006. In its current incarnation, Vodeo is ill-equipped to rival the premium content offering from Glowria but there is potential for the service to leverage LoveFilm's relationships with major content providers like Universal, with which it recently agreed a digital retail deal (see 2006/123a1).*


→ Arts Alliance Media: UK; +44/20 7594 4026; www.artsalliancemediam.com

BUSINESS

BBC anticipates digital retail and hi-def discs



  Video distribution joint venture of BBC Worldwide and Woolworths, Zentertain, has singled out digital retail and high definition content as key facets of its long-term business strategy. The distributor is in talks with the BBC to secure content for digital retail in fourth quarter 2006. It is also considering a variety of other business models. BBC Worldwide is keen to make its catalogue product available for downloading on a pay-per-view (PPV) basis and within an ad-supported model.


Meanwhile, Zentertain is building a portfolio of hi-def content from the BBC with a view to entering the hi-def video marketplace in 2007. The distributor has earmarked documentary *Planet Earth* as its first hi-def video title.

 *Both strategies are designed to position Zentertain as a key player in an evolving video distribution business. According to Zentertain, the BBC is looking to become a major producer and distributor of high definition content worldwide, leaving Zentertain well placed to capitalise on its ties to the broadcaster (see 2004/253). The distributor has already established itself as a strong entity in its local market, accounting for seven per cent of the UK retail video business in 2005.*
→ Zentertain: UK; +44/20 7612 3000; www.zentertain.co.uk
→ BBC Worldwide: UK; +44/870 600 70 80; www.bbcworldwide.com

MARKETS

3D continues to strike a chord with audiences


  Second digital 3D presentation from Sony, *Monster House*, has recorded positive audience feedback from the stereoscopic screenings in the US. The film played in 163 theatres (178 screens) in the RealD format, equivalent to 4.3 per cent of the total of 3,553 theatres. The results show that \$2.4m of an opening weekend gross of \$22.0m was accounted for by 3D screens, equivalent to 11.0 per cent of the total box office. The 3D screens therefore averaged \$15,337 per theatre—2.4 per cent higher than the flat screen average (\$6,553). The results mirror those set by the first digital 3D release *Chicken Little* in November 2005, where a higher screen average of 2.5 and 3.0 times was recorded in cinemas in US and Germany, respectively. However, in terms of overall performance the film has failed to match the level set by *Chicken Little*, which grossed \$40.0m in its opening weekend, accounting for 29.6 per cent of its total gross.


 *There is a growing footprint of digital 3D screens, which have more than doubled in the past six months (see Digital 3D acts as catalyst for more deployments under General). To date, there have been only two animation titles screened in digital 3D, but other feature films and even live sports are expected to debut in theatres in the future. There is also potential to gain additional box office from re-releasing classics in 3D. However, it remains to be seen whether audience interest will remain after the initial novelty.*

→ RealD: USA; www.reald.com

→ Sony Pictures Entertainment: SPE; USA; +1/212/833 8500; www.spe.sony.com


Quarterly iPod sales continue to slide

 Apple sold 8.11m iPods worldwide in second quarter 2006, the third highest quarterly sales in the portable music player's history. Sales were up on the 6.2m iPods sold in the same period 2005 but down on the 8.56m units the company sold in first quarter 2006, the second successive quarter that unit sales have fallen. Apple's quarterly iPod revenues were just short of \$1.5bn. In contrast to this, its 'other music revenues', which includes the iTunes Music Store and iPod services, amounted to \$457m. (See also Focus, page 264.)

 *These are uncertain times for the iPod. While quarterly sales remain strong, the device's long-term growth is less clear cut. The player is no longer seeing the consistent quarter on quarter growth it enjoyed from second quarter 2003 to fourth quarter 2005. Moreover, with the launch of the Playstation 3 and Nintendo Wii in fourth quarter 2006, there promises to be more competition for consumer electronics spending than Apple has previously experienced in the important Christmas period.*

→ Apple: USA; +1/408 996 1010; www.apple.com


France and UK video spending first half decline

 First half 2006 video sales in France and the UK show video markets in decline. However, both markets rallied slightly in the second quarter compared with first-quarter results. In both cases DVD now accounts for more than 99 per cent of the retail video business.


- French consumers spent €681.3m on DVD in first half 2006—9.2 per cent less than in the same period in 2005 (€751.4m), according to the Centre National de la Cinématographie (CNC). The decline in DVD pricing slowed over the first half to 1.4 per cent, bringing the average price of a DVD to €12.27. DVD volume sales fell 7.9 per cent to 55.5m units. The impact of the disappearing VHS business is still felt at total market level: total spending dropped 11 per cent to €684m and volume sales were down 10.6 per cent. Yet this is an improvement on the first quarter results for the total video market that showed declines of 14.3 per cent in spending and 13 per cent in unit sales.

- In the UK total video volume sales were down only one per cent in first half 2006 compared with a three per cent decline in first quarter, according to data from the British Video Association (BVA). DVD volume sales increased five per cent in first half 2006 to 95.5m. Official value figures from BVA are not released until the year end.

- The UK rental market reported total rental transactions down 26 per cent over first half 2006, with traditional rental transactions declining 35 per cent and online rental up 27 per cent. Year-on-year growth in the latter sector is down on first quarter, although *Screen Digest* research indicates that online rental subscription rates continue to show healthy growth, suggesting that this slowdown reflects a seasonal downturn in transactions per subscriber rather than a long-term trend.

 *The slightly more positive second quarter results were achieved despite competition from the football World Cup in June and a beatwave, suggesting that they may reflect a stronger title slate. The second quarter included Warner's Harry Potter and the Goblet of Fire, Buena Vista's The Chronicles of Narnia and in the UK, Universal's King Kong (although France's six month theatrical window results in an August release for the latter in France). However, further analysis shows that in both markets film's share of video sales increased only marginally between first and second quarters.*

Japanese lull leads to drop in Korea film exports



 Korean feature film exports dropped sharply in the first six months of 2006, compared with the same time last year. Total film revenues from overseas sales stood at \$17.4m, down 58 per cent on first half 2005 figure of \$41.8m. The drop seems to come mainly from Korea's main export market, Japan, which bought 15 films for \$8.7m (an average of \$0.58m a film), compared with 36 films for \$30.9m in first half 2005 (an average of \$0.86m). This suggests a drop in quality of Korean films, which are being sold for less this year.


Japan, however, is still the major buyer, accounting for 50 per cent of sales of all 128 titles to 47 territories. Other significant buyers were Thailand (9.8 per cent of sales), France (5.9 per cent) and the US (5.3 per cent). Average sales price for all films is considerably less than the Japanese average, standing at \$136,090 in first half 2006, down 50 per cent. The Korean Film Commission sees this as a more realistic level of pricing for Korean films.

→ Korean Film Commission (KOFIC): South Korea; +82/2 9587 592; www.kofic.or.kr

PRODUCTS

AOL trials video portal in US



  AOL has launched a beta version of a new video portal to users in the US. The Internet video-on-demand (VoD) service, labelled AOL Video, features over 45 content channels, with Warner and MTV Networks among the providers. It offers premium titles such as *South Park* for pay-per-view (PPV) alongside niche content available on a free and ad-supported basis. The In2TV video portal that AOL launched in partnership with Warner (see 2005/378a3) is included as part of the new, broader content offering. The service also facilitates video sharing and features a video search engine powered by Truveo and Singingfish that indexes results from the likes of YouTube, Yahoo and Google Video.

 *The video portal is further evidence of AOL's attempt to reposition itself as a content portal and aggregator, leaving its broadband ISP business behind. It is further along with this strategy in the US than in Europe, where AOL continues to operate as an ISP in several territories (although it is rumoured to be planning to divest itself of the European ISP interests).*

→ AOL: USA; +1/212 484 8000; www.aoltime Warner.com

PRODUCTS

Download-to-burn arrives in the US

  US Internet video-on-demand (VoD) services CinemaNow and Movielink have both launched premium download-to-burn offerings.

- CinemaNow has negotiated burn rights for around 100 titles on a digital retail basis with Disney, Sony, Universal and backer Lions Gate among the providers. The new service allows users to burn one copy of each movie they download onto a blank DVD+R or DVD-R writable disc. Discs can then be played back on most DVD hardware, including standalone DVD player/recorders. Consumers are also able to download graphic menus, surround sound, bonus features and language and commentary tracks, with the entire process taking two to three hours according to CinemaNow. CinemaNow is using a copy protection solution devised by FluxDVD to prevent content from being copied illegally, rather than the Content Scrambling System (CSS) employed for pre-recorded DVD. The system works by inserting errors in the Digital Sum Values (DSV)—the ratio of land to pits on the surface of the DVD—of the disc, making it difficult to copy.



- Studio-backed service Movielink has been offering download-to-burn since April 2006 when it debuted its digital retail proposition but, unlike the equivalent offering from CinemaNow, has restricted playback to PCs. This policy is expected to change, however, following its licensing agreement with DVD authoring specialist Sonic Solutions (see Movielink entry under Technology deals, page 285). The latter has been developing download-to-burn technology with the Hollywood majors since 2004, building on its existing relationships as a provider of professional DVD authoring software and tools.

Download-to-burn is expected to be a catalyst for growth in Internet VoD, specifically digital retail. DVD burn rights had been slow to arrive to date, due to rights holders' concerns over content protection. For now, the studios remain reluctant to allow full portability of their new releases—Movielink offers download-to-burn but limits DVD use to the PC and CinemaNow has secured burn rights only to select catalogue titles from its digital retail offering. Some of its content providers (Disney, for instance) have opted out altogether. The copy protection measures employed by the respective services seems to have allayed some of the studios' fears, although the copy protection system adopted by CinemaNow has met with criticism from some quarters. Industry reports have alleged that the errors added to the burned disc to prevent duplication might exceed the tolerance of the error correction algorithms on DVD hardware, possibly rendering it unplayable.

→ CinemaNow: USA; +1/310 314 2000; www.cinemanow.com

→ Movielink: USA; +1/415 392 8282; www.movielink.com


BSkyB launches broadband service

  UK satellite pay TV operator BSkyB has launched its Sky Broadband Internet service, which is available to all Sky subscribers. The basic broadband service, which comes with a download speed of 2Mbps and a maximum data allowance of 2Gb a month, is free of charge for all Sky subscribers. Further options include an 8Mbps/40Gb service for £5 a month, and a 16Mbps service with no limit on data transfer for £10 a month. For further £14 a month, customers can get line rental and an unlimited UK calls package. The set-up fee for any of these products will be £40. Sky broadband users will get access to select Sky on-demand content, initially to the PC and, from 2007, to their television sets via their set-top boxes. By end 2006, Sky aims to cover 50 per cent of the UK population with its broadband service, and has set the target of increasing the coverage to 70 per cent by end 2007. It aims to win about one third of its subscriber base for its broadband services within three to four years, which would translate into around 3m users.

By offering a 'free' broadband service, Sky is following the example of Carphone Warehouse and Orange, which have started offering free broadband to their telephone line rental and mobile phone customers. Sky is able to offer broadband services after last year's acquisition of alternative network operator Easynet. Sky's move into the broadband business can be seen as a reaction to the growing importance of on-demand and triple-play services—products that Sky would have been unable to offer due to the technical limitations of satellite technology.

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

Australia gets new DTH satellite pay TV service

 Australia has launched a new digital direct-to-home (DTH) satellite pay TV service targeting selected ethnic and cultural market segments. The SelecTV nationwide service offers 36 channels via the PanAmSat8 (PAS8) satellite and has been commercially launched following a trial since early January 2006. SelecTV is using an IP-based compression and multiplexing services from digital head-end technology developer Harmonic for the new service. It has also secured content from several international media companies, including BBC, Bloomberg TV, CNN, Movie Network, National Geographic and Turner Classic Movies. The new service aims to provide programming not currently available from other cable and satellite operators including language-specific, community-oriented and premium programming. It has signed 36 television channels: 20 targeting the English-language demographic, 14 channels focusing on various multicultural (Greek, Spanish, Italian, Vietnamese and German) communities and two special interest channels for the gay and lesbian community. Programming packages range in price from A\$19.95 (\$14.95) to A\$44.95 (\$33.70).



Established in 2005, SelecTV Broadcasting was purchased by Australian regional television broadcaster Win Corporation for A\$23.5m (\$17.6m) in June 2006. WIN is Australia's largest privately-owned regional television network, reaching over 5.2m viewers across six states of Australia and the nation's capital territory via its 24 fully-owned and operated television stations. SelecTV plans to increase the number of channels it offers to at least 46 in near future. Around 4,100 people had signed to the SelecTV service by end June 2006.

Despite Australia's strong multi-cultural composition, the country's major pay TV operators currently provide limited and inflexible non-English language content packages. SelecTV plans to address these underserved viewer segments by providing affordable standalone channels containing non-English language content.

→ SelecTV: Australia; +61/2 9252 3900; www.selectv.com



→ Harmonic: USA; +1/408 542 2500; www.harmonicinc.com

Deutsche Telekom denies delay in IPTV launch

  Deutsche Telekom has denied local media reports that it has postponed the launch of its T-Home IPTV service due to technical problems. The incumbent telco had planned to start marketing the service from June, and wanted to start selling the product from mid July. The crucial date for the service is early this month (August), when the Bundesliga football season starts. Deutsche Telekom maintained that it had only ever announced that T-Home would be launched in second half 2006. Deutsche Telekom relies on Microsoft's MSTV IPTV Edition software platform, which has yet to be deployed in a large scale commercial service. The company paid nearly €50m per season for the soccer rights, an amount that was subsequently reduced by an undisclosed figure after the settlement of a dispute with the governing body of the Bundesliga, DFL.

→ Deutsche Telekom: Germany; +49/228 181 4949; www.dtag.de


French Internet VoD service gets Lost

  TF1 Vision, the Internet video-on-demand (VoD) service from French broadcasting giant TF1, has secured online distribution rights to Disney TV series *Lost*. Under the deal, TF1 Vision will make episodes from the second series—currently airing on TF1—available for streaming and downloading on a pay-per-view (PPV) basis. The service offers users unlimited viewing within a 24-hour window, with content priced at €1.99 for a single episode, €2.99 for two.

This represents another coup for TF1 Vision which recently secured premium movie content from Universal on a digital retail basis (see 2006/249a2). It is likely to be the first of many TV-on-demand (TVoD) deals for TF1, which can look to exploit relationships it has established with major content providers in the broadcasting sphere to expand its online offering.

→ TF1: France; +33/1 41 41 12 34; www.tf1.fr


Film 4 launches as free-to-air channel

 Channel Four's UK movie channel, Film4, relaunched on a free-to-air basis on 23 July 2006. Previously a subscription service, it is available in any home receiving digital terrestrial, cable or satellite. Backed by a major marketing campaign, the relaunch delivered an average share of 4.6 per cent of multichannel viewers on its first night, an average of 735,000 viewers. The often-televised *The Shawshank Redemption* attracted an audience of the 894,000 on 6 August. Channel Four said it had 300,000 subscribers to the channel before the switch.


→ Channel Four Television: UK; +44 / 20 7306 8333; www.channel4.com

PRODUCTS

Leading Australian renter to trial VoD service


 Australia's largest video rental chain Video Ezy plans to launch a pilot video-on-demand (VoD) service in Sydney next month (September). The new service will be delivered to the TV via an IP-based set-top box (STB). Users will be able to download titles onto the STB, having a 24-48-hour window in which to view them. Video Ezy intends to commercialise the service in February 2007.


Video Ezy has suggested it may capitalise on its dual offering with an all-inclusive subscription for unlimited rentals across both platforms. The renter also intends to offer its VoD service on a pay-per-view basis, offsetting the decline in its physical rental business by building the loss of lucrative late fees into its VoD charges. Users would be charged between A\$6.00 (\$4.50) and A\$8.00 (\$6.00) for new releases and between A\$4.00 (\$3.00) and A\$6.00 (\$4.50) for catalogue titles. This compares with an average charge of A\$4.00 (\$3.00) in the offline Australian rental market.

 Video Ezy hopes to gain a competitive advantage by transmitting new release movies to customers at the same time it receives them to rent and sell. It intends to use its strong buying power to negotiate the earlier release window prior to commercialisation. Video Ezy is Australia's leading video renter and boasts a membership base of 3.5m active subscribers. VoD services offering the digital retail of new release movies in the video release window already exist in the US and Europe (see 2006/123a1). However, digital rental of a new release movie via a VoD service is still very much tied to the pay-per-view (PPV) window or, in Australia's case, the VoD window. Main Event Television is the PPV event channel on the country's three major pay TV networks namely Austar, Foxtel and Optus and it currently only broadcasts live sporting events. Australia's windows after theatrical release are currently video (4-5 months), VoD (7-8 months), pay TV (10-12 months) and free-to-air television (24 months). Established in 1983, Video Ezy has grown its rental store base to 560 in Australia, 156 in New Zealand, 128 in Thailand, 135 in Indonesia, 19 in Singapore, nine in Malaysia and single stores in Fiji and the United Arab Emirates. It has identified Malaysia as a key area for expansion and is exploring entry into China and India. Video Ezy's VoD ambitions represent an attempt to accommodate the migration of rental customers from offline to online services. Having already established the Video Ezy brand online with its rent-by-post service, the bricks-and-mortar renter is uniquely positioned to offer an integrated offline-online rental proposition.

→ Video Ezy +61/2/9418 9900; www.videoezy.com.au

RTL and MTV to encrypt German channels


 Channel groups RTL and MTV Networks have signed deals with satellite operator SES Astra to encrypt their German channels broadcast via satellite. SES Astra plans to launch its new encryption-based distribution platform in first half 2007. RTL's German channels include RTL, RTL II, Super RTL, Vox, RTL Shop, N-tv and Traumpartner TV, whilst MTV Networks operates MTV, Viva, Nick and Comedy Central. If the encryption plans go ahead, existing German free-to-air satellite households will need a new set-top box and smart card to continue receiving the RTL and MTV Networks channels. Smart cards will be distributed by a new SES Astra subsidiary for a monthly fee of up to €3.50. The contracts are currently being scrutinised by the German Federal Cartel Office.


 RTL and MTV Networks' move would be a sea change for the German television landscape. Currently, Germans can access over 200 German-language and international television channels via the Astra satellite free of charge. RTL and MTV claim that content owners increasingly demand channels be encrypted to ensure only viewers in Germany—the territory content is licensed to—can watch them. Because of the Astra satellite's footprint, German channels can in theory be viewed across Europe, and create conflicts with rights holders in other countries. Encrypting channels presents some considerable risk for RTL and MTV Networks, however, because both channel groups rely on advertising revenue. Currently 40 per cent of German households receive free satellite, and encrypting the channels could mean the loss of millions of viewers for the channel groups. ProSiebenSat1, another large channel operator, has meanwhile stated that it does not have any plans to encrypt its channels.

→ MTV Networks Europe: UK; +44/20 7478 6000; www.mtve.com

→ RTL Group: Luxembourg; +352/421 421; www.rtlgroup.de


NTL Telewest offers free digital TV and quad play

 NTL Telewest will bundle digital TV to all interested fixed line customers for no extra cost by 1 September 2006. The TV service will give users access to interactive services such as video-on-demand and will be compatible with HD TV formats and PVR machines. The company's content division Flextech Television owns six entertainment channels—Living TV, Living TV 2, Bravo, Challenge, Trouble, Ftn (plus their time-shifted variants) and is a 50 per cent partner in UKTV which consists of 10 channels, including UKTV Gold, UKTV Drama and UKTV History. Both supply basic channels to the pay TV market. During third quarter 2006 the cableco will also launch the UK's first 'quad-play' package, providing users with digital TV, broadband internet access, fixed line telephone and mobile phone services. The quad-play offer swiftly follows NTL Telewest's acquisition of Virgin Mobile on 4 July 2006. The quad-play deal will offer a pay-monthly Virgin contract to new and existing customers as an add-on to the cableco's existing triple-play package, which currently costs £30 a month. Quad-play will be available for £40 a month. Any two products chosen from the four retail at £20. NTL merged with Telewest merged in March 2006 and will assume the Virgin brand name 'soon'.

 NTL Telewest expects that its free value-added digital TV service will lure customers away from free-of-charge DTT platform Freeview. The ability to integrate VoD services and receive HD format programming—in contrast to the DTT model which may suffer from bandwidth issues regarding HD television—will be NTL's biggest selling point for its free TV platform. The firm is also likely to emphasise the availability of VoD in contrast to BSkyB's current pay TV packages, which have yet to incorporate instantaneous VoD. The powerful Virgin brand name under which it will market the multiple service package will boost its presence in the competition within the quad-play space, which is still to emerge. Quad packages from operators such as Sky (currently TV, broadband), Orange UK (mobile, broadband) and incumbent telco British Telecom (fixed line, broadband, mobile via BT Fusion platform, TV via BT Vision platform in autumn 2006) are likely to resist NTL Telewest's domination within this area.

→ NTL Telewest: UK; +44/1256 752000; www.ntl.com

Mobile music service digest

 ● **China:** Hurray, leader in wireless music distribution and production announced a partnership with MTV Music Television China. Hurray will deliver wireless value-added services to the MTV audience. Hurray is competing with a grey market of individual entrepreneurs selling mobile content on side-street stands in Shenzhen. Sideloaded (see Focus, page 267) is used to transfer content between the seller's PC and the buyer's mobile phone. Some companies are building machines reportedly also selling mobile content (such as MP3 and MP4 files) in supermarkets, IT markets and small retailers. Music sells for 1 yuan (€0.1) for two tracks or 2 yuan (€0.2) for five minutes.

● **Germany:** Jamba, also known as Jamster, started its full-track download service with the release of a beta version of its software (PC and mobile phone versions) on 27 July 2006. Each track costs €1.29 plus €14.95 per month subscription for music library access; 500,000 songs should be accessible by September with 75 per cent of the German charts available. Jamba supports all MP3 players based on Windows Media 10 and Nokia mobile phones with Symbian operating system. After this test phase in Germany, Jamba wants to launch its music portal in five other European countries within a year.


● **India:** Hutch, Radio Mirchi, Nokia and HP launched a new mobile radio channel entertainment called Visual Radio in India on 25 July 2006. The service allows Hutch customers to tune their Nokia phone on local radio and receive interactive information and synchronised graphic animations. Radio Mirchi is the first in India to offer such services. The service does not require GPRS connection rental. Usage charges of 10 Paise (€0.0017) per 10 kb applies. Hutch has around 1m GPRS subscribers with 10 per cent of the corresponding revenue generated by value-added services.

● **Netherlands:** Universal Mobile Group (UMG) has started mobile service called AnySong. It has a catalogue of 250,000 songs, clips and ringtones obtained from Universal Music, Sony BMG and Warner Music. Revenues will be split between UMG, Targetise (a mobile search company) and Mobile Money (billing provider).

● **USA:** Verizon has changed its music service billing system to boost music sales. Previously, users had to pay \$15 a month subscription to access any data service, but this charge has been lifted for music users. Content costs \$1.99 per track for mobile download and \$0.99 per track for online download. Verizon is targeting 5m music customers with a range of nine music-compatible phones costing between \$69.99 and \$349.99 with contract.

PRODUCTS


Memory Stick movies threat to UMD

 Sony is launching a new line of packaged entertainment for its handheld media device, the PlayStation Portable (PSP). Until now, video content has been available only on the PSP-compatible Universal Media Disc (UMD) format but Sony is now looking to Memory Stick—Sony's proprietary memory format—as a way of delivering movies to the PSP. In August 2006, Sony began offering 1Gb and 2Gb versions of the flash-based memory devices with a DVD copying application and code enabling users to unlock and transfer one of four Sony movies from DVD to the PSP.

Sony's new strategy appears to confirm reports that sales of UMD video are slowing as the hype surrounding the launch of the PSP dies down. The move follows the consumer electronics giant's earlier attempt to revive the format by bundling it with DVD (see 2006/58a1) and comes amid industry speculation that the major studios and retailers are losing faith in the format. Priced at \$59.99 and \$99.99 respectively, the 1Gb and 2Gb Memory Stick Media Entertainment Packs are probably not expected to generate mass market interest. They are instead intended to offer a legitimate alternative to software packages already on the market that allow users to partake in the legally ambiguous practice of circumventing copy protection, and ripping their existing DVD collection onto a Memory Stick. Nevertheless, the arrival of the new product line could spell the end for UMD video.


→ Sony: USA; +1/310 244 4000; www.sonypictures.com

Wi-fi and wimax alternatives to mobile networks


 A number of initiatives will shortly allow mobile users to use phones over local wi-fi or wimax networks, avoiding 'traditional' mobile network operators. Voice-over-IP (VoIP) should offer users cheaper phone calls (as has already happened in the fixed-line communications sector) and ultimately the systems should allow cheaper access to data services. In Taiwan, Taipei Easy Call—launched in July using a city-wide wi-fi network—will allow users with compatible phones to make calls outside the mobile networks. It is believed to be the first such commercial service.

Many trials for similar systems are going on around the world. In Japan, Softbank and Motorola are trialling a system. Nokia announced a trial in Finland. EarthLink, which provides city-wide wi-fi coverage in Philadelphia and is rolling out a network in San Francisco, announced a forthcoming service that will allow unlimited calls over wi-fi for \$25 a month. Skype, the most popular VoIP internet calling system, announced that a number of handset manufacturers will support its software. They include Netgear, Belkin, Edge-Core and SMC.

New Zealand gets nationwide ADSL service


 New Zealand telco TelstraClear launched a nationwide ADSL broadband Internet service in July. Pretty Damn Quick (PDQ) residential broadband service is provided by TelstraClear's Internet service providers, Paradise.net and Clear.net. TelstraClear has differentiated the new service by allowing customers to tailor their broadband speed and usage to meet their specific requirements. Typically when broadband customers exceed their monthly data usage limit they are charged higher prices for additional data usage or alternatively their Internet connection speed is throttled back to dial-up speed.

New broadband plans allow customers to select between four different broadband speeds and two different usage packs. Plans range in price from NZ\$26 (\$16) for 256 kbps download speed to NZ\$66 (\$41) for 3.5 Mbps download speed. Customers may also select a data usage pack. A one-gigabyte pack is priced at NZ\$2.95 (\$1.80) per month, whilst a 10Gb pack is available for NZ\$11.95 (\$7.40). Customers automatically receive another usage pack for the same size and price if the limit is exceeded. Telstra claims customers will be sent e-mail notifications outlining usage during the billing month, or they may check usage online via company's website. To receive PDQ broadband service, customers must also use TelstraClear for their national, international and home to mobile telephone calling and maintain a minimum monthly spend of NZ\$10 (\$6.20) on telephone calls. A minimum term of 12-months applies for all new connections.

 The new service follows signing of a NZ\$17.5m (\$11.9m) agreement between TelstraClear and Telecom New Zealand regarding wholesale pricing for home telephone lines, interconnection and high-speed Internet access in January 2006. That deal enabled TelstraClear to extend its broadband Internet offerings from Wellington and Christchurch to nationwide. Australian-owned TelstraClear claims the new service took nearly eight months to prepare because it involved setting up billing and management systems.

→ TelstraClear: New Zealand; +64/9 912 5835; www.telstraclear.co.nz
→ Telecom: New Zealand; +64/3 374 0253; www.telecom.co.nz

UK cable wins Premier soccer clip rights


 UK cable operator NTL Telewest has won exclusive rights to offer on-line highlights clips of the FA Premier League football matches for the 2007/08 to 2009/10 seasons. Clips will be available on demand to the company's subscribers for up to one week after transmission and will be viewable via PCs or other internet-enabled devices, including mobile phones. NTL Telewest will be allowed to show up to ten clips from each match 24 hours after the final whistle. The amount paid was not disclosed.

The Premier League has already awarded the rights to show matches on a deferred as live basis to BT and BSkyB. BSkyB and News Group Newspapers were awarded mobile telephone rights to the Premier League early in July. Sky and Setanta Sport won in May this year the live match rights for the next three years.

→ NTL Telewest: UK; +44/1962 823434; www.ntl.co.uk

ADVERTISING


In-game advertising reaches mobile sector

 Mobile advertising specialist Greystripe has signed deals with both Exit Games and Handy Games to insert advertising into mobile games offered by those companies. Exit Games is a multiplayer mobile game specialist and Handy Games a leading independent mobile games producer. Both companies are based in Germany. Video games publisher and developer Codemasters has signed a deal with in game advertising company IGA Worldwide. The deal will see advertising in games produced by Codemasters' newly formed mobile games studio.

Game advertising, a growing trend in video games, has already reached the mobile sector. The market for mobile is very ill-defined. In game advertising in the video game sector is itself a nascent market and there are no good measures for the audience reached. Screen Digest anticipates that mobile in-game advertising deals are unlikely to generate any meaningful revenues in the short-to-medium term, but longer term could provide an important additional revenue stream for mobile games, which are much lower priced than console equivalents. Advertising funded games are already in the market, but generally are of extremely poor quality so have had only limited success.

→ Codemasters: UK; www.codemasters.co.uk
→ Exit Games: Germany; +49/40 41 35 96; www.exitgames.com
→ Greystripe: USA; +1/415 651 2650; www.greystripe.com
→ Handy Games: Germany; www.handy-games.com
→ IGA Worldwide: USA; +1/800 548 1388; www.igaworldwide.com

New Zealand TV advertising revenue falls

 New Zealand's television advertising revenue has fallen NZ\$9.8m (\$6.1m)—just over three per cent—in first half 2006. According to New Zealand Television Broadcasters' Council (NZTBC), television advertising revenue for both free-to-air and pay TV broadcasters in the six months to end June 2006 reached NZ\$290m (\$180m), compared with NZ\$299m (\$185m) for the corresponding period a year earlier (see 2005/251b1). This decline follows a record annual spend of NZ\$666m (\$412m) in 2005—an increase of 3.6 per cent recorded in 2004 and the fifth annual increase since 2001.

Decline in television advertising revenue reflects a gradual slowdown in New Zealand's economy during first half 2006. New Zealand government forecasts the country's economy will grow only 1.1 per cent in the current year to March 2007, compared with an average annual growth of 3.5 per cent in the previous five years. The members of NZTBC are CanWest New Zealand, Television New Zealand, Prime Television New Zealand and Sky Network Television.

→ NZTBC: New Zealand; +64/9 379 2421; www.nztbc.co.nz
→ TVNZ: New Zealand; +64/9 3770 630; www.tvnz.co.nz
→ Sky TV: New Zealand; +64/9 579 9999; www.skytv.co.nz
→ Prime Television: New Zealand; +64/9 414 0700; www.primetv.co.nz
→ CanWest NZ: New Zealand; +64/9 377 9730; www.canwestglobal.com

Mergers, takeovers and investments

All3Media UK; +44/20 7907 0177 www.all3media.com	Private equity firm Permira has acquired Bridgepoint's majority stake in UK television production and distribution company All3Media for £320m. All3Media was formed when a group of investors backed by Bridgepoint took over media group Chrysalis' television division in 2003. Permira's media investments include SBS Broadcasting and Germany's pay TV operator Premiere.
Avanzit Spain; +34/ 91754 67 00 http://www.avanzit.com	Spanish media company has acquired independent distributor Manga Films for €8m (\$35.4m), including \$12.7m in cash and the remainder as a share swap. The deal, although subject to due diligence, was quick to be agreed. It thereby quashes the lengthy negotiations held by Wild Bunch with Manga, which was looking to gain a pan-European foothold. Manga is currently Spain's highest grossing independent distributor in 2006, following releases such as <i>Crash</i> and <i>Good Night, and Good Luck</i> . Manga joins the Avanzit group, which includes film producer Telespan and post-production house Telson.
Casema Netherlands; +31/70 778 3000 www.casema.nl	Private equity houses Warburg Pincus and Cinven have agreed to acquire Dutch cable operator Casema for €2.1m from its current owners Providence Equity Partners, Carlyle Group and GMT Communications Partners. The deal, expected to close in second half 2006, is subject to regulatory approval. With a television subscriber base of 1.4m at end 2005, Casema is the Netherlands' third largest cable operator after UPC and Essent. Warburg Pincus is no newcomer to the Dutch cable market; the company already owns the country's fourth largest operator, Multikabel. Essent is also currently for sale and Cinven and Warburg Pincus are thought to be interested in acquiring that company as well.
CinemaNow USA; +1/310 314 2000 www.cinemanow.com	Internet video-on-demand service has raised \$20.3m during the company's fifth round of financing. The company's new investors are satellite TV firm EchoStar and Japanese mobile content company Index Holdings . CinemaNow offers 4,000 downloadable films and TV shows from most of the major studios and networks. The company is seeking to expand its service to mobile platforms and also plans to access the 12m subscribers to EchoStar's Dish Network service via Web-connected satellite boxes (see 2005/284 and 2005/27a2).
Digital Chocolate USA; +1/650 357 6136 www.digitalchocolate.com	Mobile games publisher has raised \$22.5m in a round of funding led by Bridgescale partners. The company has raised over \$43m since its inception in 2003 by ex-Electronic Arts head Trip Hawkins. In only two and a half years, the company has already become one of the top 10 mobile games publishers in the US.
DQE Entertainment (DQE) India; +91/4023 553 726 www.dqentertainment.com	Indian animation and gaming company has agreed a joint venture with French production firm Onyx Films to jointly produce CG-animated feature films. DQE will hold 51 per cent of the new joint venture, with the remaining stake to held by Onyx. DQE has pledged an initial investment of \$1.9m in the venture, whose initial film slate is valued at \$89.5m including <i>Skyland</i> with a proposed budget of \$31.5m. First features of the new joint venture will be released in 2008. DQ Entertainment will also acquire a 20 per cent stake in Method Films, a Paris-based TV production firm, for around \$3.2m.
Elitel Telecom Italy; +39/20 7466 5000 www.eliteltelecom.com	Telco signed a joint venture with Italian mobile content provider C-Factory . Elitel has invested €6,600 for 55 per cent of the venture. The product of this venture will be a web-based portal offering mini cartoons, video ringtones, screensavers and sound effects.
Firefly Mobile USA; +1/847 353 3000 www.fireflymobile.com	Mobile Virtual Network Operator (MVNO) aimed at children has secured \$26m over its \$31.8m funding round, which includes Sevin Rosen Funds and ComVentures . The company faces stiff competition from the recently launched Disney MVNO.
Intercom Hungary; +36/361 467 1000 www.intercom.hu	Hungary's largest film distributor has sold its multiplex chain Hollywood Multiplex to Palace Cinemas , the US owned theatrical group in Central and Eastern Europe. Palace Cinemas will gain five new cinemas in some of Hungary's largest cities. The deal also strengthens Palace Cinemas grip on the multiplex market in Budapest, where it already owns four multiplexes. Included in this total are its purchases of the Mammut I and II multiplexes from Budapest Film in November 2005. Intercom is currently participating in the development of the \$192m Korda Film Studio, outside Budapest.
Johnnic Communications South Africa; +27/11 280 3000 www.johnnic.co.za	South African media and entertainment group (Johncom) has gained 100 per cent ownership of Compact Disc Technologies (CDT) , Africa's largest CD and DVD manufacturing plant. Johncom purchased the remaining 40 per cent stake in CDT that it does not currently own from the Replication Technology Group and Rand Merchant Bank Holdings. Johncom intends to invest R9.2m (\$1.3m) into a new DVD line at the manufacturing plant, scheduled to become operational by end of this month (August).
Mobile Streams UK; +44/20 7395 2000 www.mobilestreams.com	European mobile content provider has acquired Mobilemode for €1m cash and shares. Mobilemode provides content to a number of major operators in the Asia Pacific region.
Motorola USA; +1/847 576 5000 www.motorola.com	Cable equipment technology provider will acquire video-on-demand solutions provider Broadbus . No financial details were disclosed. The deal will give Motorola an entry into the increasingly important on-demand technology market, and widens its overall product portfolio for cable operators.
News Corporation USA; +1/212 852 7017 www.newscorp.com	News Corporation has teamed up with Atlantic Records chairman Ahmed Ertegun to acquire Turkish broadcaster Huzur Radyo TV . The partners acquired the company from the Ihlas Holding conglomerate and various smaller shareholders on 24 July 2006 for TL 151m (€77m). The group's main asset is national commercial TV channel TGRT, which will be renamed as the TGRT brand is still owned by Ihlas. TGRT, launched in 1993, is one of several privately held networks competing for a share of the burgeoning Turkish TV advertising market. News Corporation's permitted shareholding under national media regulations will be limited to 25 per cent.
SanDisk Corporation USA; +1/408 542 0500 www.sandisk.com	Developer of flash memory storage products is to acquire Israeli flash memory pioneer Msystems for \$1.3bn.
Sulake Finland; +358/9 681 2270 www.sulake.com	Creator of popular online game <i>Habbo Hotel</i> has raised €6m from Movida Group . Some of the investment will provide funding for the Habbo brand to be taken onto mobile devices. Movida Group is a joint venture between Softbank and Asian Groove. Both companies are major broadband providers in Japan. Softbank recently acquired Vodafone's Japanese mobile operations.
Tandberg Television Norway; +47/67 11 62 00 www.tandbergtv.no	Norwegian television technology developer has agreed to acquire US Internet television technology specialist Zetools . No financial details were disclosed. The acquisition helps Tandberg to expand into the increasingly important field of Internet television, the delivery of live and on-demand audiovisual content over the open Internet. Zetools' customers include AOL, Universal, MTV Networks and Viacom.
UPC France Netherlands; +31/20 778 9447 www.ugceurope.com	Private equity investor Cinven and cable investment group Altice have completed the acquisition of UPC France for €1.25bn. UPC France, which includes the Noos cable system, will be combined with Cinven/Altice's other French cable holdings, made up of the merged France Telecom/Numéricable operations. Cinven and Altice now control approximately 90 per cent of the French cable market.
Woosh Wireless New Zealand; +64/9 522 3699 www.woosh.com	New Zealand wireless voice and data provider has purchased New Zealand Internet service provider Quicksilver . The deal enables Woosh Wireless to provide high-speed ADSL broadband Internet services as well as bundled wireless and fixed-line services nationwide. Quicksilver offers ADSL broadband Internet services for home and business using Telecom New Zealand's fixed-line network. Launched in September 2003, Woosh Wireless intends to continue the Quicksilver brand for fixed-line products and services. Acquisition of Quicksilver's 10,000 subscribers increases the Woosh Wireless subscriber base to nearly 35,000. Financial details were not disclosed.

On the money markets

Carmike Cinemas USA; +1/705 576 3400 www.carmike.com	Exhibitor has amended its senior secured credit facility, which extends the dates by which it needs to provide audited financial statements to its lenders. While statements are not delivered, the interest rate on loans rises by 0.5 per cent per annum. Cost to Carmike for amendment being accepted will be around \$650,000.
Golden Harvest Hong Kong; +852/2352 8222 www.goldenharvest.com	Hong Kong film and cinema company plans to raise HK\$100m (\$12.9m) to fund the construction of new cinemas as well as develop its digital cinema advertising business in China. The capital will be raised from the sale of convertible debt to existing shareholders, including the company chairman. Hanny Holdings, an electronics manufacturer, who owns 12 per cent of the company, will acquire half of the available notes.

Quickflix Australia; +61/8 9347 4900 www.quickflix.com.au	Australian online DVD rental company has placed 5m new shares at an issue price of A\$0.10 (\$0.76) to Australia's leading independent digital media company Destra Corporation . Destra's A\$500,000 (\$382,000) investment grants the company 11.88 per cent voting interest in Quickflix, as well as a position on the Quickflix board. The companies expect the alliance to facilitate cross-promotion of their services and ultimately to help grow their base of online customers. Quickflix also intends to raise A\$1.2m (\$918,000) for company expansion via the placement of 10m shares at A\$0.12 (\$0.09) to private investors. The placement will be subject to shareholder approval. Quickflix increased its online DVD rental subscriber base from 2,500 at end June 2005 to 8,500 by end June 2006.
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Content deals

Apple USA; +1/408 996 1010 www.apple.com	Computer pioneer has added popular Warner Bros TV shows, including <i>Friends</i> , <i>Babylon 5</i> and <i>The Flintstones</i> , to its iTunes Music Store. Shows will be available for download for the standard price of \$1.99 per episode. Apple's first premium television content distribution deal, which included hit shows <i>Desperate Housewives</i> and <i>Lost</i> , was with Disney in 12 October 2005 and coincided with the launch of the Video iPod (see 2005/314a3).
Arts Alliance Media UK; +44/20 7594 4026 www.artsalliancemediacom	UK digital media group has agreed a deal with Sony Pictures Television International for VoD rights to a package of 180 library movies and a number of upcoming titles over the next three years, including <i>Pider-Man 3</i> . Movies will be available through Arts Alliance's DVD rental subsidiary LoveFilm and its partner AOL.
British Telecom UK; +44/20 7594 5000 www.bt.com, www.bt.com/btvision	Telco will offer TV and film conte from NBC Universal International Television Distribution on a rental basis from its IPTV BT Vision service. The IPTV service requires no mandatory subscription. Films from Universal Pictures UK will be available on a retail basis from its PC download portal from 31 July. Users of BT Vision (see 2006/249b2) will be able to access NBC Universal new-release and catalogue movies, as well as TV episodes, on a pay-per-view basis. PC users will be able to purchase titles permanently from a growing digital catalogue of up to 150 Universal film titles, available on the same date as UK DVD release.
BSkyB UK; +44/20 7705 3000 www.sky.com	Satellite broadcaster has secured Premier League football mobile rights for less than £10m. O2, Orange, T-Mobile, 3 and Vodafone were supporting bidder TWI, the sports production group owned by IMG, which would have given each operator equal access to the games. The five operators must now compete for a deal with BSKyB, which initially planned to provide coverage of the games 'off-portal' (outside the network operator's own portals).
Contender Home Entertainment UK; +44/870 129 5039 www.contendergroup.com	UK independent distributor has signed a sales and distribution deal with cable/satellite channel group Flextech to handle the latter's home entertainment products distribution, starting from 1 August 2006. Until now, Flextech's productions were handled by Zentertain, the Woolworths/BBC Worldwide joint venture, but within six months the full Flextech catalogue will have passed to Contender.
CustomFlix USA; +1/800 853 6077 www.customflix.com	Online DVD-on-demand distributor, a wholly owned subsidiary of Amazon.com (see 2005/252), has signed a deal with US news provider CBS News to distribute the network's programming on DVD. The 90-minute DVDs of either news, talkshows or documentaries will cost \$24.95. Episodes of popular news magazine <i>60 Minutes</i> will be released at \$12.65 each.
Foxtel Australia; +61/2 9200 1000 www.foxtel.com.au	Australia's leading pay TV provider has commissioned an exclusive new eight-episode drama series for subscription television viewers called <i>Dangerous</i> . The eries will be produced in partnership with Southern Star Entertainment, Australia's largest independent creator and producer of television programming, commencing next month (September) and is scheduled to premiere on Foxtel's flagship entertainment channel Fox8 before end 2006. Southern Star International will distribute the series.
IFC USA; +1/516 803 3000 www.rainbow-media.com	US movie channel, part of Rainbow Media, is to license a range of independent films to mass market retailer Target under the IFC Indies brand. The range includes high-profile titles such as Twentieth Century-Fox Home Entertainment's <i>Napoleon Dynamite</i> , Universal's <i>Notting Hill</i> and Woody Allen's <i>Match Point</i> from DreamWorks.
Image Entertainment USA; +1/818 407 9100 www.image-entertainment.com	US independent licensee and DVD distributor has signed a long-term distribution deal with vintage music and classic film titles supplier S'more Entertainment . The deal is part of Image's new business focus on independent labels. Prior to this, S'more's catalogue titles were handled by music and video dealer St Clair Entertainment.
Imax Canada; +1/905 403 6500 www.imax.com	Giant screen company has agreed a deal with Columbia-TriStar for the global simultaneous release of <i>Spider-Man 3</i> on 4 May 2007 on Imax screens. The film will be digitally re-mastered in Imax format.
Liberty Global USA; +1/303 220 6600 www.lgi.com	Liberty Global's Chellomedia has acquired exclusive three-year live rights to the English Football League Championship and League Cup for its Dutch Sport1 pay TV channel. It has also extended TV rights to the top matches from the Scottish Premier League until the end of the 2008/09 season. Rights include 38 live matches a season from the Championship and up to 12 live matches from the League Cup. Chellomedia already has rights to the FA Premier League and the FA Cup, giving it access to 445 live UK soccer matches each season.
Metrodome Group UK; +44/20 7408 2121 www.metrodomegroup.com	UK video distributor will launch a new label, In2Film , this autumn. The label will start with the release of six titles a month, from an initial catalogue of 70 titles, both feature films and children's. Metrodome will add a further 50 titles in late 2007.
MTI Video USA; +1/305 255 8684 www.mtvideocom/	US video supplier of independent film has partnered music and video distributor Timeless Media Group to release a selection of Timeless' titles for rental. The deal is in line with MTT's previous partnerships with concert production company Sterling Entertainment and music production and distribution company Platinum Entertainment.
MyTV U Arab Emirates; +971/4 268 3024 www.mytvafriatv.com	Fledgling direct-to-home (DTH) satellite pay TV service MyTV has signed with MGM Networks , a division of MGM Studios, to broadcast The MGM Channel to subscribers across Sub-Saharan Africa starting this month (August). The non-exclusive deal adds The MGM Channel to a channel line-up that already includes Adventure 1, AIT, Baby TV, BBC World, Eureka, Fashion TV, Fox Sports, MCM Top and Trace TV. MyTV was launched by Dubai-based Strong Technologies in April (see 2006/125). Strong Technologies claims it intends MyTV to provide African homes with family-oriented programming for around \$0.50 a day.
Netflix USA; +1/310 473 4147 www.netflix.com	Online DVD rental pioneer has signed an exclusive deal with US broadcaster NBC to make the first episodes of new TV shows <i>Studio 60 on the Sunset Strip</i> and <i>Kidnapped</i> available to its subscribers on DVD six weeks before the shows' official premieres on American television. The discs will also include previews and trailers of the US network's other autumn shows.
Peer Impact USA; +1/877 842 5144 www.peerimpact.com	Legal US file-sharing service has agreed with Fox and Warner to offer the studios' content for download on a pay-per-view (PPV) basis over its peer-to-peer (p2p) network. Titles will be priced between 99 cents and \$3.99 per episode for a 24-hour licence. Peer Impact now boasts premium content from three of the Hollywood majors, having already secured a deal with NBC Universal at end 2005.
Warner Home Video USA; +1/818 954 6000 www.warnerbros.com	Home entertainment arm of the studio is expanding its direct-to-DVD business. In March, Warner launched the brand Raw Feed to deliver sci-fi, horror and thriller titles on DVD. In late July it partnered DC Comics to produce and deliver the latter's superhero franchises. Warner's most recent distribution deal was with film specialist Film Life to distribute African-American and urban films on DVD under the American Black Film Festival label.

Technology deals

Imax Canada; +1/905 403 6500 www.imax.com	Giant screen company has agreed a deal with Russia multiplex firm Rising Star Media for the construction of one large-format screen in St Petersburg, Russia. The screen will be housed in the KinoStar City, which is expected to open in spring 2007, before the release of <i>Harry Potter and the Order of the Phoenix</i> in the Imax 3D format. Rising Star Media is a joint-venture operation between US exhibitor National Amusements and Soquel Ventures.
Lusomundo Portugal; +351/263 271669 http://lusomundo.sapo.pt	Portugal's largest operator has acquired a mobile cinema ticketing system from US company Neomedia Technologies and its subsidiary German mobile technology outfit Gavitec . System offers a 'no line' cinema ticketing option: tickets are sent via SMS through mobile phones, for a cash-free web-based transaction, or through a call centre. A barcode on the phone screen is held against an Exio scanner on a remote terminal in the cinema.
Motorola China; +86/6564 2126 www.motorola.com	Motorola aims to launch the Linux-based Ming smartphone in the rest of Asia outside China to take advantage of high-growth markets. More than 1m Ming phones have been shipped by Motorola in China last quarter. NEC, NTT DoCoMo, Panasonic, Samsung Electronics and Vodafone are collaborating on a universal mobile Linux platform, creating serious competition against Symbian and Windows Mobile embedded systems.
Movielink USA; +1/415 392 8282 www.movielink.com	US Internet video-on-demand (VoD) platform has signed a licensing deal with DVD authoring tool manufacturer Sonic Solutions . Providing it can secure approval from its content providers, Movielink will employ Sonic's DVD burning technology to facilitate the copying of downloaded content onto recordable DVDs for its recently launched digital retail service (see 2006/123b1).

	Screen Digest speaker at this event	Conf	Conference
	Media sponsor	Exhib	Exhibition
	Official publication	FF	Film Festival
	Media partner	Int	International
		All events in 2006 except as stated	

For a full events listing visit www.screendigest.com

Markets & exhibitions

Games Convention 2006 Leipzig, 23-27 August; Leipzig Messe; t +49/34 1678 8280; f +49/34 1678 8282; e a.schierholz@leipzigmesse.de; www.g-germany.com

Australasian Gaming Expo 2006 Sydney, 3-5 September; AGMMA; t +61/2 9431 5303; e info@austgamingexpo.com; www.austgamingexpo.com

Games Market Europe 06 London, 6-7 September; Tandem Events; t +44/14 6247 7300; f +44/14 6456 781; e info@gamesmarketeurope.com; www.gamesmarketeurope.com/

 **IBC 2006** Amsterdam, 7-12 September; IBC Global; t +44/20 7611 7500; f +44/20 7611 7530; e show@ibc.org; www.ibc.org

3GSM Middle East and Gulf Dubai, 11-12 September; Informa Group PLC; t +44 (0)20 7017 5506; f +44 (0)20 7017 4747; e telequeries@informa.com; www.gsm-3gworldseries.com

Gamexpo Budapest, 12-14 September; AVEX Team; t +36/1 306 3837; f +36/1 306 3799; e avexteam@axelero.hu; www.gamexpo.hu/index.html?lang=en

Mobile Content World London, 19-21 September; Terrapinn; t +44/20 7827 4171; f +44/20 7242 2320; e alison.rawlings@terrapinn.com; www.mobilecontentworld.biz/

Entertainment Industry Kiev, 20-22 September; Ukrainen Chamber of Commerce and Industry; t +38/044 272 28 05; f +38/044 568 57 51; e expo@ucci.org.ua; www.entertain.com.ua/

NAB Radio Show Dallas, 20-22 September; National Association of Broadcasters; e kmorris@nab.org; www.nabradioshow.com

Tokyo Game Show 2006 Tokyo, 22-24 September; CESA & Nikkei Business Publications; e tgs-info@publicity-bur.co.jp; www.tgs.cesa.or.jp/english/

Interactive Kids 2006 London, 26-28 September; Centaur Conferences; t +44/20 7970 4770; e conferences@centaur.co.uk; www.centaurconferences.co.uk/

Carriers World London, 26-28 September; Terrapinn; t +44/20 7827 5974; e simon.reid@terrapinn.com; www.carriersworld.com/2006/CW/

Eastern European Leisure Exh Russia, 27-29 September; EELEX; t +7/095 933 7770; e dagord@unicum.ru; www.grupointerazar.com

FER-Interazar Madrid, 27-29 September; Grupo Interazar de Inversiones; t +34/91 445 3702; e info@grupointerazar.com; www.grupointerazar.com

AMOA Int Expo Las Vegas, 27-29 September; WT Glasgow; t +1/708 226 1300; f +1/708 226 1310; e info@amoashow.com; www.amoashow.com

London Games Festival London, 2-6 October 2006; Creative London/Elspa; t +44/20 7395 7061; e info@londongamesfestival.com; www.londongamesfestival.co.uk

Media-tech Long Beach, 10-11 October; Messe Frankfurt Inc.; t +49/611 9 51 6618; e press@mediatech.net; www.showcase.mediatech-expo.net

Screen Digest event

   **PEVE Perspectives de l'Édition Vidéo Européenne 2006** Deauville, 29 November -1 December; PEVE; t +32/2 248 2400; f +32/2 248 2330; e peve@peve.net; www.peve.net

• Screen Digest arranges the programme for this conference

European i-gaming Congress and Expo 2006 Barcelona, 11-13 October; ATEonline; t +44/20 7370 8579; e pgruber@ateonline.co.uk; www.eigexpo.com

MIPCOM Cannes, 9-13 October; Reed Midem Organisation; t +33/1 4190 4580; f +33/1 4190 4570; e info.mipcom@reedmipcom.com; www.mipcom.com

Mifed Milan, 12-16 October; Audiovisual Industry Promotion; t +39/02 4855 0279; e mifed@aip-mifed.com; www.mifed.com

3GSM Asia Singapore, 16-20 October; 3GSM; t +44/20 7759 2508; e enquiries@3gsmasia.com; www.3gsmasia.com/

 **e/home** Berlin, 19-21 October; Messe Berlin; t +49/30 3038 2067; f +49/30 3038 2059; www.ehome-berlin.com

ShowEast 2006 Orlando, 23-26 October; VNU Expositions; t +1/646 654 7680; e dmaster@vnuexpo.com; www.showeast.com

 **The Connected Home Show** London, 24-25 October; Junction Ltd; t +44/1179 042003; f +44/1179 074223; e events@junctiongroup.com; www.the-connected-home.co.uk

NAB New York New York, 24-26 October; National Association of Broadcasters; t 1/202 429 5426; e advertising@NAB.org; www.nabnewyork.com

The Betting Show Birmingham, 25-26 October; ATEonline; t +44/20 7370 8560; e sales@ateonline.co.uk; www.ateonline.co.uk

MEM Asia Singapore, 1-2 November; Informa Group; t +44/20 7017 5506; e telebookings@informa.com; www.memasia.com/

Conventions & conferences

Next Generation Mobile Games London, 30 August; Osney Media; t +44/20 7880 0000; f +44/20 7880 0010; e info@osneymedia.co.uk; www.osneymedia.co.uk

Austin Game Conf 2006 Austin, 7-8 September; The Game Initiative; t +1/512 289 8687; f +1/512 692 2532; e tw@gameconference.com; www.gameconference.com/

Casual Games Conf Austin, 7-8 September; Games Initiative; t +1/512 289 8687; e tw@gamesconference.com; www.casualgamesconference.com/

 **Interactive TV in the UK** Munich, 12-13 September; Euroforum; t +49/211 96 86 37 50; e peter.altes@euroforum.com; www.euroforum.de/

Video to go... Cable's Future is at hand. New York, 13 September; CTAM; t +1/212 798 9822; e kristina_weise@nyc.cohnwolfe.com; www.ctamnewyork.com/

Fixed-Mobile Convergence Forum Paris, 14-15 September; Osney Media; t +44/20 7880 0000; e info@osneymedia.com; www.osneymedia.com


Sport & iGaming Forum London, 20 September; Sportbusiness Group; t +44/20 7954 3435; e russell.lawson@electricworldplc.com

 **DARS—1st European Mobile Satellite Radio Summit** London, 21 September; TV Conferences; t +41/21 943 1401; e charlotte@tvconferences.com; www.tvconferences.com

 **The Digital Retail Forum** London, 25-26 September; Osney Media; t +44/20 7880 0000; f +44/20 7880 0010; e info@osneymedia.co.uk; www.osneymedia.co.uk/

 **IPTV Europe Live 2006** Vienna, 25-26 September; CMP Information; t +800 608 9641; f +1/949 223 3672; www.shorecliffcommunications.com/

 **Digital Distribution for Film and TV 2006** London, 25-26 September; Osney Media; t +44/20 7880 0000; f +44/20 7880 0010; e info@osneymedia.co.uk; www.osneymedia.co.uk

 **IPTV World Forum Asia** Shanghai, 27-29 September; Junction; t +44/11 7907 8850; f +44/11 7907 4223; e pr@junction-group.com; www.iptv-easterneurope.com

 **The European Digital Cinema Conf 2006** London, 28 September 2006; Screen International; t +44/20 7841 4805; e screenconferences@emap.com; www.screendaily.com/digitalcinema

Transactional Television London, 28 September; Broadcast Conferences; t +44/20 7841 4804; f +44/20 7505 6001; e broadcastconferences@emap.com; www.broadcastnow.co.uk/TransactionalTV

Branded Content Conf London, 5-6 October; Centaur Conferences; t +44/20 7970 4770; f +44/20 7970 4799; www.marketingweekconferences.com

Mobile Music Retail Forum 2006 London, 12-13 October; Osney Media; t +44/20 7880 0000; f +44/20 7880 0010; e info@osneymedia.co.uk; www.osneymedia.co.uk

Mobile Games Forum Asia 2006 Hong Kong, 12-13 October; Osney Media; t +44/20 7880 0000; f +44/20 7880 0010; e info@osneymedia.co.uk; www.osneymedia.co.uk

Africa Media and Broadcasting Congress 2006 Johannesburg, 24-27 October; Terrapinn; t +27/11 463 6001; f +27/11 463 6903; e brian.shabangu@terrapinn.co.za; www.terrapinn.com/2006/mediazaf/

Mobile TV World Forum London, 24-25 October; Junction; t +44/11 7904 2003; f +44/11 7907 4223; e pr@junction-group.com; www.mobiletv-forum.com/

Digital Hollywood Fall Santa Monica, 23-26 October; Digital Hollywood; t +1/212 352 9720; e info@digitalhollywood.com; www.digitalhollywood.com/LAFall06Agenda.html

 **The 8th Interactive TV Show Europe 2006** Berlin, 30-31 October; Access Events International; t +44/20 7940 7066; f +44/20 7940 7071; www.itvshoweurope.com/

Serious Games Summit Washington DC, 30-31 October; CMP Media; e stang@cmp.com; www.seriousgamessummit.com

Russia and CIS Broadband Summit 2005 Moscow, 31 October -1 November; ITE Exhs; t +44/20 7596 5205; e ele.peredelskaia@iteca.kz; www.broadband-conf.com/en/2005/

Mobile Video and TV Forum London, 8-9 November; Informa Group; t +44/20 7017 5533; f +44/20 7017 4783; e telebookings@informa.com; www.informatm.com/mvt

European Media Leaders Summit London, 13-14 November; Informa Group PLC; t +44/20 7017 5506; e lydia.blackwood@informa.com; www.euromedialeaders.com

Digiworld Summit 2006 Montpellier, 14-16 November; IDATE; t +33/04 6703 0300; f +33/04 6745 5797; e idate2006@alpha-visa.com; www.digiworldsummit.com

Personal TV London, 16 November; TV Conferences; t +41/21 943 1401; e charlotte@tvconferences.com; www.tvconferences.com

Future of Television Forum New York, 17 November; Digital Media Wire; t +1/323 822 0936; e tinzar@digitalmediawire.com; www.digitalmediawire.com/currentevents.html

NextGenTV 2006 London, 20-22 November; Terra pinn; t +44/20 7827 4171; f +44/20 7242 1508; e sarah.pegden@terrapinn.com; www.terrapinn.com/2006/ngtv/

Festivals

30th Montreal World FF, 25 August-4 September; Festival des Film de Monde; t +1/514 848 3883; e info@ffm-montreal.org; www.ffm-montreal.org

Chichester FF, 25 August-10 September; t +44/12 4378 6650; e festival@chichestercinema.org

Open Air Filmfest Weiterstadt, 30 August; t +49/06 1501 2185; f +49/06 1501 4073; e filmfest@weiterstadt.de; www.filmfest-weiterstadt.de

Venice Int FF, 30 August-9 September; t +39/041 2728318; f +39/041 2728383; e gestione.eventi@labiennale.org; www.labiennale.org

Deauville American FF, 1-10 September; t +33/14 1342 000; e jlasserre@lepublicsysteme.fr; www.festival-deauville.com

Los Angeles Int Short FF, 5-13 September; t +1/323 461 4400; e info@lshortsfest.com; www.lshortsfest.com

Oldenburg Int FF, 6-10 September; t +49/44 1925 0055; e info@filmfest-oldenburg.de; www.filmfest-oldenburg.de

Morbegno FF, 20-24 September; e mff@zert.it; www.zert.it

Netherlands FF, 27 September-6 October; t +31/30 230 3800; e info@filmfestival.nl; www.filmfestival.nl

44th Annual New York FF, 29 September-15 October; Film Society of Lincoln Center; t +1/212 496 3809; www.filmlinc.com/nyff/nyff.htm

The Times bfi 50th London FF, 18

■ Unless otherwise stated, numbers are in units, full year or as of year-end.
 ■ Comparisons with corresponding period a year earlier, except as stated.
 ■ Data as reported from sources; in some cases this may contradict data published elsewhere in Screen Digest.

Screen Digest data conventions

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

Advertising

US: forecast growth by segment 2006

	growth %
Internet	13.0
spanish language media	12.9
spot TV	8.9
outdoor	7.7
network TV	6.0
cable TV	6.0
consumer & Sunday magazines	3.6
syndication TV	2.6
radio	2.1
newspapers	0.2
business-to-business magazines	-0.3

[TNS Media Intelligence]

Film

Spain: box office revenue by country of origin of film first half 2006

	revenue/rev/release		share %
	€000s	€000s	
US	244,243.5	574.7	77.00
Spain	30,380.3	121.5	9.58
UK	23,764.8	297.1	7.49
France	6,048.9	50.0	1.91
Germany	3,854.8	37.1	1.22
Italy	2,665.9	95.2	0.84
Thailand	1,358.2	339.6	0.43
Canada	1,178.2	78.5	0.37
Japan	1,079.9	98.2	0.34
Argentina	864.9	66.5	0.27
China	630.7	57.3	0.20
Denmark	204.8	17.1	0.06
Korea	155.9	22.3	0.05
New Zealand	148.2	148.2	0.05
Norway	140.2	46.7	0.04
Chile	134.0	67.0	0.04
Sweden	128.9	5.4	0.04
Netherlands	47.6	9.5	0.02
Switzerland	43.5	14.5	0.01
Slovenia	34.4	34.4	0.01
Belgium	21.4	4.3	0.01
Poland	14.8	14.8	0.00
Hungary	13.4	2.2	0.00
Mexico	12.1	2.4	0.00
Iran	8.5	2.1	0.00

[ICAA]

Cinema

South Korea: Seoul admissions and market share by distributor first half 2006

	releases	admissions		share %
		000s	000s	
CJ Entertainment	24	5,701.9	23.1	
Cinema Service	9	4,251.1	17.2	
Showbox/Mediaplex	13	3,161.6	12.8	
UIP Korea	7	2,718.9	11.0	
Sony Pictures				
Releasing Korea	7	1,780.0	7.2	
Warner Bros Korea	8	1,341.2	5.4	
20th Century Fox Korea	12	1,171.2	4.7	
Lotte Entertainment	10	1,073.7	4.3	
ShowEast	5	866.6	3.5	
Buena Vista Int'l Korea	5	698.2	2.8	
others	84	1,945.4	7.9	
total	184	24,710.0	100.0	

[KOFIC]

Video

US: shipments of DVD players by month

	2002		2003	2004		2005	2006
	units	units		units	units		
January	542,698	797,058	1,111,285	505,492	686,127		
February	736,118	743,488	919,295	590,128	770,132		
March	1,404,026	1,613,649	1,545,112	1,227,321	1,039,752		
April	1,095,930	1,272,337	1,161,857	899,389	872,169		
May	950,412	1,332,897	1,369,035	1,184,490	1,441,570		
June	1,632,032	2,100,432	1,388,971	1,288,518	2,074,938		
first six months	6,361,216	7,859,861	7,495,555	5,695,338	6,884,688		

[CEMA]

France: cinema admissions by month

	2005		2006	growth %
	m	m		
January	14.34	14.34	0.0	
February	16.81	22.91	36.3	
March	14.14	14.65	3.6	
April	15.66	20.60	31.5	
May	13.85	18.57	34.1	
June	12.28	11.98	-2.4	
first six months	87.08	103.05	18.3	

[CNC]

Broadband Internet

Europe/North America: DSL and cable share of total broadband market by subscriber numbers 2006

	DSL		cable		other %
	%	%	%	%	
Austria	63.0	36.1	1.0		
Belgium	63.3	36.7	0.0		
Denmark	64.3	31.8	3.9		
France	94.7	5.3	0.1		
Finland	85.3	14.0	0.7		
Germany	96.2	2.4	1.4		
Greece	100.0	0.0	0.0		
Ireland	83.2	10.6	6.2		
Italy	98.0	0.0	2.0		
Netherlands	61.5	38.4	0.1		
Norway	81.4	14.5	4.1		
Portugal	59.8	40.2	0.0		
Spain	79.7	20.1	0.2		
Sweden	67.6	23.1	9.3		
Switzerland	65.9	31.8	2.2		
UK	75.7	24.2	0.1		
total Western Europe	83.5	15.4	1.1		
Czech Republic	72.3	27.7	0.0		
Estonia	76.9	23.1	0.0		
Hungary	71.4	28.6	0.0		
Poland	77.0	23.0	0.0		
Romania	12.2	87.8	0.0		
Slovakia	82.0	18.0	0.0		
Slovenia	71.0	29.0	0.0		
total C&E Europe	70.5	29.5	0.0		
total Europe	82.6	16.3	1.0		
Canada	49.3	50.7	0.0		
USA	43.8	55.2	1.0		
total North America	44.5	54.6	0.9		

[Screen Digest's Broadband Intelligence service]

US: residential high speed broadband lines

000s	Dec 03	Dec 04	Jun 05	Dec 05
ADSL	8,909	13,119	14,443	17,371

SDSL/traditional

	290	419	159	129
wireline	290	419	159	129
SDSL	-	-	154	122
traditional wireline	-	-	6	7
cable modem	16,416	21,270	23,497	24,690
fiber	20	35	83	214
satellite/wireless	342	423	428	529
satellite	-	-	265	320
fixed wireless	-	-	161	203
mobile wireless	-	-	3	6
power line and other	-	-	4	6
total broadband lines	25,977	35,266	38,615	42,938

[FCC]

For comprehensive media data, constantly updated, subscribe to Screen Digest's Intelligence Services. Details on page 193.

US: computer activities of adults by gender 2006

	male %	female %
shop online	60	64
listen to music	72	60
edit digital pictures	48	53
listen to or view internet media streams	69	45
access online health services	22	35
watch DVDs	54	35
access porn sites	38	6

[TRU for Oxygen]

Television

Europe, North Africa: multichannel homes by country, ranked by multichannel penetration

	cable, DTH, SMATV homes		penetration %
	m	%	
Luxembourg	0.17	100.0	
Belgium	4.44	97.8	
Germany	35.22	94.3	
Netherlands	6.64	94.1	
Switzerland	2.80	93.3	
Austria	2.95	87.5	
Algeria	4.89	83.3	
Romania	5.57	80.0	
Norway	1.49	75.3	
Denmark	1.80	75.0	
Hungary	2.73	71.7	
Sweden	3.05	70.1	
Morocco	3.76	69.6	
Slovenia	0.46	68.7	
Bulgaria	1.91	67.3	
Ireland	0.88	65.7	
Tunisia	1.34	62.0	
Slovak Republic	1.23	59.7	
Latvia	0.46	58.2	
Estonia	0.33	57.9	
Poland	7.18	54.2	
Portugal	1.87	50.1	
Croatia	0.69	48.3	
Bosnia	0.56	47.5	
Belarus	1.73	45.3	
United Kingdom	11.13	44.4	
Finland	1.00	43.7	
Lithuania	0.55	40.7	
Serbia	0.98	38.0	
France	8.90	37.4	
Ukraine	5.11	28.2	
Czech Republic	1.20	28.2	
Spain	3.83	27.4	
Italy	5.35	25.0	
Greece	0.21	6.2	
total	132.39	56.0	

[SES, Screen Digest analysis]

Slovakia: viewing share by channel, all day 2005

	share %
Jednotka STV1	19.3
Markiza	31.2
TV JOJ	14.7
TA 3	1.3
Dvojka STV2	5.7
Czech TV channels	11.3
Hungarian TV channels	8.1
Slovak/Czech cable channels	5.6

[PTM/TNS SK]

US: acquisitions of television stations January-June

	2005	2006
number of television stations sold	21	88
total transaction value	\$244m	\$15.7bn

[BIAfn]

UK: viewing share by channel, all homes

	Jan	Feb	Mar	Apr	May	Jun
	%	%	%	%	%	%
BBC1	22.2	22.3	22.6	22.3	23.0	24.9
BBC2	9.3	9.8	9.3	9.3	8.7	7.9
total BBC	31.5	32.1	31.9	31.7	31.6	32.8
ITV	20.5	20.2	21.0	19.5	19.5	20.5
Channel 4	11.0	9.9	9.4	9.6	10.5	11.0
five	5.8	6.0	6.0	5.8	5.8	5.4
commercial terrestrial TV	37.3	36.1	36.4	35.0	35.8	36.9
other viewing	31.3	31.8	31.8	33.3	32.6	30.3

[BARB]

PERSPECTIVE

Cinema is universal and should remain so

Cinema has been working with largely the same system since it was born over 100 years ago. The beauty of the system is that you can take a 35mm film anywhere in the world and play it on a projector. The system is the same in Sydney, New York, Paris and Tokyo—it is a universal medium. Therefore, on a technological level, the larger players were on the same playing field as the smaller independent players, even if there are huge differences in market power between the two.

The advent of digital technology into cinema distribution and projection has the capacity to change all that. The creation of a minimum standard for mainstream cinema projection, which is not enforceable by anything more than market forces, could effectively split the cinema market in two. D-cinema, endorsed by the US studios, is where the money will be and it is likely that the vast majority of cinemas will convert to this standard.

However, already some chains have converted to a lower e-cinema standard, thus shutting themselves off from the mainstream. This is creating a dual market for films and moves away from the spirit of universality originally foreseen as a key element of digital cinema, and more importantly, splits the market into two separate entities in direct competition with each other. That is the fact. But does this matter?

Ostensibly, it could be said that there are already two competing markets: the first is for mainstream and blockbuster-style movies that have substantial advertising backing (US studios and larger national distributors); the second market is for small niche independent titles. The first market dominates in all territories, taking up to 90-95 per cent in some places, leaving a smaller slice of box office revenues (and screens) to the so-called arthouse sector. There are usually far more distributors operating in the second market, working on very small margins for niche product.

It could also be argued that a dual market would give the cinemagoer the choice of which they wanted to frequent. It would allow cinemas to choose which market they were part of and market to their customers in an appropriate fashion. The two markets would rarely come into contact with each other, except when a crossover hit broke from one to the other. However, by cutting off the possibility of making money through mainstream movies, an exhibitor could never make money on niche product alone and would have to take more money from the distributor to compensate for this, cancelling out the potential benefits of digital to the distributor.

The strongest current argument against a dual market though is probably that as prices of digital cinema projection equipment come down, the need for e-cinema diminishes, and an exhibitor thinking of saving a relatively small amount of money on lower-spec equipment needs to consider whether they want to shut themselves off from the mainstream market for the next 10 years or so, effectively cutting out a good part of the market opportunities that digital is supposed to bring.

All films are created equal, but some are more equal than others. Given this, it is important that all films at least have the chance to compete in the same market. DH

The Editor writes: Not just cinema but all audio-visual and communications technologies were conventionally universal—telegraphy, telephony, sound recordings, radio broadcasting.

Cinema almost immediately became universal even though it was invented and developed in parallel on both sides of the Channel and of the Atlantic.

Television was the first exception, fragmenting the world with several versions, developed in the UK, France, Germany, Japan and the US and introduced into a world already fragmented by war and politics. Videocassette recording would have been universal but for the need to work with differing television standards. DVDs could have been universal but an insistence in certain quarters on dividing the world for marketing purposes prevented that. The argument is as perverse as its would have been for Edison or the Lumières to suggest that film should have different-sized sprocket holes in each continent. (Mind you, that's probably just what Edison *would* have liked..)

As the following piece argues, communication has become democratised. Anyone can have access—from the major movie-maker to the mad blogger. A good case for universality. JDF

MySpace makes Mr Wopsle's dream come true

There is a minor Dickens character called Mr Wopsle who regales his dinner companions with what he would preach if the Church were 'thrown open' and he could take to the pulpit. Wopsle is a self-important windbag and Dickens' clear implication is that it's a good thing the Church is likely to remain closed to him and his ilk.

If you will forgive a tortuous analogy between the Victorian English Church and 21st-century audiovisual media, latter-day Wopsles would have no problem now holding forth in public. Self-publishing has always been an integral element of the world wide web, and now you can not only share your words with the world (a weblog is said to be created every second), but upload your pictures and videos as well.

The phenomenon of social networking and user-generated video sites has caught the attention of the major media companies, which are conscious that young people spend more time on the internet than with newspapers, magazines and even TV. Both News Corporation and Viacom were in the bidding for MySpace, Murdoch stumping up \$650m to add the site to its stable of media like the Fox network and movie studio, *The Times*, New York *Daily News* and *The Sun* newspapers, etc.

The elusive young adult audience spends less time consuming traditional media and more time on sites like MySpace, Facebook and Bebo. The video sharing website YouTube, which allows anybody to upload clips from their video cameras or mobile phones, says it now serves 100m video clips daily.

Viacom's MTV Europe unit has already gone as far as to throw itself open to this new phenomenon, launching in July a website called MTV Flux with a companion TV channel. People will register online, upload film or music clips, and wait for other members of the online community to rate their work. The most successful pieces of content will gravitate from the website to the channel.

UK's Channel Four Television has, for more than a year, run the FourDocs broadband channel. The broadcaster's commissioning team selects the best short factual films submitted by members of the public. The company is now soliciting user-generated comedy clips for a new service called FourLaughs.

It's too far early to tell what sort of a revolution is under way. A large percentage of the videos being shared are not original—clips of wonder goals and wardrobe malfunctions copied off-air. A lot of those that are original are very poor quality and predictable. And how to monetise the online audience, who are after all more interested in interacting than consuming video ads or banners?

The big content owners have also muscled in to use the internet as a marketing channel for their content: Warner Bros will sell movies and television programmes on the Guba video site, and NBC Universal has agreed to show promotional clips of its upcoming shows on YouTube. TW