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Creative Has 'Vision' To Challenge iPod

Consumer electronics maven **Creative Technology** has introduced a new handheld video player that poses a direct challenge to the new video iPod.

The 30GB Zen Vision:M boasts a 2.5-inch, high-resolution, 262,144-color LCD screen on which to view digital video and photos, full-color menus and album art. It delivers four hours of video playback and supports a number of video formats including MPEG-2, MPEG-4 Simple Profile formats such as Xvid, WMV and MJPEG for enjoyment of up to 120 hours of movies downloaded from the Internet.

One of the more intriguing features is the Zen Vision:M's support for TiVoToGo, which lets **TiVo** subscribers use the portable player to watch TV shows they recorded with their TiVo. It also supports digitized home movies transferred from the PC and video blogs from companies such as **RocketBoom**.



Creative's Zen Vision:M Plays Video, Music

There's even an optional composite video-out connector that lets users view Zen-stored content on any size TV screen.

"When people see the Zen Vision:M, they tell us it's incredibly cool," said Sim Wong Hoo, chairman and CEO of Creative. "We designed the Zen Vision:M with its mesmerizing 262,144 color screen to display four times the color of the 30GB iPod that plays video, and to provide twice the battery life for video playback. Plus, we offer people the freedom to choose their video in a variety of different formats, and to get subscription music or download tracks from a number of different sites to their player."

Of course, as a member of Creative's Zen family of

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THE ONLINE REPORTER

"The way that content is delivered to and played in the home is dramatically changing"

Cisco Outlines Internet Video Strategy

In the next decade, video will sharply increase the load on the routers and switches that handle Internet traffic, says **Cisco** CEO John Chambers in the *Wall Street Journal* article "Cisco Girds to Handle Surge in Web Video."

Speaking in New York to investors, Chambers said the demands of video will transform the Internet over the next decade. Network traffic should increase four-fold to six-fold annually, instead of the 100%-a-year gains now seen in the US and Europe. "Making video work is really, really, really difficult," Chambers said.

Chambers made the same point about the importance of video to the Net's future (and vice versa, we might add) when

Cisco announced its intention to acquire **Scientific-Atlanta** for \$6.9 billion. Cisco's lust is for the set-top-box business, especially those with DVR functionality, of which Scientific-Atlanta claims to be the world's largest producer.

Only 30% of spending on Internet-based television broadcasting gear takes place in the US, Chambers said. Cisco's marketing and distribution prowess outside the US should benefit Scientific-Atlanta's business.

Chambers also cited Cisco's acqui-

sition of Denmark's **Kiss Technology** as a sign of the company's commitment to the Internet video market.

Similar to **Akimbo**, Kiss gear connects between the Internet and the TV set so users can play Internet-based video, radio, weather reports, stock quotes – all on the TV. Such gear operates on the "un-TV" network, the 200 or so Internet sites, with more coming,

that offer video for entertainment, information and education. They include such as **CinemNow**, **Starz**, **Movielink**, **AOL**, **Disney's ESPN** plus many that are not so well known.

Chambers said Cisco will accelerate its entry into the Internet video market next year by launching a Kiss

widget in the US that connects to a TV and has a built-in hard disk for storing video downloaded from the Net and a DVD player.

"This will be a new expansion of our approach to networked entertainment," said Chris Stevens, a VP at Cisco's **Linksys** home-networking division in a *Wall Street Journal* article. Cisco is reportedly creating a "networked entertainment business" unit around Kiss gear, which will be for-

Our worker elves are already plotting their year-end holiday ventures - the winter solstice season when we let them out of their dens for frolic, family, feasts and festivals. Here's the schedule:

December 16- TOR issue 473

December 23 - off

December 30 - off

January 6 - TOR issue 474

The office will be open, just no newsletter for two weeks.

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Cisco

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mally announced next month.

Cisco says it expects the cable TV services to sell the Kiss boxes just as they sell the Scientific-Atlanta gear. The cablecos will have to think twice about that, once they see that Internet-based video poses a direct threat to their pay-TV business. Cisco also expects to sell the Kiss gear in electronics retailers just as its Linksys PC networking operation does.

Most media reports blur the very real distinctions between IPTV and Internet TV:

IPTV – It uses Internet technology to distribute movies, TV shows and other video, but has nothing to do with the

Internet except that it's delivered over the same broadband network that's used to provide broadband access. It's a "walled garden" in the sense that the pay-TV companies control what's offered and when.

the telcos are the prime candidate for selling an "un-TV" box

Internet TV – Also referred to as Internet-based video and similar terms, it turns consumers loose on the Net to find and watch whatever interests them – from sports to university lectures, from music videos to 60-second comedies. Some are paid for, some are subscribed to with a monthly or annual fee and some are free.

The thought of an audience numbering in the hundreds of billions is enough to make every video producer and would-be video producer drool.

Perhaps Cisco can put the marketing muscle and credibility into an Internet-connected set-top video box that Akimbo has been unable to do. We have contended that the telcos are the prime candidate for selling an "un-TV" box. It would give them a big edge over the cablecos with a valuable service the cablecos are unlikely to offer. The telcos, at least for the moment, seem determined to emulate the cablecos, perhaps with a few more bells and whistles. A set-top box that gives subscribers access to both conventional pay-TV services and Internet-based videos would be an attractive combination, not to mention a real differentiator.

Major Digital Media Tradeshows

January 5-8, 2006
CES
Las Vegas

March 19-23, 2006
TelecomNEXT
(run by US Telecom)
Las Vegas
703-907-7700

April 9-11, 2006
NCTA, The 2006 National Show
Atlanta
202-775-3669

June 4-8, 2006
GlobalComm 2006
(run by TIA)
Chicago
703-907-7000

Zen Vision

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players, the Vision:M also stores and plays back music. The unit can store up to 15,000 songs and supports **Microsoft** PlaysForSure-compatible music services including **Yahoo Music**, **Napster** (and Napster To Go), **Rhapsody** (and Rhapsody To Go), **AOL MusicNow** and **MSN Music**.

Zen Vision:M & iPod – a Side by Side Comparison

| | Zen Vision:M | iPod |
|------------------|--|--|
| Storage capacity | 30GB 15,000 songs 120 hours of video | 30GB/60GB 7,500/15,000 songs Video storage dependent on format |
| Screen size | 2.5 inches (262,144 colors) | 2.5 inches (65,000 colors) |
| Windows Media | Yes | No |
| AAC (iTunes) | No | Yes |
| MPEG-4 | Yes | Yes |
| Battery life | Video: 4 hours Audio: 14 hours | Video: 2 hours/3 hours Audio: 14 hours/20 hours |
| Weight | 5.75 ounces (163 grams) | 4.8 ounces/5.5 ounces (136 grams/156 grams) |
| Price | \$329.99 | \$299/\$399 |

Additional features include 14 hours of music playback or four hours of video playback on a single battery charge; FM radio and recording with 32 preset options; password-protection for all content stored on the player; a built-in microphone; an organizer that syncs with Microsoft Outlook and an alarm clock.

The \$329.99 Zen Vision:M is available in high-gloss black, white, blue, green or pink.

News Corp Seeks Bigger Net Presence

News Corp is considering both teaming up with a search company and acquiring one in order to expand its Internet reach, according to Ross Levinsohn, the company's Internet chief, at a meeting with investors sponsored by UBS. He said the company was still reviewing proposals from several possible partners including Quigo.

Late to the Internet, News Corp acquired the social networking site MySpace.com for \$580 this summer. Levinsohn said the company is carefully studying how to increase advertise on the site.

News Corp, which owns the Fox broadcast network, the 20th Century Fox studio, the Fox News Channel and has a controlling interest in DirecTV, has other plans to take advantage of the Net's ability to deliver content and services directly to hundreds of millions of consumers, according to Levinsohn. They include Web-only episodes next year of the hit Fox show "Family Guy." In addition to being available on the show's Web site, they'll also be on IGN, a gaming site that News Corp acquired. News Corp may sell ads on the Webisodes.

"For today's youth, this is where they hang out"

MySpace recently launched a record label and signed its first band. Levinsohn said the company considers music "absolutely critical" to MySpace's future success. MySpace now has some 40 million users.

Concerning News Corp's attempts to add more ads to MySpace, Levinsohn said, "It only becomes commercial if you inundate them with advertising. I don't think we'll ever get to a place where we could kill it. The minute we put something up people don't like, we hear about it."

"For today's youth, this is where they hang out," Levinsohn said of MySpace. News Corp doesn't want to jeopardize losing the youthful MySpace audience. He said the company will listen carefully to users' responses to any moves it makes.

TW to Keep AOL; Gets Better Search Terms from Microsoft

Heard of being Microsofted? Ask the likes of Netscape, WordPerfect, Lotus and Novell. They'll tell you that it means a combination of Microsoft's deep pockets, persistence and numerically overwhelmingly engineers has moved in and taken over your market.

As we go to press on Thursday night, the Wall Street Journal says Microsoft appears to be about to pull off phase one of taking the seemingly invincible Google down a few notches by signing up AOL to use Microsoft's search engine. AOL is currently Google's largest account, reportedly accounting for about \$100 million a year in revenue.

Remember how Bill Gates turned Microsoft around when the Internet threatened to leave his company high and dry? Here's a reminder that Gates, perhaps this generation's most determined person, recently said that Microsoft will have a search engine next year that's demonstrably better than Google's.

An AOL-Microsoft axis would threaten the duo of Google and Yahoo. Together, AOL and Microsoft can match every entry in Google and Yahoo's arsenal although perhaps not yet in the quality of the offerings.

The alliance would also be able to reach more Internet users than Yahoo or Google. The Journal uses stats from comScore Media Metrix, an online market research firm, to show that an AOL-Microsoft alliance would be able to reach as many as 140 million Americans each month - about 80% of all US Internet users, compared with roughly 122 million recent monthly users of Yahoo and 86 million for Google.

In addition to switching to Microsoft's search engine, the Journal says AOL and Microsoft's MSN would set up a joint venture to sell ads on both AOL and MSN Web sites.

There's a deep pocket factor too. Microsoft, whose MSN appears to be mostly a declining dial-up service, needs AOL more than Google does now. Although Google is said to be still in negotiations with Time Warner over a deal with AOL, it's reportedly not willing to guarantee a minimum amount of revenue, which Microsoft had agreed to do.

The Journal reported that AOL currently keeps about 80% of the ad revenue generated

by searches conducted by its users using Google, under an agreement that reaped the company about \$300 million in revenue last year. The deal expires in 2006, the newspaper reports.

Together, AOL and Microsoft can match every entry in Google and Yahoo's arsenal

Time Warner chairman Richard Parsons, whose been under fire for the poor performance of his company's share price, would only say the company is in discussions with "multiple parties" about partnerships with AOL.

As the value of the big-draw Internet portals such as Yahoo and Google increases, so seemingly has Time Warner's reluctance to turn loose its AOL operation - or any part of it. After months of negotiations to sell some or all of AOL, Time Warner looks set to hang on to it, get either a better deal than its current one with Google or jettison Google in order to make a search deal with Microsoft.

All this comes from a New York Times article this week that quotes an executive involved in the talks as saying Google's newly proposed terms would increase the 80% cut Google currently gives AOL and increase the traffic that Google drives to the AOL sites. No longer involved in the negotiations with Google are third parties such as Comcast, instant messaging or ad sales.

The Microsoft negotiations, taking place simultaneously, include the possibility of a joint venture in ad sales, cooperation in instant messaging and perhaps a minority stake in AOL.

Reportedly, Time Warner valued the whole of AOL at \$20 billion, but both Google and Microsoft thought that too pricey.

At the very least, AOL should get either a bigger cut from Google's ad revenues or a better deal from the deep pockets of Microsoft.

APPLES SLICES

Apple Signs Up NBC

Apple and NBC Entertainment have signed a deal that will make a plethora of NBC content available to iPod and PC users via Apple's iTunes. It's a follow-on deal to the one Apple announced in October with Disney that offers five Disney and ABC shows. The Disney deal was announced during the launch of the video iPod.

more shows including sports, late night and daytime fare

NBC Universal TV Group president Jeff Zucker said the discussions between NBC and Apple had started before those between Apple and Disney. What is different about the Apple-NBC deal, Zucker said, is its scope – more shows including sports, late night and daytime fare – and more platforms – NBC, the USA Network and the Sci-Fi Channel.

Zucker said NBC Entertainment's "digital strategy is for our content to be available anywhere and everywhere and so this is just the next step in that strategy."

The shows will go for \$1.99 each, just like the Disney shows, and include: "Law & Order," "The Office," "Dragnet," "Battlestar Galactica," "The Tonight Show with Jay Leno," "Late Night With Conan O'Brien" and older programs such as "Alfred Hitchcock Presents," "Dragnet" and "Knight Rider."

First-run prime-time programs will be available after they run on the US West Coast, said Apple and the General Electric-controlled NBC.

Financial terms, including the deal's length, were not disclosed, except for Zucker's statement that the deal is "definitely not exclusive."

The Floodgates Have Opened

Apple says it's sold more than three mil-

lion videos since its iTunes started selling video in October.

The Apple-Disney deal highlighted an avalanche of deals as the TV networks and other video purveyors rush to market:

EchoStar – Archos to copy content recorded on an EchoStar DVR to an Archos-made portable video player.

CinemaNow – Archos to copy movies that have been downloaded to a PC to the Archos widget.

NBC Universal - DirecTV – a 99-cents-per-episode "video-on-demand" arrangement for selected TV shows – without commercials.

CBS – Comcast – also a 99-cents-per-episode video-on-demand without commercials deal.

TiVo – will enable certain models to copy recorded movies and TV shows to Apple iPods and Sony PSPs.

"digital strategy is for our content to be available anywhere and everywhere"

Canal+ - Archos – Archos portable video recorder/player with a seven-inch screen can be used as DVR by attaching it directly to the Canal+ STB, then used as portable player.

Analysts Rush to Upgrade Apple's Share Price

Wall Street analysts seem to be falling over themselves in their rush to upgrade the price they think Apple shares will rise to.

Ben Reitzes of UBS Investment Research said on CNBC that the lack of non-video iPods on retail shelves helps the stores to upsell iPod prospects to the pricier video iPod. That, he said, will have a positive impact on Apple's revenues.

Piper Jaffray analyst Gene Munster said on CNBC that Apple's newly announced entertainment PC – the one that uses the Front Row software and the nifty remote control – could add 20% to Apple's PC unit

sales. He said that Apple's adoption of Intel microprocessors for Macintosh computers could lead to the integration of Intel's Viiv technology into its entertainment PCs. Munster called Microsoft's Media Center a failure. He said that consumers' positive experiences with iTunes had caused them to be interested in playing around with and testing Apple's products but not Microsoft's.

iTunes Europe Hits 100m Downloads

A lucky music lover in Belgium received a 17-inch iMac G5, a 30GB iPod, a gift card for 10,000 iTunes song downloads and tickets to a concert just for downloading an album of Mozart's "The Magic Flute." Well, Apple actually awarded the prizes because the Belgian gentleman's music purchase was the 100 millionth download from iTunes Europe.

No iPod Tax in Japan This Year

There'll be no iPod tax in Japan this year. A committee called the Cultural Agency rejected a plan proposed by Japan's recording industry and the Japanese Society for Rights

The next thing you know, software companies will want a tax on every computer that's sold to compensate them for software piracy.

of Authors, Composers and Publishers (JAS-RAC). It would have added a 2% and 5% surcharge to the price of portable MP3 players such as the Apple iPod. The recording industry said the money was needed to compensate songwriters and copyright holders for digital music piracy losses. Reportedly the committee was unable to reach a consensus. The next thing you know, software companies will want a tax on every computer that's sold to compensate them for software piracy.

BROADBAND BEAT

BellSouth Testing But Unsure about Pay-TV

BellSouth, the most conservative of the three big Baby Bells, says it'll test its pay-TV service next summer using **Microsoft's** IPTV technology and delivering the video over a fiber optic network, according to BellSouth president and COO Mark Feidler, speaking at an investor conference in New York this week.

The test will take place in about 1,000 homes in Atlanta, BellSouth's hometown. Currently BellSouth is testing the service in a few employees' homes, using the Microsoft software.

Feidler said the company has not made a decision about a company-wide rollout, saying, "We still have questions about the economics." Pay-TV will require the telcos to rollout an expensive fiber optic network.

"We still have questions about the economics."

Both **AT&T** and **Verizon** have announced ambitious plans for pay-TV in order to compete with the cable companies who, having taken the telcos' broadband market, are now carving out a piece of the telcos' traditional local phone business, especially the consumer sector.

AT&T says it'll have a "controlled" launch of its Lightspeed pay-TV service early next year using the Microsoft technology. It has tested the service in employee homes in its San Antonio hometown. Rumors continue to say that there are problems with the AT&T pay-TV test, particularly Microsoft's IPTV software but AT&T executives say the software is meeting all of its targets.

Verizon, which does not use the Microsoft IPTV software, has already launched its FiOS pay-TV service in Keller, Texas and Herndon, Virginia and is currently rolling it out in the Tampa, Florida area. Rather than the Microsoft software, Verizon is using the same technology that the cablecos do for video delivery.

Qwest, the fourth of the remaining Baby Bells, has been silent on the topic.

The Bells will have to run a fiber optic cable to the neighborhood, at the very least and which AT&T has committed to, or all the way to the home, which is Verizon's promise. Either is an expensive proposition that will cost billions.

On the other hand, what choices do the telcos have? Their consumer bundle includes broadband that's considerably slower than what the cablecos offer and mobile phone service from their partially owned mobile phone companies.

The cablecos counter with broadband that's four or more times faster, an established pay-TV service with lots of bells and whistles and less expensive VoIP phone service. Please note that not all cableco phone service is VoIP, however. **Cox**, for example, sells a phone service that uses traditional phone technology except that it's delivered over Cox' cable.

The cable TV operators have signed up about 4.5 million telephone subscribers so far.

what choices do the telcos have?

Four of the major cablecos have recently announced a deal with **Sprint Nextel** that will enable them to offer their own brand of mobile phone service.

BellSouth Upset with New Orleans Wi-Fi Plans

BellSouth appears not to be happy with the city of New Orleans' decision to build a free citywide Wi-Fi network. BellSouth's Bill Oliver, who runs the company's Louisiana operations, was so angered by the city's announcement that he took back an offer to donate one of the company's damaged buildings for use as police headquarters, according to the *Washington Post*.

BellSouth spokesman Jeff Battcher had his own spin: "Our willingness to work with the mayor and the city is still on the table. We've been working for over two months on this building. We are a little surprised by

these comments." New Orleans CTO Greg Meffert said, "It's a once-in-a-century opportunity to truly show the entire world what can be, instead of just what is, and help write future history in the process. It's a damn shame BellSouth doesn't see that."

The network, other than in emergencies, would run at little more than double the speed of dial-up. The network's speed is so slow that seemingly only those who cannot afford broadband would be interested in using it.

| What's Wrong With This Picture? | |
|--|---------------|
| Service | Speed in Mbps |
| Cox | 4.0 |
| BellSouth..... | 1.5 |
| New Orleans network during emergency | 0.15 |
| New Orleans when not at emergency | 0.128 |
| Dial-up | 0.056 |

Law enforcement and other city agencies will also use the network. The city says it eventually intends to outsource operation of the network's business and consumer services to a private firm.

BellSouth CTO William Smith last week threatened to impose a toll on Internet companies that want to get their content delivered faster than others.

New Orleans Mayor Ray Nagin ran the New Orleans operation of the **Cox** cable TV company immediately prior to being elected.

Deutsche Telekom Rolling Out VDSL

The German government has agreed not to force **Deutsche Telekom** (DT) to open its VDSL broadband network to third parties after DT threatened to drop the project and cut 5,000 jobs, according to the *DSL Prime* newsletter. Reportedly the DT ploy was a bluff, as it needed VDSL technology for its planned video. DT is also said to be losing

Rolling Out DSL: continued on page SEVEN



BROADBAND BEAT

Rolling Out DSL: *continued from page SIX*

phones lines by the millions to third-party local phone services and to VoIP services.

DSL Prime says DT plans to connect some three million homes immediately with VDSL technology on its way to nationwide deployment. Speeds will be 100 Mbps down and 100 Mbps up in apartment buildings and 50 Mbps down and 10 Mbps up in low-rise districts. The topology is more like the fiber-to-the-curb in the US, not the much cheaper fiber-to-the-node, according to the newsletter.

Yahoo IM Users Get VoIP

Although we don't generally cover VoIP, the following is too important to miss. **Yahoo** will let its 21 million Yahoo Messenger users in the States make domestic and international phone calls for a minimal per-minute fee, perhaps as low as one cent per minute, from anywhere to the US.

Yahoo Messenger is the third most popular instant messenger service after **AOL** Instant Messenger and **MSN** Messenger.

too important to miss

Yahoo competitors **AOL**, **Google** and **Microsoft** are preparing similar VoIP services. Once that's done, assuming they use their instant messaging service as the vehicle, Internet telephony will be available to the three hundred million people around the world, including 80 million Americans, that send 12 billion instant messages a day, according to **comScore Media Metrix** and **IDC**.

Yahoo, Microsoft, AOL and Google have telegraphed their VoIP intentions to the world:

- Yahoo bought Internet telephony company **Dialpad Communications** in June.
- Microsoft, which has 22 million instant messaging users in the US, bought VoIP firm **Teleo** in August.
- AOL, with 53 million IM users, offers a

VoIP service called **TotalTalk** that allows users to make Internet telephone calls using a broadband telephone adapter that they can connect to their home phone.

Then **eBay** bought VoIP market leader **Skype** for \$2.5 billion in September. It says it intends to integrate Internet telephony into its online auction service so buyers and sellers can better communicate with each other.

It's going to get interesting in the consumer phone service business – worldwide.

Serving Customers Well Can Be a Great Business Strategy

"Free wireless in New Orleans and San Francisco should inspire other cities to get everyone connected. If necessary, municipalities should pay for it out of the public safety budget. 'The debate over whether to add a Wi-Fi/WiMax network should be over,' I wrote two months ago. Whether built by the city, the cable guy, the telco or a new entrant, the redundant network will save lives when emergencies hit.

municipalities should pay for it out of the public safety budget

"Around the world, telcos are fighting this competition the wrong way, with political power. A far better answer is to deliver first-class service yourself, like **Verizon's** FiOS. The Bells have an RFP out for GPON fiber, four-10 times faster than Verizon's BPON. Serving customers well can be a great business strategy." – Dave Burstein in the *DSL Prime* newsletter.

Cox Could Become Fastest Network

The planned EON Network from **Cox** may be able to support 100 Mbps up and down, plus 200 or more HDTV channels, according to *DSL Prime*. It would make the Cox the fastest cable TV network in America and

would be two-10 times faster than **Verizon's** BPON and comparable to the GPON coming in 2007.

Worldwide Broadband Satellite Service Launches

It's not priced to attract the average consumer, but satellite-accessible broadband will soon be available worldwide. **Inmarsat**, after six years of development, this week launched the Broadband Global Area Network (BGAN), which will let its clients make voice calls and receive data in remote areas.

"BGAN enables anyone to set up a broadband mobile office in minutes"

A portable terminal makes the satellite connection and is connected to a PC or phone via a USB wire, Wi-Fi or Bluetooth technology. The service will offer simultaneous voice and data at rates up to 492 Kbps (0.49 Mbps). A guaranteed transmission speed up to 256 Kbps (0.256 Mbps) is optional.

Inmarsat COO Michael Butler said, "BGAN enables anyone to set up a broadband mobile office in minutes and remain fully productive - wherever they are on the planet."

The service is limited to the footprint of the first of Inmarsat's satellites, launched in March, and which covers Europe, the Middle East, Asia and Africa. A second satellite in the middle of next year will cover North and South America. The two will cover about 85% of the globe's land area. A third satellite will extend the service to the global maritime and aeronautical communications sector.

Terminals will be available from **Nera Satcom**, **Thrane & Thrane**, **Hughes Network Systems** and **Addvalue Communications**. Reportedly they already have 15,000 orders.

LEGAL MATTERS

Sharman Blocks Australian Users, Fails to Install Filters

The Australian record labels, through the **Australian Recording Industry Association** (ARIA), intend to ask Australia's Federal Court to shutter the **Sharman Networks** Kazaa file sharing network, ARIA CEO Stephen Peach said this week.

Peach said the Federal Court had given Sharman until December 5 to include a 3,000-word filter in its Kazaa file-sharing software in order to block the downloading of copyrighted music tracks.

Instead, Sharman, by its own admission, blocked Australian users' access to the Kazaa site and warned Kazaa users in Australia to uninstall the software.

However, Australians who had already downloaded and installed the Kazaa software can continue to use the file-swapping service without restriction – as can Kazaa users worldwide. The only thing Sharman's move does is to make it impossible for Australians to download the Kazaa software. They can still install it if someone e-mails it to them, sends it by instant messenger or posts it on another P2P service for downloading.

"From our point of view they have clearly breached an existing court order. They have failed to implement the keyword filters that the court ordered on the last occasion," Peach said. "Unfortunately we'll be back to court. It'll be sooner rather than later."

The notice on the Kazaa Web site said, "Attention users in Australia. To comply with the Federal Court of Australia, pending an appeal in the February 2006, use of the Kazaa Media Desktop is not permitted by persons in Australia. If you are in Australia you must not download or use the Kazaa Media Desktop."

"Sharman has thumbed its nose at the court," said Peach. "They were given a chance to do the right thing and they've ruined it. They again have shown they intend to do nothing about the illegal activities occurring on a massive scale on their system."

When Justice Wilcox ordered Sharman to

use the filter, he said, "I can't help feeling that if you could wipe out the 3,000 most popular tunes which would no doubt include the current pop favorites and you could update that, I think on a fortnightly basis, I think that is reasonable for a limited period. You are going to significantly affect the amount of damage that has occurred."

Sharman evidently understood or pretended to misunderstand Wilcox' order differently than the labels did. A December 7 press release from Sharman made it seem like it's business as usual: "Yesterday, Sharman Networks announced that it had complied with Wilcox' Order 4 of the 5 September Judgment by ceasing distribution of the Kazaa application in Australia before midnight on 5 December 2005, and using proven "geotargetting" technology and warnings prohibiting existing users from using the application. For Sharman Networks, it otherwise remains business as usual."

clearly breached an existing court order

Sharman added, "The judgment pertained to authorization of copyright in Australia. All activity that could be deemed as authorizing has stopped so as to comply with the court orders, pending the imminent appeal in February."

Not mentioned in the Sharman press release is the subject of filtering, which the Federal Court of Australia ordered Sharman to implement as an interim step. The 3,000-word filter, which the labels submit to Sharman and update every two weeks, is designed to prevent the more popular songs from being illegally downloaded.

After finding Sharman guilty of copyright infringement on a massive scale, the judge ordered the implementation of a keyword filter as a condition of a stay on the copyright judgment. Without the filter, the Kazaa site is to be shut down.

The 3,000-keyword filter is to apply to all users, not just those in Australia. Initially the record labels wanted Kazaa to filter 10,000 words.

"It's now time for Sharman to match their words with action," Peach said.

Geo-targeting software identifies which

country an Internet user is located in and can prevent the person from accessing specified sites. The **BBC** uses geo-targeting software to prevent non-BBC residents from accessing its online TV and music programs.

Two Views On the Telcos' Lobbying Power

"You have to take a threat from the Baby Bells seriously. Their lobbying power – especially in Washington but also at the state level as well – is phenomenal. They were held somewhat at bay by the **FCC** under the chairmanships of Reed Hundt, Bill Kennard and Michael Powell. They appear to be fully in the driver's seat under current chairman Kevin Martin; lately the **FCC** has been acting as if its sole role is to protect incumbents regardless of the cost to the public of that protection." – Tom Evslin in an *Always On.com* article called "Don't Buy DSL From This Man ... If You Can Help It" about the statements made by **AT&T** (nee **SBC**) chairman and CEO Ed Whitacre that he intends to charge **Vonage**, **Yahoo** and **Google** for using his company's "pipes."

"I believe the number one core competency of the telcos is lobbying. No joke. They are great at it. Their lobbying competency makes the waiting, stalling, delaying game all the more powerful, cuz during the delay the lobbyists can work magic." – Pip Coburn of **Coburn Ventures** in the *AlwaysOn.com* article "They're Not Stupid, They Were 'Freed'" about how the "free" mentality of the Internet has impacted the telcos and the recording companies.

MPAA, RIAA Warning Omits Rootkit

The **MPAA** and **RIAA** sent out notices this week that tell consumers how to avoid buying counterfeit and pirated works. They include warnings such as "Remember the Adage 'You Get What You Pay For,'" "Watch for Titles that are 'Too New to be True'" and "Look for Suspicious Packaging." They do not, however, include warnings about how to spot CDs and DVDs whose DRM software leaves the consumer's PC open to hacking and viruses. Ouch!

HOME NETWORKING

Entropic Ships 100,000th MoCA Chip

Expect **Entropic** to announce it's shipped 100,000 MoCA chips. They'll show up in various devices such as set-top boxes, DVRs, PCs and other gear that will be connected to a very high-speed, highly secure network in the home – one that's capable of carrying multiple streams of high-fidelity video with a security that the Hollywood studios can accept. The Entropic chips, not yet fully MoCA-certified, are labeled as pre-certified. Final certification is expected shortly. Companies receiving the MoCA chips include the likes of:

TwoWire, which is supplying the hybrid **EchoStar AT&T**/broadband modem to AT&T.

Motorola, which makes DVRs and set-top boxes. It's one of two DVR suppliers to AT&T for use in an IPTV network.

Panasonic, which makes lots of consumer electronics products.

Actiontel, which has a digital media adapter that wirelessly connects a PC to TVs and stereos and also makes fax modems, and networking gear.

Westell, which makes lots of networking gear for the telcos.

HPNA: The Fly in MoCA's Ointment

Remember HPNA – the Home Phonline Networking Alliance – that was working to develop technology standards so the home's copper telephone wires could be used for networking? Well, it's been abandoned by most, but Israeli chipmaker **Coppergate** has kept an assemblage that includes names such as **AT&T** (nee **SBC**), **Scientific-Atlanta**, **Motorola**, **Samsung** and others.

In addition to working over copper wiring, HPNA is also said to work over coax as well. It seems SBC Labs, er, uh, that's probably AT&T Labs now, is still involved because of its concern that some homes don't have coax cable installed and that AT&T might not have access to the coax network in many apartment buildings. It wants a copper wire solution for those situations.

AT&T's plan of record calls for MoCA on

the first implementation of its Lightspeed network, but it's requested HPNA capability if the field trials pan out.

Reportedly, the initial HPNA tests at AT&T did not go well due to limited performance in both throughput and outlet coverage. Lots of the copper wiring in homes and apartments is pretty old. However, work is still being done on improvements.

Coppergate is the only HPNA 3.0 chip vendor we could find.

It's certainly understandable that the industry wants a back door in the Alamo (that's an Americanism for second source) in case MoCA falters. Unless HPNA can get quickly up to speed and robustness on a coax network, it'll find MoCA with too much momentum to stop in the coax world.

DirecTV HDTV, HD DVR Schedules Out of Synch

DirecTV seems to be a bit out of synch in its rollout of local HD programming and new HD-enabled DVRs that are based on **NDS** designs. Because there are so many local channels, DirecTV needs to use its new satellites that transmit HD signals only in MPEG-4, but won't have MPEG-4 enabled DVRs to receive the signals until perhaps a year from now.

Currently DirecTV is dependent on over-the-air broadcasts for its subscribers to receive local stations in HD. The HD antennas it's selling aren't reliable for many subscriber locations unless they are placed on a very high pole, which most customers object to for aesthetic reasons.

DirecTV's solution is the four new MPEG-4 equipped satellites – “birds” in satellite lingo – that will be able to transmit upwards of 1,500 channels, plus about 150 reserved for national HD programming. All the DVR and non-DVR set-top boxes that DirecTV currently has installed will only receive MPEG-2 signals, not MPEG-4.

DirecTV says it expects there'll be an explosion in available HD content by 2007. In any event, it'll be prepared to deliver it.

The complication is that DirecTV's newly launched NDS-designed DVR does not record in high-definition. Current DirecTV subscribers who want to record HD programs use a DVR that's based on **TiVo** tech-

nology. DirecTV says the NDS boxes with MPEG-4 technology will be available in mid-2006.

DirecTV's HD DVR customers will thus be faced with a “Hobson's choice”: a DVR-less HD set-top box that receives the MPEG-4 transmissions from the new birds or DVRs that receive the MPEG-4 high-definition signal but that don't record in high-definition. To record but only in standard definition or not to record and see HD, that is the question DirecTV subscribers will be asking themselves until the company can get its transition in synch. Cable TV subscribers won't, of course, have to make that choice.

A further complication is that DVR users now save recordings long term – not just last night's football game but, say, lots of episodes of “Friends” or “Cheers.” How will those be copied to the new DVR that's needed for receiving HD signals from the MPEG-4 birds?

DirecTV says, unfortunately, there will not be any way to transfer the recordings from an existing DirecTV TiVo HD-DVR to the new MPEG-4 compatible HD-DVR.

At this point DirecTV has not announced a policy for:

- The cost for a subscriber to “downgrade” from an existing MPEG-2 compatible HD DVR to a DVR that receives the MPEG-4 signal but won't record in high definition.
- How a subscriber's stored content will be copied to the MPEG-4 compatible DVRs when they come to market.

DirecTV says it has already begun rolling out local programming transmitted by the new birds in HD. It's not giving out exact dates. It hopes to add more cities by year-end and intends to add more “gradually expanding coverage over the next two years” as it deploys the new satellites that use MPEG-4 technology.

The local channels transmitted over the bird will carry a mix of digital standard-definition and HD programming.

Concerning the need to change the boxes in the customers' homes, DirecTV says, “Customers who have DirecTV HD equipment and want to receive local HD programming from DirecTV will be eligible for an

Out of Synch: continued on page ELEVEN

LIES, DAMN LIES & STATISTICS

Monthly Entertainment-Media Budget Grows

The monthly entertainment media budget for most folks keeps going up. The details listed here are an attempt to show a typical list of items.

It seems everyone is getting a DVR and an HDTV so we upped the pay-TV package to include those services.

Noteworthy is that **Verizon** dropped its local phone rates in New York by \$15, an indication of where the pricing in that market is going.

price by about \$15. It seems Verizon is taking action to prevent more losses of its land-line consumer services, especially considering that during the last two quarters it has lost over two million residential phone customers.

DirecTV's price might seem significantly higher compared to the July price, but the base price for the Total Choice Plus package is unchanged. Added are a few features that are quickly becoming a standard in the average middle-income home: an additional receiver and a DVR receiver with HD for the

tracks was lowered in from 99 cents to 79 cents and the level of price sensitivity customers in this market have; if customers are willing to pay \$10 for an album in iTunes, why wouldn't they spend \$10 a month on Rhapsody and have unlimited access to a library of music with over 1.3 million songs?

There is another online service that is shuffling the deck. **CinemaNow**, the leader in digital video distribution with over 7,500 titles, now only offers only one subscription plan, the Platinum Club. It has two options:

- For about \$30 per month, subscribers get unlimited movies, concerts and news plus 360 minutes of adult content.

- For \$100 per year, one-quarter of the price of the total month-by-month deal, subscribers get unlimited adult content.

A CinemaNow representative said that the company is "currently in the process of revising its subscription offerings" and that information will be available in the near future with no specific date given.

Monthly Basics

| | December 2005 | July 2005 |
|------------------------------------|-------------------------|----------------------|
| Comcast – Broadband (PA) | \$42.95 ⁺ | \$42.95 ⁺ |
| DirecTV | \$72.96 ⁺⁺ | \$45.99 [*] |
| | (includes DVR and HD) | |
| Cingular Wireless (Atlanta) | \$39.99 ⁺⁺⁺ | \$39.99 |
| Verizon – Local phone service (NY) | \$22.61 ⁺⁺⁺⁺ | \$37.95 |
| Monthly outlay for basics | \$178.50 | \$167 |

Monthly Entertainment Services

| | | |
|----------------------------------|------------------------|----------------------|
| Rhapsody – Streaming music | \$9.99 ^{**} | \$8.33 ^{**} |
| CinemaNow – Movies on-demand | \$29.95 ^{***} | \$9.99 |
| iTunes – Downloaded songs | \$9.99/album | \$9.99/album |
| Akimbo – Set-top box download | \$9.99 | \$9.99 |
| Monthly outlay for extras | \$60 | \$38 |
| Grand Total | \$238.50 | \$205 |

⁺ 4 Mbps down/384 Kbps up

⁺⁺ Total Choice Plus Package (\$45.99) + HD Package (\$11.99) + 1 DVR (9.99) + 1 additional receiver (\$4.99)

⁺⁺⁺ 450 daytime minutes w/ 5,000 night and weekend, unlimited mobile to mobile w/ rollover

⁺⁺⁺⁺ Verizon Local Package (flat rate)

^{*} Total Choice Plus package 155 channels

^{**} Rhapsody Unlimited

^{***} Platinum Club = unlimited subscription to access thousands of video, including adult video, also available for \$99.95/year, currently the only subscription plan offered at this time

^{****} Gold Club = access to subscription movies (does not include major studio movies)

It's been five months since the last Entertainment Price Comparison. The results were not as shocking as anticipated, but there have been a few interesting developments.

The most significant price change is the decrease in the local residential phone lines

wide-screen high-def TVs so many consumers seem to be buying.

RealNetworks' Rhapsody online music service had an increase of \$1.66 for a monthly subscription. This is probably due to the fact that the cost of downloading a burning

On the Dangers of Accepting Survey and Focus Group Findings

Mark Cuban sold **Broadcast.com** in 1999 to **Yahoo** for \$5.7 billion. He currently owns the Dallas Mavericks professional basketball team. He and a partner own **2929 Entertainment**, which produces movies and TV shows, and he owns **Landmark Theatre Corporation**, a chain of 185 art house movie theaters. Through 2929 Entertainment, Cuban also purchased **HDNet**, the first high-definition satellite television network.

Here are some of his thoughts on consumer surveys and focus groups from an interview at the *Alwayson.com* Innovation Summit at Stanford University:

"I've been selling technology since the early 80s, and every step of the way the technology is always too slow, too expensive and too hard to use. And then all of a sudden the price points get to the point where as long as it does one thing and you know how to do that one thing, then it doesn't matter.

"It used to be analog phones, and then what about digital? There were discussions when you were purchasing a phone about the

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LIES, DAMN LIES & STATISTICS

Findings: continued from page NINE

different types of networks and the different transports. And all of that disappeared. It's a free phone if you sign up for the service. It used to be we looked at someone with a cell phone and said, 'That's so gauche to have a cell phone walking down the street talking. Can you believe that person?' And then it was, 'I'm never going to use e-mail. I want people just to be able to call me for the personal part.'

Surveys are always misleading. Focus groups are always misleading

"That is just the way we look at new technology. When you survey somebody, it's not the job of the consumer to think about what the best solutions are to their potential needs in the future.

"I want to know if my Corn Flakes are going to stay crispy, not what's the best breakfast solution. I don't spend any time thinking about that. And people don't spend time thinking about alternate technology solutions.

"Consumers follow the path of least resistance. The path of least resistance to talk to your kids or talk to coworkers when you're mobile is a cell phone, and it becomes cheap enough to do it. The path of least resistance is potentially becoming a PVR, and it's becoming cheap enough or it's becoming packaged in with existing products. So you use it.

"You don't have to know all the features, and it doesn't really matter how complicated the overall use is, as long as it can do the one thing you want to do.

"So surveys are always misleading. Focus groups are always misleading because you're asking people to think about things they really have never given any serious thought to."

Geeks on Holiday

Here's one that slipped through our net (net, not Net).

A survey of 1,000 Brits, commissioned by **Intel** last summer, showed what geeks we've become, even when we're away on holiday. It found that:

- One in eight vacationers take along their laptops to watch DVDs, listen to music, surf the Web and e-mail their friends.
- 34% use e-mail and instant messaging instead of postcards.

The carry-along computer isn't a complete solution because one out of every 10 Brits said they end up having a major row with their travel partner during the trip.

It turns out the average British vacationer has 32 hours of bad holiday weather during which:

- A third (32%) watch local TV in a language they don't understand.
- 56% re-read old magazines for the second or third time.
- 38% call or text friends to find out about the weather at home.

Chris Hogg, Intel's UK marketing manager said, "New technology means more and more people are opting to stay switched on even when they're 'turning off' and relaxing."

Folks want to access their music, watch movie DVDs, instant message and e-mail friends and family plus use a Wi-Fi hotspot to access the Net.

Internet Streaming Becoming Popular

Nearly 60% of online US households stream media at least once a month (call me when it becomes daily), according to **comScore Networks** and **Streaming Media.com** in the report "State of the Consumer Streaming Market." It's based on a cross-section of the more than 1.5 million US Internet users who have given the company permission to monitor all of their online browsing.

Other findings:

- 100 million-plus US users access

online digital media - video/audio streams/downloads - in a month; nearly 60% of the US online population.

- Almost two-thirds of users streaming audio or video this past August went through a portal; almost 50% did so from an entertainment site.

- More than 17% streamed content from a music site.

- Consumers between the ages of 35 and 54 years old - the so-called "mature audience" - accounted for more than 45% of all online video watched in August.

- The "mature audience" was 20% more likely to watch online video than the average Internet user. The 25-to-34-year-old set is 12% more likely to watch than the average viewer.

- Video consumption crosses all times and demographics.

Internet Use Increases 17% in Europe

The average Internet user in Europe spends 10 hours and 15 minutes a week online, a 17% increase over a year ago, according to the **European Interactive Advertising Association**. During the same time, Europeans increased their use of television 6% and newspapers by 13%. The report also found that 13% of European Internet users regularly contribute to blogs, 12% download podcasts at least once a month and 10% of them already are using the Internet to make telephone calls.

Internet Cutting into TV Ad Budgets

The TV networks are going to feel the impact on their ad revenues in the second half of 2006, a so-called "tripping point," according to **Piper Jaffray** analyst Safa Rashtchy in a new report. He says that several trends, including online ad spending increases, the speed of technology growth, and the way online benefits offline campaigns, are converging, with the result that

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Ad Budgets: *continued from page TEN*

on online ad spending will increase from a 5% market share this year to a 10% share much faster than originally thought.

The second half of next year will see some major marketers rapidly accelerate their online ad spend, Rashtchy says, with the total “conservatively” exceeding \$55 billion by 2010. Where else can be found so many consumers that are actively looking for ads?

The beneficiaries will be the big Internet portals such as **Google** and **Yahoo**. Also benefiting will be ad networks such as **ValueClick** and **24/7 Real Media** and large interactive agencies like **Quantive** and **Digitas**, he said.

HOME NETWORKING

Out of Synch: *continued from page EIGHT*

MPEG-4-capable receiver replacement after we launch local HD programming in your city. If you want to replace your HD DVR, you will need to wait a bit longer. Our new MPEG-4-capable DirecTV HD DVR is expected to be available sometime in 2006, after we roll out our local HD programming to our first group of cities.”

The current MPEG-2-equipped NDS DVRs were originally promised over a year ago. DirecTV was anxious to get them so it could stop buying TiVo-designed boxes. Here’s hoping the MPEG-4-equipped NDS boxes aren’t as late.

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MOBILE MEDIA

CBS Goes Wireless on V CAST

CBS has finally joined all the other major television networks and made some of its content available on mobile phones.

The most watched broadcast network has inked a deal with **Verizon Wireless** to make clips from a number of prime time, late night and syndicated shows available on the wireless operator’s V CAST multimedia service.

“At the intersection of the mobile phone and the television”

V CAST subscribers will be able to see video news segments from “CBS Evening News,” “The Early Show” and “Entertainment Tonight” that are produced specifically for mobile phones. These clips will include both breaking news and feature stories.

Content from prime time includes preview clips from forensic dramas “CSI,” “CSI: Miami” and “CSI:NY,” reality shows “Survivor” and “The Amazing Race” and sitcom “The King of Queens.” Fans of late night TV programming can enjoy clips from “Late Show with David Letterman,” including clips from Letterman’s monologue and Top 10 list, and highlights from “The Late Late Show with Craig Ferguson.”

“At the intersection of the mobile phone and the television lies tremendous programming, promotion and brand extension potential,” said CBS Digital Media VP of wireless Cyriac Roeding. “This deal with Verizon Wireless represents a major step for us into mobile entertainment and another point of contact with the consumer to promote our great content brands.”

The Verizon Wireless V CAST broadband multimedia service offers a wide range of video programming such as news, sports and entertainment on-demand. The company’s Evolution-Data Optimized (EV-DO)

network is currently the largest high-speed wireless broadband network in the US, and is available in more than 170 major metropolitan markets.

Vodafone Launches Global Mobile TV Channels

European mobile phone customers now have access to a wide variety of both American and European television content while commuting to work, waiting at the airport or wherever else they happen to be thanks to a new service from **Vodafone**.

The mobile operator has launched a number of global Mobile TV channels ranging from pan-European sports coverage to **HBO** series and special “mobisodes” of the hit drama “24.” The globally sourced content works on any Vodafone live-enabled 3G handset and complements the company’s existing domestic mobile TV offerings in Germany, Greece, Italy, Netherlands, New Zealand, Portugal, Spain, the UK, Belgium, France, Switzerland and Austria.

“dipping in and out of television”

Findings from research conducted by Vodafone show that watching mobile TV while on the go complements at-home TV viewing habits, indicating likely high consumer demand for this product. According to Vodafone, consumers want access to well-known TV brands and channels and they enjoy “dipping in and out of television as it is an enjoyable way of filling free time.”

The launch of these global Mobile TV channels, as well as their availability, packaging and programming, will vary according to market. The global channels include: *HBO will offer full-length programming such as “Sex and the City,” “Curb Your Enthusiasm” and “Six Feet Under.”

Vodafone: *continued on page TWELVE*

MOBILE MEDIA

Vodafone: *continued from page ELEVEN*

Programming will be adapted for various Vodafone markets and scheduled in 90-minute loops, 24 hours a day.

*Through its **Fox Mobile Entertainment** unit, **20th Century Fox Television** offers mobile content from existing and original made-for-mobile brands. Seasons one through four of "24" have been specially edited for mobile and these edits will be available as on-demand clips and as loops of the entire edited seasons.

***Eurosport** will provide an extensive portfolio of major live sporting events, which are broadcast across Europe in 19 languages, giving viewers all the excitement that live sport can generate.

*The UEFA Champions League channel offers content from the world's premier club football competition. The channel consists of two-minute highlights and previews per match, the top five goals of the week and pick of the week, all updated after each match and available in English, French, Spanish and German.

*The **Discovery** Mobile service encompasses all of Discovery's global networks including the company's flagship brand, Discovery Channel, Animal Planet and Discovery Science. Discovery Mobile consists of a two-hour block of short video segments that are refreshed on a weekly basis.

***MTV** will offer up to two channels in most of Vodafone's markets in Europe. One channel will feature MTV favorites such as "Pimp My Ride" customized for the mobile viewing experience, along with original made-for-mobile programming including the new eight-episode series "Head and Body." Details of the second channel will be announced in the coming weeks.

***Chilli TV** is the largest archive of extreme sports footage in the world. Set to music, Chilli mixes action sports with travel, street art and urban culture. The channel consists of continuous two-minute micro-programs interspersed with a unique program guide, which means viewers are never more than two minutes away from their next mobile adventure.

***Fashion TV** provides coverage of the best shows from fashion weeks around the world as well as exclusive access to the popular models and designers.

"With a wide range of 'good for TV' handsets, an intuitive, easy to use service and a portfolio of instantly recognizable television brands and programming, the launch of global Mobile TV is a compelling proposition for our customers," said Vodafone chief marketing officer Peter Bamford "Attracting world-class content providers such as 20th Century Fox Television and HBO ensures the premium quality of this product and underpins our confidence in its widespread adoption."

The new global mobile TV channels will launch in most Vodafone markets starting this month.

Verizon Wireless, Qualcomm Planning Mobile TV Service

Verizon Wireless is working with **Qualcomm** and its **MediaFLO USA** subsidiary to deliver real-time mobile video over the MediaFLO multicasting network.

The deal will make Verizon Wireless the first US wireless service provider to offer MediaFLO once the network becomes commercially available. The companies expect to launch mobile TV services over the MediaFLO network in roughly half the markets currently served by the Verizon Wireless CDMA2000 EV-DO broadband network (the one that runs its V CAST service).

Use of the MediaFLO network will enable Verizon Wireless to offer "real-time mobile TV services of unprecedented quality to its subscribers," the companies claim. Verizon Wireless will offer the mobile TV service to its subscribers through MediaFLO-enabled EV-DO handsets.

In partnership with wireless operators, MediaFLO offers consumers interactive wireless multimedia services. The nationwide network, based on Qualcomm's FLO technology and using the MediaFLO Media Distribution System, will deliver multimedia content to mobile devices in the 700MHz spectrum for which Qualcomm holds licenses with a nationwide footprint.

MediaFLO expects to begin commercial operation of the new network in next year. The plan is to eventually expand the MediaFLO network into other markets in Verizon Wireless' V CAST and BroadbandAccess service areas.

Jamster Chooses Melodeo for Mobile Music Service

VeriSign's Jamster unit, which operates a portal offering a wide variety of mobile content, has hooked up with **Melodeo** to develop a platform for delivering full-track music downloads to mobile phones.

Melodeo has developed a turnkey mobile music solution that enables wireless operators around the world to offer legal full-track music downloads to their customers.

Considering that VeriSign is best known for Internet security, it should come as no surprise that one of the main reasons Jamster decided to work with Melodeo is because of its MobilDRM. Melodeo's digital rights management technology protects mobile music that is sold either on a per-download or subscription basis and has been approved by all four major labels for its ability to prevent theft of downloadable music.

"We chose to work with Melodeo because music labels have endorsed their technology and because of the need in the mobile marketplace for digital rights protection"

"We chose to work with Melodeo because music labels have endorsed their technology and because of the need in the mobile marketplace for digital rights protection," said Mahi de Silva, senior VP of VeriSign Communications Services. "We are excited to work with Melodeo on developing mobile DRM solutions that protect music subscriptions, which are growing in popularity."

The Melodeo Mobile Music Solution powers the music services for **Rogers Wireless** in Canada and **Telefonica Moviles** in Spain. The Seattle-based company has licensing agreements to offer music from **Warner Music** and **EMI**.

ONLINE MUSIC SERVICES

Real Brings Rhapsody to the Web

RealNetworks this week unveiled a new version of its Rhapsody digital music service that, for the first time, opens it to Mac and Linux users.

Now in beta, the new offering is a Web-based service, which means that consumers don't have to download the PC jukebox application to access Rhapsody. Since the PC-based app is no longer required, the Web-based Rhapsody isn't limited to Windows users, but can now be used by any computer with Internet access. It works not only with the Internet Explorer Web browser but also with Mozilla Firefox or Safari.

Rhapsody.com will be the first of the major digital music services in the US to challenge **Apple's** iTunes for the Mac market, if there are actually any Mac users left that don't already use iTunes. The new **AOL MusicNow** service is Web-based and can be accessed from anywhere, but only on a Windows PC.

we're bringing the jukebox-in-the-sky to every Internet user

As with the standard Rhapsody service, Rhapsody.com allows any consumer to stream up to 25 on-demand songs per month for free. Rhapsody subscribers can stream all the music they want from the service's library of more than 1.4 million tracks via the Web site. The Web site also provides free, unlimited access to 25 commercial-free radio stations.

Opening Rhapsody to an even greater number of users, Real also launched a Rhapsody Web Services initiative, which gives third-party sites access to Rhapsody via the Web. This means that portals, community sites and other music-oriented sites can integrate such Rhapsody services as song playback and editorial content.

"With Rhapsody.com, we're bringing the jukebox-in-the-sky to every Internet user in America," bragged RealNetworks chairman and CEO Rob Glaser. "We're also laying the foundation to weave music into the fab-

ric of the Internet with our Rhapsody Web Services initiative.

Initial Web services available for third parties include:

- Tools for Web sites to create links, called "Rhaplinks," to individual music tracks, full albums and radio stations that can be integrated into their Web sites and enable immediate playback from Rhapsody.com.
- XML feeds, including RSS, of Rhapsody editorial information about music, such as new releases, top 10 tracks and top 10 albums, which third-party Web sites can integrate directly into their sites.
- A blog for third-party developers to participate in the future roadmap and development of the Rhapsody Web Services initiative.

Initial companies supporting Rhapsody.com and the Rhapsody Web Services initiative include **Comcast** High-Speed Internet, **RollingStone.com** and **Microsoft**.

Comcast, which has partnered with Rhapsody for several years, is the first ISP to launch a Web-based Rhapsody radio service. The Comcast Rhapsody Web Radio service, which provides 50 commercial-free genre-based stations, is available to Comcast's 8.1 million broadband customers. Comcast's online music offerings already include Rhapsody Radio Plus, Rhapsody Unlimited and Rhapsody To Go.

RollingStone.com, the official online presence for *Rolling Stone* magazine, has integrated Rhapsody Web services technology throughout its site to allow visitors to sample full-length free tracks in Rhapsody and view music videos along with the magazine's archive of music news coverage, feature articles, interviews, photos, movie/album reviews and in-depth political reporting.

Within the next few weeks, Real's new pal Microsoft will make Rhapsody.com available within Windows Media Player 10. In the coming months MSN will use Rhapsody Web Services to integrate Rhapsody into its MSN Search, MSN Messenger and MSN Music services.

Real is planning a number of additional components for the Rhapsody Web Services initiative that will become available over the next several months. It also intends to incorporate feedback from the Internet community to enhance the initiative.

Consumers who want to sample the free 25-streams-a-month service at Rhapsody.com can do so without providing credit card information. Folks who want more can sign up for Rhapsody Unlimited for \$9.99 a month or Rhapsody To Go, which lets them copy the music onto portable players, for \$14.99 per month.

Warner Music Reports Increased Sales of Digital Music

Can sales of digital music – online streams, downloads, ringtones and the like – ever replace the revenue loss due to piracy? Perhaps.

Warner Music Group (WMG) chairman and CEO Edgar Bronfman said digital music was a driving force in the company's most recent financial reports. "Not only did annual digital revenue rise more than four-fold year-over-year to represent 6% of our fourth-quarter revenue, but we are also proud to report that for our 2005 fiscal year the absolute growth in digital revenue outpaced the absolute decline in physical revenue for our US Recorded Music business," said Bronfman.

WMG revenues from digital music totaled \$53 million in the quarter, up 20% percent sequentially.

The record label group reported a net loss of \$30 million for the quarter ending September 30, compared to the loss of \$137 million in the same quarter last year. The quarter's revenue increased 13% to \$905 million. In its first full fiscal year as a public company, WMG lost \$169 million compared to \$1.4 billion for its 2004 fiscal year.

"The results reinforce our view that Warner Music can drive sustainable growth by leveraging the digital transformation and more efficiently running the music business," said **Goldman Sachs** analyst Anthony Noto.

ONLINE MUSIC SERVICES

MP3tunes Oboe Stores Music Online

One of the biggest problems consumers face with digital music is how to get all the music from different sources and in different formats together into a single collection. And, once it's all there, how to listen to it from somewhere other than the PC on which it's stored.

MP3tunes, a company launched by serial entrepreneur Michael Robertson (of **MP3.com** and **Linspire** fame) in February, has just come out with a \$40-a-year solution. The Web site offers more than 300,000 tracks for download for 88 cents each. Unlike most other legit music services, as the name suggests, all the tunes available are in unprotected MP3 format.

Since its inception, MP3tunes has provided its customers with a free "Music Locker" that holds a copy of all the songs a user has purchased from the site. In addition to providing a backup copy in case of a hard-disk crash, the Music Locker also allows users to access all their MP3tunes music from a Web browser on any computer – Windows, Mac or Linux.

This week the company broadened the concept of the online storage locker with the launch of Oboe, a music locker that stores an entire personal music library, not only the songs purchased from MP3tunes. Folks who sign up for an Oboe account can stream their music from any Internet-connected device as well as sync the library to each computer and device they own. There's even an iTunes plug-in for synching and streaming inside **Apple's** digital music management software.

Unlike the original Music Locker, however, Oboe is \$39.95 a year, but an account comes with unlimited storage and no extra bandwidth charges. Oboe can store an entire music library of files in MP3, WMA, AAC and OGG formats. Registered users get a personal account and the Oboe Software Suite, which installs tools to easily load online music lockers using Macintosh OS X, Windows or Linux computers.

The company does offer a free version of Oboe, but with limited functionality. The paid version streams music at 192 Kbps; the free version is limited to 56 Kbps. Also, the

free version does not allow for synching.

Oboe components include:

***Oboe Sync:** The Oboe Sync software will search an entire computer for music files and then load them into the designated online locker. This creates a backup of an entire music collection securely online, safeguarded from hardware malfunctions, viruses or theft.

Once a music locker is loaded with music, the Oboe Sync software can be used to move the music to multiple locations. It analyzes the PC and online locker, making sure each location has the same music. Each time Oboe Sync runs, any new music files detected on the PC will be moved to the locker and any new files loaded to the locker will be moved to the PC. This ensures a music listener will have access to their entire song library wherever they listen to music.

***Oboe Locker:** Each Oboe account comes with a Web page where users can access their entire music collection from any device with an Internet connection. A user-friendly interface displays artists, albums, tracks and playlists, which can be streamed for online listening at 192 Kbps. A sophisticated music manager built using Ajax technologies makes it possible to pause, skip, repeat tracks, create playlists, label music and control volume all directly within the Web page without requiring any additional software to be installed.

***Oboe for iTunes:** An iTunes plug-in makes it possible to access Oboe directly from within iTunes software on either Macintosh or Windows PCs. An "Oboe" entry is added to the shared music area. Once clicked, users enter their account information and their iTunes music and playlists are synched to their online locker. Using the same plug-in, an iTunes user can view the entire contents of their online library from within iTunes as well as stream it.

***Oboe for Firefox:** A Mozilla Firefox plug-in is included with the Oboe Software Suite so music available on the Internet with its own link can be copied directly into the Oboe Locker. Once the

plug-in is installed, any Web site with music links ending in .mp3, .wma, .ogg or .acc triggers a small musical icon to appear after that link. Clicking on the link will copy the track directly into the configured locker.

"Five years from now, lugging around your entire music collection and plugging it in everywhere will seem as outdated as carrying around a pocketful of nickels," said Robertson. "It makes more sense to safely store your music online and sync it or stream it to all the places you listen to music, which is exactly what Oboe makes possible."

DEMO Awards Internet Music Sales

It took a while, but the official music charts in the US and the UK, the ones that determine the top 100 songs and albums, both include tracks downloaded over the Internet in their counts. There's even a chart that counts ringtone downloads.

The problem with these, however, is that they are limited to single countries and individual formats – either full tracks or ringtones, which doesn't show just how much a particular song or artist benefits from the global nature of the Internet.

With the growing popularity and awareness of real-music ringtones, music download services, sites such as **CD Baby** that make it easy for independent musicians to self-publish a CD, there's no denying that the Internet is responsible for a growing percentage of music sales.

DEMO (Digital & Electronic Music Organization) awards certifications for sales of music enabled by the Internet. The company was founded in 1999 with the intent of creating a global de facto standard for online music sales. DEMO certifications are not limited by geographical boundaries or the way the music is purchased – as long as the sale involved the Internet.

Any recording that has had sales of at least 500,000 units "caused" by the Internet is eligible for certification by DEMO. Sales caused by the Internet include downloaded,

DEMO: continued on page FIFTEEN

ONLINE MUSIC SERVICES

DEMO: *continued from page FOURTEEN*

mail order from a Web site, click-through advertisements, digital kiosks, ringtones, full-track mobile music downloads, PDAs, legitimate P2P sales and any other future enabling technologies.

This month DEMO handed out 10 certifications to both top artists and Web sites that have achieved significant milestones.

*Gwen Stefani was honored with Liquid Crystal Certification for being the first artist in music business history to achieve digital music sales of 1,000,000+ for a single, "Hollaback Girl."

*Prince was honored with the Liquid Crystal Certification Award for achieving album sales of 1,000,000+ for his four-CD set "Crystal Ball," the very first album to achieve such a monumental sales plateau via the Internet. The four-disc set, originally released in 1997, has sold more than 250,000 units, with each CD counting as a single unit. "This is the album that sent the first clear signal to the so-called major labels that musicians do not need them in order to become successful in the music business," said DEMO founder and CEO Andre Gray. "History will remember this album as the Plymouth Rock of the digital music frontier."

"This is the album that sent the first clear signal to the so-called major labels that musicians do not need them in order to become successful in the music business"

*CD Baby was honored with Flaming Star 2 Certification for selling a cumulative of 10,000,000 units of all independents through the Internet. CD Baby has enabled more than 100,000 musicians to sell their music over the Internet.

*Apple was honored with a Titanium + Certification Award for selling a mind-boggling 500 million downloads overall and Flaming Star 10 Certification for selling more than 50 million downloads in Europe. These sales figures are greater

than all other digital music stores combined.

*Sir Mix-A-Lot was honored with Flash Gold Certification for selling 500,000 downloaded ringtones of a remix of his classic hit "Pick up the Phone (Baby Got Back)."

*50 Cent was awarded the Liquid Crystal Certification Award for selling a million ringtone downloads of the album "Get Rich or Die Tryin'" and Flash Gold Certification for selling 500,000 ringtone downloads of the album "The Massacre."

*The Game was presented with a Flash Gold Certification Award for selling 500,000 ringtone downloads of the album "The Documentary."

*Snoop Dogg, the legendary rapper, was honored with a Flash Gold Certification Award for selling 500,000 ringtone downloads of his album "Snoop Dogg R&G: Rhythm & Gangsta the Masterpiece."

US Radio Stations Step Up HD Adoption

There's nothing like competition to stimulate a company to improve its products and services – such as satellite radio has done to the staid US radio stations.

Several top US radio companies this week said they'd work together to accelerate the rollout of HD digital radio by forming the **HD Digital Radio Alliance**. Members include the largest owners of radio stations such as **Clear Channel**, **Infinity**, **Emmis** and **Entercom**. In addition to jointly promoting HD digital radio to consumers, they will work to make digital car radios cheaper.

Developed by **iBiquity Digital**, HD Radio lets stations transmit a digital signal alongside their traditional analog broadcasts. However, consumers will have to buy new radios that are capable of receiving the HD Radio signal. Such radios are currently available from **Kenwood**, **Panasonic** and **JVC**, with others sure to launch products.

Nearly 600 US radio stations are broadcasting an over-the-air HD Radio signal. However, HD Radio units are pricey and few consumers are aware of them. Although a different technology is used in Europe, digital radio has proven popular there.

Consequently, the prices for digital radios there have dropped.

Sirius and **XM**, the two US satellite radio services, have a considerable lead on HD Radio. Many cars already come equipped with a satellite radio receiver. They offer hundreds of music and information channels, including brand names such as the **NFL** and soon **Howard Stern**. And, their channels can be heard throughout the US.

There's no monthly subscription fee for over-the-air digital radio as there is for satellite radio.

iBiquity, which makes the gear the radio stations need to broadcast digitally, lists these advantages for over-the-air digital:

- Its FM broadcasts have CD-quality sound.
- Its AM broadcasts sound as good as today's analog FM stereo.
- Static-free without pops, hiss and fades.
- New data services, such as scrolling text displayed on a radio screen with song titles, artist names, traffic updates, weather forecasts, sports scores and more.
- Advanced data and audio services: surround sound; multiple audio sources at the same dial position; on-demand audio services, store-and-replay (to record, *à la* a DVR; a radio program when it airs for later replay); displaying real-time traffic information on a navigational map to help find the quickest route; a "buy" button for music, sports and concert tickets plus stock quotes and the like.

Of course, radio stations and the satellite radio services face competition from the Internet and its offspring such as the seemingly ubiquitous iPod.

no monthly subscription fee

The seven member companies say they'll spend a combined \$200 million in 2006 promoting HD Radio on their own stations, and will jointly coordinate the launch of "HD2" multicast channels, which will enable multiple radio formats to be transmitted simultaneously from a single station.

Peter Ferrara, previously a senior VP at Clear Channel and a board member of the National Association of Broadcasters, will serve as CEO of the HD Digital Radio Alliance.



PRODUCT WATCH

DirecTV's NDS Boxes Are Here

The new NDS-based DVRs from DirecTV became available in retail stores in the States on December 1. That's two-and-a-half months later than DirecTV most recently promised. The NDS gear does not record high-definition TV, which the DirecTV TiVos do. Some features in the NDS box that TiVo users will like are:

- The ability to back up 90 minutes, not merely the 30 minutes the TiVo box does.
- It'll show how much unused disk space remains.
- A new "active channel" with multiple screens lets users watch/preview several shows simultaneously.

The new DVRs use software from NDS Group, which is owned by News Corp, which has the 34% controlling interest in DirecTV.

Panasonic to Ship Dual-Layer 50GB Blu-ray Discs

Panasonic will immediately be able to make 50GB dual-layer Blu-ray discs, called BD-ROMs, by modifying its existing pilot production line for single-layer discs. The operations are in a facility of the Panasonic Disc Manufacturing Corporation of America located Torrance, California.

| Media | Capacity in GB |
|----------------------------------|----------------|
| DVDs | 8.5 |
| Single-layer Blu-ray discs | 25 |
| Dual-layer Blu-ray discs | 50 |

Single-layer BD-ROM discs are currently being produced on the pilot line with more than 80% yield rates. Panasonic expects to provide sample dual-layer BD-ROM discs to the industry for testing by the end of this month.

"Working closely with the movie studios and our replication partners, Panasonic was able to foresee the need for greater disc capacity to give consumers a much richer user experience," said Eisuke Tsuyuzaki,

director of strategy and alliances, Panasonic Hollywood Lab.

Philips to Bring Third Dimension to TV

The superior experience in a movie theater is due to the sound as well as the video. Philips plans to go the theaters one better with its "amBX" technology, which creates a "sensory surround experience" for TV and video games with added light, color, sound, heat and air. It'll add a third dimension to movies, TV shows, music and games.

The technology, due out in May 2006, uses LED color-controlled lights, active furniture, fans, heaters, audio and video output devices strategically placed in the living room. Philips said that it is in talks with game developers and peripheral manufacturers, and expects amBX-enabled games and peripherals to begin shipping in the fourth quarter of 2006.



Philips amBX Experience in Prototype

Philips says the amBX experience "comes alive" through the incorporation of a scripting language, software engine and hardware architecture. It says its used amBX to forge "a common language for the creation, distribution and sharing of totally new experiences within an 'Ambient Intelligent Environment.'" Sounds exciting. One can almost feel the icy blast of air when the sepulcher opens and the lights blink.

Report: Blu-ray to Outsell Rival HD DVD

The Blu-ray next-generation DVD format will outsell its rival HD DVD by 2010, according to a report by Japanese analysts Fuji Economics in an article at Cdfreaks.com. Fuji believes, as do many oth-

ers, that it will be Blu-ray's incorporation in the upcoming PlayStation 3 game consoles that will drive its success, Figures from the Fuji report forecast that consumer take up of Blu-ray will be quite slow. It says that out of the eight million next generation players sold by 2010, 4.5 million will use the Blu-ray format.

Podscope Adds Alerts

Podscope, which uses spoken-word search engine technology to search through podcasts, has added a new alert function to let interested folks know when new audio and video files are posted to the Internet. Podscope crawls the Web looking for podcasts and creates an index against every word, thereby making the contents searchable. Users search on a term, generate a results list ranked by a variety of methods and click to play or download the desired podcasts.

"Search alerts convert our unique Spoken Word Search engine into an audio/video sentry, always watching out for relevant content for our users"

RSS integration to MyYahoo, Google and NewsGator means that consumers no longer have to go to the Podscope site again and again to search for new mentions of a specific term. Instead, whenever Podcast finds a new mention in its database of podcasts from more than 4,800 sources, it alerts the user. There's no limit to the number of Podscope RSS alerts a user can create.

"Search alerts convert our unique Spoken Word Search engine into an audio/video sentry, always watching out for relevant content for our users," said David Ives, president and CEO of TVEyes, the company behind Podscope.

SHOW TIME

CNN Delivers 'Live' Streaming News

CNN.com, which was one of the first news sites to offer video clips, has launched a new service that, instead of delivering snippets from the network's TV channel, delivers a live stream of video produced exclusively for the Web.

The new on-demand broadband video service, dubbed CNN Pipeline, also marks the Web site's return to charging for content. To be more competitive with the growing number of news sites providing video content for free, CNN.com in June got rid of the fee it charged for accessing video on the site. While the free content will remain that way, there will be a fee for accessing the CNN Pipeline service.

Designed to "revolutionize the way people view news online," CNN Pipeline features multiple live video streams as well as access to CNN's video archives and on-demand news clips from CNN's worldwide newsgathering operation.

"revolutionize the way people view news online,"

Initially available in 25 countries, CNN Pipeline uses a downloadable video player to deliver its commercial-free news. According to the company's hometown newspaper the *Atlanta Journal-Constitution*, the new service "has its own staff, studio and news anchors at CNN Center in Atlanta." Unlike many other news channels, CNN Pipeline will focus more on showing the news stories without much commentary from talking heads.

According to the paper, CNN hopes that news junkies will keep the Pipeline player on their desktops all day at work, especially if they work in an environment without access to a TV set. To make this easier and more appealing, the player can be shrunk down to a "small TV-like box" that can sit unobtrusively in the corner of a computer

screen.

A subscription to CNN Pipeline is \$2.95 a month or \$24.95 per year. The company also offers one-day passes for 99 cents each. For their money, subscribers get the downloadable player and access to video content from the entire CNN News Group as well as access to free video features on CNN.com such as an on-demand "Video" section that showcases the best and most popular content, a "Browse Video" tool and "Now in the News," an hourly Web-exclusive news update.

"CNN Pipeline provides the ultimate news experience for all types of consumers," said David Payne, senior VP of CNN News Services and general manager of CNN.com. "Designed for people to 'watch and work,' CNN Pipeline gives consumers commercial-free choices and control. Easy to use and elegant in design, CNN Pipeline is to online news what the iPod is to digital music."

The success of CNN Pipeline will be a true test of whether or not consumers are willing to pay a monthly fee for video over the Internet. Although the new service is different than anything else CNN has offered in the past – and from what anyone else is currently offering – the proof will be in the subscriber numbers. Payne told the *Journal-Constitution* that it will take "several hundred thousand" subscribers to recover the costs for the service.

BT 'Defining Next-Generation TV'

BT's pay-TV groundwork efforts are showing results. It's signed up **BBC Worldwide**, **Viacom's Paramount and Warner Music Group**, three of the world's biggest producers of movies, TV shows and music. The company says it will launch its TV-over-broadband service in the autumn of 2006.

In addition to the usual TV and music fare, BT will also offer video-on-demand and interactive and communication services via the TV set. It has said it'll use **Microsoft's** IPTV technology.

BT promises that it will be the first in the world to offer a combination of over-the-air (terrestrial) channels, a large VoD library and interactive services – all without the consumer having to commit to a monthly subscription fee.

"Our customers will be able to enjoy enhanced TV services and easy access to a wealth of interactive content and new services straight to their TV," said BT Retail CEO Ian Livingston. "Whether you are a music fan, love films or hooked on drama you will get the best in entertainment when you want it. BT is defining next generation TV."

Most of the pay-TV services offer multiple channels of music. BT intends to do the same. "Industry leading agreements and unique partnerships like the one we announce today are an important component of Warner Music's global strategy to become a multifaceted, music content company," said Nick Phillips, chairman of **Warner Music UK**.

The Paramount deal will give BT current films in the pay-per-view window, plus older and classic films from the Paramount archives, all on-demand.

BT has a deal with **Philips** to supply the set-top box, which will deliver the high definition service. Its deal with Microsoft will get it Microsoft TV IPTV Edition as the software platform.

Separately, BT Group this week said it expects its retail division will generate higher earnings in its current fiscal year, and that it is targeting further cost savings over the next three years.

BT's broadband count as of September 30:

| | Total 000 | Net adds 000 | % Change Qtr-Qtr |
|-------------------------|--------------|-----------------|---------------------|
| BT Retail | 2,111. | 171 qtr | 8.81% |
| BT Wholesale | 4,089. | 429 qtr | 11.72% |
| BT Group – TOTAL | 6,200 | 600 qtr | 10.71% |

In addition to launching new products, BT Retail is aiming for cost savings of £400 million (\$695 million or €592.2 million) to

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SHOW TIME

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£500 million over three years by making more effective use of online sales, service and billing.

BT, like telcos worldwide, faces competition in the residential phone market from the VoIP crowd such as **Vonage** and **eBay's Skype**. **AOL**, **Yahoo**, **Google**, Microsoft and others are inching their way into the Internet telephony market. Consequently, BT has cut the price of its Broadband Talk service by up to 50%. BT's Broadband Talk, unlike other Internet telephony services, allows users to make calls over the Internet using a normal phone, rather than a computer. BT said its VoIP offering will be available globally starting next spring with enhanced sound quality.

BT has done well in the broadband business and has 6.2 million broadband customers, counting both wholesale and retail.

Florida City Getting FiOS TV

Verizon has chosen Temple Terrace, Florida as the third locale in which to rollout its new FiOS TV service.

Residents of the city, which is northeast of Tampa, can order the service now and Verizon will start deploying FiOS TV in its service in January.

"This is not cable TV. This is not satellite. This is FiOS TV," said Bob Ingalls, president of Verizon's Retail Markets Group. "Customers who liked what FiOS did for their Internet connection will love what it does for their TV. We've harnessed the speed and capacity of broadband with the power of broadcast to create a revolutionary, new entertainment experience."

FiOS TV is delivered over Verizon's fiber-to-the-premises network, which is supposed to deliver "amazingly sharp pictures and sound, and has the capacity to transmit a wide array of high-definition programming that is so clear and intense it seems to leap from the TV screen. Fiber also delivers Internet download speeds of up to 30 Mbps and upload speeds of up to 5 Mbps.

What makes FiOS TV truly different than cable or satellite TV is that it uses both broadcast technology to deliver scheduled

programming and Internet Protocol technology for on-demand viewing and the interactive programming guide.

The service, which is also available in Keller, Texas and Herndon, Virginia, currently has more than 330 channels, including 180 digital video and music channels and more than 20 high-definition channels. It also offers some 1,640 video-on-demand titles, a number that the company says will pass 1,800 by year-end.

Additionally, FiOS TV has an available dual-tuner DVR that lets users watch one show while recording another.

In addition to Temple Terrace, Verizon has plans to launch FiOS TV in other Florida communities including parts of unincorporated Manatee County. It is currently in negotiations with Hillsborough County, the city of Tampa, Pasco County, Sarasota County, the city of Sarasota and the city of Venice. Once it receives franchise approval in all of these areas, it will be able to make FiOS TV available to some 360,000 households in the Tampa Bay area.

Verizon offers three set-top boxes: standard definition for \$3.95 per month; high definition, which includes HD channels, for \$9.95 per month; and a DVR set-top with HD channels for \$12.95 per month. Monthly service fees start at \$12.95 for "basic" and \$39.95 for "expanded basic," plus additional charges for premium channel packages.

CinemaNow Japan Adds Warner Bros Movies

CinemaNow Japan has inked a licensing deal with **Warner Bros International Television** making it the first online service to offer movies from a major Hollywood studio to the Japanese market via an online subscription service.

A joint venture of **CinemaNow**, Tokyo-based **Transcosmos** and **Microsoft**, CinemaNow Japan (www.cinemanow.jp), offers movies for download over a broadband connection on both a pay-per-view and a subscription basis.

"This groundbreaking agreement is a great accomplishment for CinemaNow Japan and will deliver a first-of-its-kind service to the burgeoning Japanese market,"

said CinemaNow CEO Curt Marvis, who also serves as chairman of CinemaNow Japan. "It marks another major step forward in CinemaNow's mission to build a truly global distribution network that reaches localized markets."

Warner movies available to CinemaNow Japan customers include recent hits such as "Ocean's Twelve" and "Constantine," as well as library titles ranging from "Rebel Without a Cause" to the original "Batman" movie.

CinemaNow Japan charges 1,480 yen (\$12) per month for a subscription, which allows users to download an unlimited number of films and watch them as often as they like for as long as they maintain a subscription. All movies in the library are also available for *à la carte* downloads, starting at 250 yen (\$2) per film for a 48-hour viewing period.

Disney Brings 'Narnia' To the Web

Anticipating audience excitement around the release of "The Chronicles of Narnia: The Lion, the Witch and the Wardrobe" this week, **Disney's Buena Vista Pictures Marketing** unit has launched "The Narnia Full-Screen Experience," an Internet channel chock full of movie-related content.

The Narnia Full-Screen Experience, accessible via the film's official Web site at www.narnia.com, is built on the broadband video software platform from **Maven Networks**. Broadband users can visit the channel to get trailers, clips, behind-the-scenes segments, interviews and other film content delivered to their PCs in full-screen, theatrical-quality video. Additionally, fans who prefer to take their content on the go can choose to the video download and synchronized directly to their video iPods.

Once installed, the Narnia channel automatically checks for content updates. It also offers a range of interactive options, including the ability to send to a friend, check for movie times and purchase tickets.

The move makes Disney the first film studio to publish promotional campaigns to video-enabled iPods. Maven's software

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SHOW TIME

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optimizes the video content for a number of platforms, encoding and formatting it for iPod, PC and TV viewing. The company claims to provide the only video solution that works on multiple devices without requiring content owners to pre-select formats or download content independently and multiple times.

“The Narnia Full-Screen Experience ushers in an exciting, cutting-edge way of delivering movie materials to audiences,” said Dennis Rice, senior VP of publicity for Buena Vista Pictures Marketing. “The Maven application allows movie fans at home to see trailers and clips the way they should be seen, in the highest theatrical quality possible.”

Google Video: Paid, More Variety than iTunes

Jennifer Feikin, who runs **Google Video**, told the Digital Living Room conference the service won't be free, according to Scott Kirsner at *fastcompany.com*.

“The next step - in the near-term - is to have a service where users can pay to download content,” she said. “Content owners can set the price for their content. That will bring on a whole category of content owners who want to be paid for their content.” The report says Google will test different price points.

When asked about the use of advertising, Feikin replied, “It's definitely something we're looking into. Anything we do with advertising will be about pleasing the user. It'll be simple, like our homepage.”

Regarding the type of content Google will offer, Kirsner reports that Feikin said Google Video is intentionally different from **Apple's** iTunes. “It's not just about the popular entertainment content. We want the MIT Open Courseware lectures - also the travelogues and the surgeries.”

Conde Nast Adding Three Video-laden Sites

Conde Nast intends to launch three new video-laden Web sites by mid-2006. The company currently operates three sites: *style.com* for women's fashion, *men.style*

for men's fashions and *conciierge.com* for travelers.

Internet to Trump DVDs, Blu-ray or Not

The Net, we have contended for several years, is the most efficient means for distributing content - particularly movies, TV shows, music and other video - that has ever been devised. The distribution of content on physical media - whether DVDs or CDs - will soon look as antiquated as black-and-white TV shows or radios that operate on vacuum tubes.

As nature abhors a vacuum, so does the Net abhor inefficiencies; so it becomes the least expensive, most direct way to deliver content. That's why we've questioned the long term need for the so-called next generation Blu-ray optical disk technology that promises to pack more high fidelity video in the same physical space.

Now comes a report from **In-Stat**, which predicts that movie DVD sales are nearing their peak and will soon begin plummeting as consumers start downloading video off the Net. Not only movies, the report says, TV shows as well. It would seem that the video iPod, or iPod with video as **Apple** prefers to say, tapped the underlying awareness that downloading videos makes sense.

The report points out that video-on-demand from the pay-TV services and the online movie services is also replacing movie DVD sales.

“The PC industry is champing at the bit to provide downloaded movies that might compete with DVD sales, and pay-TV services want to add movies to their video-on-demand services, to their new disk-drive-equipped set-top boxes, and to their emerging high-definition TV services,” said Gerry Kaufhold, an In-Stat analyst and author of the report.

An **MSNBC** article cites a study about slowing DVD sales growth from **Adams Media Research**. It forecast DVD sales of about \$17.3 billion this year, up 12% over 2004 followed by a 9% increase in 2006 to \$18.9 billion

Kaufhold maintains that consumers will be confused by the scuffling between the two next-generation camps over whether Blu-ray

of HD DVD is the better technology. However, the matter does not seem to have come to the consumer's attention yet. With Blu-ray appearing to have all but won, seemingly at least, the issue may be resolved before it reaches consumers.

“The migration to next-generation high-definition optical disc formats is not going smoothly,” Kaufhold said.

Sony leads the Blu-ray camp with most of the studios' support. **Toshiba** leads the HD DVD alliance, with **Microsoft** and **Intel** as recent converts.

If the studios trusted the Net, trusted that their goodies wouldn't get ripped off, there would be no disputing that the Net will in short order be the most popular way for buying/renting/viewing/downloading video content - from movies to lectures, from TV shows to travelogues. But they don't. Physical media still appears to the studios to be the best method for secure video delivery. There's nothing like a physical media that can be seen, touched and counted to provide a secure feeling.

With or without the Hollywood studios, the Internet, and its physical attachments including Web-compatible mobile phones and other portable devices, will become a major video distribution network, perhaps “the” major one. The worldwide Web has several major advantages that nothing, not any pay-TV operator, not even all the pay-TV operators, can match:

- An audience that will shortly number in the hundreds of millions, equaling the number of homes with a PC, perhaps even the number of homes with TVs.
- Direct distribution with no middle man, no wholesaler, no theaters to deal with.
- A worldwide audience that includes every country.
- Instant distribution. A single click can make any video instantly available.

CBS to Offer Live 'March Madness' for Free

CBS Sports will offer exclusive live online video coverage of the 2006 NCAA Division 1 men's college basketball tournament for free. Called “NCAA March Madness on

March Madness: continued on page TWENTY-ONE

APPLE SLICES

Apple, Sony, Archos Vie for Portable Video Player Market

Three handheld video players seem to get all the press these days, those from **Apple**, **Sony** and **Archos**. All three play video, but each comes from a different upbringing.

Three Handheld Video Players Vie for Dominance

| Model | Screen (inches) | Storage (GB) | Retail (\$) |
|---------------------|-----------------|--|-------------|
| Video iPod with | 2.5 | 30 | 300 |
| | 2.5 | 60 | 400 |
| Sony PSP | 4.3 | 1.8 on UMD, playback only 2 on Memory Stick in various sizes) | 250 |
| Canal+ Archos AV700 | 7.0 | 100 | 650 |
| Archos AV700 | 7.0 | 100 | 800 |
| | | 40 | 600 |
| Archos AV500 | 4.0 | 100 | 700 |
| | | 30 | 500 |

Apple's entrée is as a music player that happens to show videos.

Sony's bid is as a portable videogame console that also plays purchased movies only on Universal Media Disks or home-recorded videos on Memory Sticks that store up to 2GB.

Archos sets bigger goals by doing deals with French cable TV outfit **Canal+**, US satellite TV company **EchoStar** and online movie service **CinemaNow**. Its intent is to make it easy for consumers to record, legally, movies and TV shows off the TV set for later playback on-the-go.

TiVo, the company that started the DVR industry, says it intends to make it possible for its users to copy movies and TV shows from a TiVo to either the video version of the iPod or to a Sony PSP.

Fox Films, Clear Channel, ESPN Want in on Stampede to iTunes

Fox Filmed Entertainment co-chairman James Gianopulos said his company is open to a deal with iTunes for video distribution, according to reports from the *Reuters* Media and Advertising Summit. **Clear Channel**

Radio CEO John Hogan, also appearing at the *Reuters* "do," said his company expects to close distribution deals with **Yahoo** or **Apple's** iTunes music and video online store as early as 2006. **Disney's** ESPN sports operation is considering distributing some of its TV programming on the iTunes service, ESPN and **ABC Sports** president George Bodenheimer said.

Clear Channel Sees Video iPod Future

Clear Channel, the world's largest owner of radio stations with 1,200, plans to offer 60-second video clips of radio personality Rush Limbaugh's radio talk show that can be played on **Apple's** iPod digital music and video player.

iPod Phenomenon Strikes Dictionaries

The digital media business is showing its influence by its contributions to the language. Editors of the *New Oxford American Dictionary* selected "podcast" as the "Word of the Year for 2005." They defined it as "a digital recording of a radio broadcast or similar program, made available on the Internet for downloading to a personal audio player." Runners-up included "rootkit" from the ongoing DRM fiasco at **Sony BMG**, the widely covered "bird flu," "persistent vegetative state" from a controversial US court case over when death has arrived, "IED" for the improvised explosive devices widely used in Iraq and the new "reggaeton" music genre.

SONY SCENE

Sony: Security Trumps Speed

Three weeks and counting. That's how long purchasers of some **Sony BMG** music CDs have been waiting for an uninstall program that will remove software the CDs installed that make PCs vulnerable to viruses and hackers.

Regarding the so-called fix, Sony BMG told *USA Today* that "security is more important than speed."

"I have the best security experts triple-checking it," said Thomas Hesse, president of the global digital business division at **Sony**. Sony owns half of Sony BMG, but has received the majority of the bad headlines about the fiasco, whose seed is the company's desire to put DRM software called XCP on CDs to reduce the likelihood of music being copied illegally.

Sony BMG said it would recall all the five million or so malfunctioning CDs and replace them with DRM-less ones. However, attorneys general in New York and Massachusetts have found that all the misbehaving CDs have not been removed from stores in their states.

New Flaw Found in Sony BMG's DRM

Good grief, is there no end to this? If someone asked if they could use your PC to play a **Sony BMG** music CD, what would you say?

A new security problem has been found in the DRM scheme that Sony BMG used on certain music CDs it shipped in the US and Canada. The bug could allow unauthorized users to use the Net to take full control of any computer that had attempted to play the flawed CDs.

The **Electronic Frontier Foundation** (EFF) hired security firm **Information Security Partners** to analyze the **SunnComm**-developed MediaMax DRM. It found the DRM software "could allow malicious third parties ... to gain control over a consumer's computer running the Windows operating system."

The patch that Sony BMG issued could

New Flaw: continued on page TWENTY-ONE

ENABLING TECHNOLOGY

CableCARD: TiVo's Great Escape?

TiVo has been making lots of promising product enhancements in recent weeks. Nowhere to be found, however, was an update on its CableCARD initiatives the company announced at January's CES show. CableCARD was supposed to give the DVR pioneer an equal footing in its battles against the cable and satellite TV operators.

TiVo's biggest hurdles

CableCARD requires a card issued by the cable company be inserted in the box, whether TV set or DVR. It allows the TV to receive premium channels and HDTV programming without the need for a cable box. Reportedly, the TiVo implementation was to be a single-tuner one, which is a major disadvantage in a world of two-tuner DVRs (watch one channel while recording another). By definition, CableCARDs don't record native HD but downconvert HD signals for recording at standard definition.

TiVo's biggest hurdles are: a) it does not control any of the TiVos that DirecTV sold, far and away the majority of the TiVo installed base, and b) the pay-TV operators will dominate the DVR market going forward and TiVo doesn't have deals with any of them to sell its boxes.

Less than a year ago, Mike Ramsay, TiVo co-founder and the then chairman and CEO, said the deployment of CableCARD technology "is an essential development for the future of digital television" and that TiVo intended to "play a key role in driving this

technology forward to bring it to the masses."

Here is the excerpt from an article in January 8, 2005 issue of *The Online Reporter*.

"TiVo plans to introduce a high-definition DVR that receives and records content delivered over the Internet as well as from over-the-air broadcasts and from cable TV services. The unit, to be launched in early 2006, will have its own cable TV tuner based on the CableCARD initiative. It can be connected to a cable TV service without the need for a separate cable set-top box. It can also receive over-the-air HD broadcasts. As part of the company's 'Tahiti' strategy, the new DVR will allow consumers to access, download and manage broadband content.

CableCARD technology "is an essential development

"Ramsay didn't mention whether the box would work with DirecTV or EchoStar but that's unlikely given that they have their own tuner technology. That does make one wonder why DirecTV and EchoStar have been exempted from government regulations such as those that mandated the CableCARD and taxation and regulation by local governments."

The initial implementations of CableCARDs will have some limitations on a TiVo box. Users won't be able to control VoD in the same way they can pause, rewind and store. Pay-per-view can only be ordered by phone. Interactive TV features will not be available.

SONY SCENE

New Flaw: *continued from page TWENTY*

reportedly cause the security problem it was supposed to block.

"I think there are problems with compact disc copy protection that can't be resolved," said Edward Felten, professor of computer science and public affairs at Princeton. He recommends that consumers not use the patch, not use the uninstaller and not put any CD that has the MediaMax software into a PC.

SHOW TIME

March Madness:

continued from page NINETEEN

Demand," it'll be ad-supported. Games, interviews and pre- and post-game press conferences will be available on demand. "This is the perfect example of maximizing both the CBS NCAA bundled rights and the full range of assets of the new CBS Corporation," said CBS Sports and News president Sean McManus. CBS recently acquired CSTV, which produces more than 250 official college athletics Web sites. **Viacom** owns CBS.

Time Starts Now

"Time starts now." – Steve McQueen to Jacqueline Bisset in the 1968 movie "Bullitt," whose car chase is generally regarded as one of the best ever.

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LEGAL MATTERS

Analog TV Goes Dark in 2012 in EU

The European Union ministers of telecommunications have decided to support a deadline of 2012 for switching off all analog television transmissions. Ten member states expect to complete the transition to digital television by 2010 and five have not said if they can meet the 2012 deadline.

'Simultaneous Release Is Already Here'

On his intent to release the upcoming film "Bubble" simultaneously in theaters, on DVD and on an HDTV cable service, director Steven Soderbergh told *Wired*: Simultaneous release is already here. It's called piracy. We're just trying to gain control over it. I wish we could come up with a system that allowed someone to do a "Grey Album" without having to pay millions of dollars for music rights. A system in which rights holders share profits of a new piece of work and people can access it without breaking the law."

Disney Embraces Change

"The beauty of our company is that we love chaos. We embrace change as a part of life." - Anne Sweeney, president of **Disney-ABC Television Group** in her speech at the Digital Entertainment and Media Expo conference. Sweeney is credited with helping to do the **Disney-Apple** deal that brought ABC TV shows such as "Desperate Housewives" and "Lost" to the "small screen." The deal certainly opened the floodgates to making video entertainment available any time anywhere.

AIM Leader Goes VC

Chamath Palihapitiya, who reportedly revitalized **AOL's** Instant Messenger operation, has resigned to join the VC outfit **Mayfield**.

Internet Impact Clouds New York Times Future

It's general knowledge that the Net has impacted the newspaper business as people increasingly get their news online and search the Web for products and services. The job search site "Craigslist" now has eight million visitors a month. So bad has the Net hit that the venerable *New York Times* this week said it's refusing to provide a 2006 forecast for its business. That includes earnings and rev-

enues. It blamed declining circulation, rising costs and the unsure advertising picture. *The Times* is fighting back by bulking up its Web pages and adding blogs, but the revenue from those has not nearly equaled what's been lost on the print side.

Will DirecTV Show Link for Portable Video Players at CES?

Reportedly **DirecTV** will introduce new enhancements at CES in January that will allow recorded movies and TV shows to be copied and then viewed on portable video players. **EchoStar** and French pay-TV service **Canal+** recently announced deals with **Archos** to do the same on an Archos portable. **TiVo** recently said it would make available an enhancement next year that allows TiVo users (except those who have a DirecTV TiVo) to copy recorded content from a TiVo to **Apple's** video iPod or to **Sony's** PlayStation Portable (PSP).

400,000 Xboxes Fly Off Shelves in US

More than 400,000 Xbox 360 game consoles have been sold in the US since its launch on November 22, according to *GamesIndustrybiz*. Analysts at **American Technology Research** estimate that if more boxes had been available, sales would have been three times as high. Separately, in an interview with *Dengeki Xbox 360 Magazine*, Xbox Japan business manager Yoshihiro Maruyama said that **Microsoft** aims to sell over one million consoles in Japan by summer 2006. Microsoft's original Xbox did not sell 500,000 units in Japan in its entire lifespan. To help achieve the goal, Microsoft is selling the Xbox 360 in Japan for less than it does in the US. It'll launch in Japan on December 10 and the rest of Asia by March 2006.

Intel as Puzzle Solver

"These kinds of content experiences are going to explode, the way the Internet exploded 10 years ago. But it's got to be done in a way that

the mainstream consumer is going to get it. One step is having a technology company like **Intel** pull those pieces together." - Kevin Corbett, general manager of Intel's Content Services Group, on the deals with content producers and distributors that Intel announced last week in conjunction with its new Viiv technology that'll be used in specially designed entertainment PCs.

'The New Face of Philips'

"In consumer electronics, as in the PC industry, a number of processes had become so standardized that people who focus on these processes gain economies of scale. For all the others, there is no differentiating." - **Philips** president and CEO Gerard Kleisterlee in a *BusinessWeek* article "The New Face of Philips."

TiVo Goes Viiv

"This new [**Intel Viiv**] application will allow our users to control their favorite **TiVo** recordings even more easily so they can watch what they want, where they want." - Jim Denney, TiVo's VP of product marketing on what the deal to use Intel's Viiv technology means to TiVo. TiVo has been dead-ended by the cable and satellite TV services that want to sell their own DVRs. TiVo appears to be attempting to maximize its box's capability, such as using Viiv technology to make it easier to copy recorded TV shows to Viiv PCs where they could be broadcast to TVs and other devices throughout the house.

Entertainment PC's Weak Link

"Is this [**Intel's Viiv** technology] going to push the PC into the living room? No, because a consumer-programmable device, which a Windows PC is, is not stable enough to be a television platform. The ability to tinker with PCs can result in not getting access to your TV because a buddy brought over a CD with a game on it and then suddenly your TV doesn't work." - Van Baker of **Gartner Group** in a *Los Angeles Times* article "Intel Moves to Give Itself a Key Home Entertainment Role." Baker's comments add ammunition to our contention that DVRs currently have the edge over PCs in the race to become the digital home's media hub.

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Broadband Scorecard - US & Canada - Q3 2005

Listed By Greatest Net Additions from Q2 to Q3

| Company | Total (000) | Net Adds Q3 (000) | % Change Q2-Q3 | As Of |
|----------------------------|-----------------|----------------------|-------------------|----------|
| Cable TV Companies | | | | |
| Comcast | 8,142.0 | 437.0 | 5.67% | 09/30/05 |
| Time Warner Cable | 4,557.0 | 234.0 | 5.41% | 09/30/05 |
| Cable One | 2,975.00 | 128.6 | 4.52% | 09/30/05 |
| Cox Cable * | 2,975.00 | 128.6 | 4.52% | 09/30/05 |
| Charter | 2,120.0 | 97.8 | 4.84% | 09/30/05 |
| Cablevision | 1,600.4 | 80.6 | 5.30% | 09/30/05 |
| Rogers (Canada) | 1,083.0 | 61.3 | 6.00% | 09/30/05 |
| Insight | 439.2 | 47.9 | 12.24% | 09/30/05 |
| Shaw (Canada) | 1,168.0 | 40.0 | 3.55% | 09/30/05 |
| Vidéotron (Canada) | 588.0 | 40.0 | 7.30% | 09/30/05 |
| Bright House * | 815.0 | 30.0 | 3.82% | 09/30/05 |
| MediaCom | 453.0 | 27.0 | 6.34% | 09/30/05 |
| RCN ** | 238.0 | 9.0 | 3.93% | 09/30/05 |
| Cogeco (Canada) | 277.6 | 2.8 | 1.01% | 08/31/05 |
| US SUBTOTAL | 22,383.1 | 1,105.7 | 5.20% | |
| Canada SUBTOTAL | 4,004.8 | 194.7 | 5.11% | |
| Cable SUBTOTAL | 27,431.3 | 1,364.5 | 5.23% | |
| Telephone Companies | | | | |
| SBC | 6,496.0 | 528.0 | 8.85% | 09/30/05 |
| Verizon | 4,531.0 | 389.0 | 9.39% | 09/30/05 |
| BellSouth | 2,678.0 | 205.0 | 8.29% | 09/30/05 |
| Qwest | 1,340.0 | 150.0 | 12.61% | 09/30/05 |
| Bell Canada | 2,134.0 | 106.0 | 5.23% | 09/30/05 |
| EarthLink | 1,544.0 | 49.0 | 3.28% | 09/30/05 |
| Sprint | 638.0 | 48.0 | 8.14% | 09/30/05 |
| Alltel | 360.0 | 40.7 | 12.73% | 09/30/05 |
| Century Tel | 220.0 | 25.0 | 12.82% | 09/30/05 |
| Covad | 578.4 | 24.4 | 4.40% | 09/30/05 |
| Aliant (Canada) | 196.0 | 18.4 | 10.38% | 09/30/05 |
| Cincinnati Bell | 154.0 | 9.0 | 6.21% | 09/30/05 |
| Telus (Canada) | 736.0 | 7.1 | 0.97% | 09/30/05 |
| MTS (Canada) | 120.5 | 6.5 | 5.74% | 09/30/05 |
| US SUBTOTAL | 18,539.4 | 1,468.1 | 8.60% | |
| Canada SUBTOTAL | 3,186.5 | 138.1 | 4.53% | |
| Telephone SUBTOTAL | 21,725.9 | 1,606.1 | 7.98% | |
| US TOTAL | 40,922.5 | 2,573.8 | 6.71% | |
| Canada TOTAL | 7,191.4 | 332.8 | 4.85% | |
| TOTAL | 49,157.2 | 2,971 | 6.43% | |

| Market Share: | | |
|---------------|----------|-------|
| US & Canada | Cablecos | 55.8% |
| | Telcos | 44.2% |
| US | Cablecos | 54.7% |
| | Telcos | 45.3% |
| Canada | Cablecos | 55.7% |
| | Telcos | 44.3% |

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** RGUs

Broadband Scorecard - Worldwide - Quarter ended September 30, 2005

(excluding US & Canada)

Listed Alphabetically by Company

| Company | Total (000) | Total (000) | Net Adds (000) | Net Adds Total (000) | % Change Qtr-Qtr | Report Date |
|--|-------------|-----------------|----------------|----------------------|------------------|-------------|
| BT Retail | 2,111.0 | | 171.0 qtr | | 8.81% | 09/30/05 |
| BT Wholesale | 4,089.0 | | 429.0 qtr | | 11.72% | 09/30/05 |
| BT Group - TOTAL | | 6,200.0 | | 600.0 qtr | 10.71% | 09/30/05 |
| China Telecom | | 19,170.0 | | 1,800.0 qtr | 10.36% | 09/30/05 |
| Deutsche Telekom | | 7,700.0 | | 600.0 qtr | 8.45% | 09/30/05 |
| eAccess (Japan) | | 1,870.0 | | 3.0 qtr | 0.16% | 09/30/05 |
| Eircom | | 164.0 | | 23.0 qtr | 16.31% | 09/30/05 |
| Elisa (Finland) | | 345.9 | | 37.7 qtr | 12.24% | 09/30/05 |
| Fastweb (Italy) | | 644.0 | | 46.0 qtr | 7.69% | 09/30/05 |
| France Telecom - Retail | 3,661.0 | | 297.0 qtr | | 8.83% | 09/30/05 |
| France Telecom - Wholesale | 1,812.0 | | 25.0 qtr | | 1.40% | 09/30/05 |
| France Telecom - Netherlands | 489.0 | | 7.0 qtr | | 1.45% | 09/30/05 |
| France Telecom - Poland | 1,012.0 | | 40.0 qtr | | 4.12% | 09/30/05 |
| France Telecom - Spain | 528.0 | | 2.0 qtr | | 0.38% | 09/30/05 |
| France Telecom - UK | 826.0 | | 57.0 qtr | | 7.41% | 09/30/05 |
| France Telecom - TOTAL | | 8,328.0 | | 428.0 qtr | 5.42% | 09/30/05 |
| Iliad - Free (France) | | 1,446.0 | | 130.0 qtr | 9.88% | 09/30/05 |
| Korean Telecom | | 6,241.2 | | 68.7 qtr | 1.11% | 09/30/05 |
| KPN (Netherlands) | | 1,623.0 | | 56.0 qtr | 3.57% | 09/30/05 |
| Liberty Global | | 2,606.8 | | 155.0 qtr | 6.32% | 09/30/05 |
| NextGenTel (Norway) | | 129.6 | | 8.8 qtr | 7.28% | 09/30/05 |
| NTL (UK) | | 1,720.6 | | 165.6 qtr | 10.65% | 09/30/05 |
| NTT (Japan) | | 5,576.0 | | 368.0 qtr | 7.07% | 09/30/05 |
| SingTel - Australia - Optus | 458.0 | | 52.0 qtr | | 12.81% | 09/30/05 |
| SingTel -Singapore | 323.0 | | 12.0 qtr | | 3.86% | 09/30/05 |
| SingTel - TOTAL | | 781.0 | | 64.0 qtr | 8.93% | 09/30/05 |
| Swisscom | | 1,010.0 | | 62.0 qtr | 6.54% | 09/30/05 |
| TDC Denmark | | 818.0 | | 48.0 qtr | 6.23% | 09/30/05 |
| Telecom Italia - Italy | 5,210.0 | | 595.0 qtr | | 12.89% | 09/30/05 |
| Telecom Italia -Rest of Europe | 1,151.0 | | 198.0 qtr | | 20.78% | 09/30/05 |
| Telecom Italia - TOTAL | | 6,361.0 | | 793.0 qtr | 14.24% | 09/30/05 |
| Telecom New Zealand - Business | 57.7 | | 4.2 qtr | | 7.76% | 09/30/05 |
| Telecom New Zealand - Residential | 244.1 | | 38.2 qtr | | 18.53% | 09/30/05 |
| Telecom New Zealand - TOTAL | | 301.8 | | 42.3 qtr | 16.31% | 09/30/05 |
| Telefónica - España | 3,124.9 | | 158.5 qtr | | 5.34% | 09/30/05 |
| Telefónica - Czech Republic - Cesky Telecom | 221.0 | | 58.0 qtr | | 35.58% | 09/30/05 |
| Telefónica - Latin America - Telefonica CTC Chile | 268.3 | | 20.7 qtr | | 8.36% | 09/30/05 |
| Telefónica - Latin America - Telefonica de Argentina | 278.1 | | 39.6 qtr | | 16.60% | 09/30/05 |
| Telefónica - Latin America - Telefonica del Peru | 310.5 | | 35.3 qtr | | 12.83% | 09/30/05 |
| Telefónica - Latin America - Telesp | 1,084.4 | | 108.4 qtr | | 11.11% | 09/30/05 |
| Telefónica Deutschland - Germany | 510.0 | | 5.0 qtr | | 0.99% | 09/30/05 |
| Telefónica Group - TOTAL | | 5,797.2 | | 425.5 qtr | 7.92% | 09/30/05 |
| Telekom Austria - Retail | 424.1 | | 27.0 qtr | | 6.80% | 09/30/05 |
| Telekom Austria - Wholesale | 101.7 | | 3.1 qtr | | 3.14% | 09/30/05 |
| Telekom Austria - TOTAL | | 525.8 | | 30.1 qtr | 6.07% | 09/30/05 |
| Telenor (Norway) | | 444.0 | | 29.0 qtr | 6.99% | 09/30/05 |
| Telewest (UK) | | 920.2 | | 67.3 qtr | 7.90% | 09/30/05 |
| TeliaSonera - Baltic | 239.0 | | 36.0 qtr | | 17.73% | 09/30/05 |
| TeliaSonera - Denmark | 145.0 | | 6.0 qtr | | 4.32% | 09/30/05 |
| TeliaSonera - Finland | 321.0 | | 19.0 qtr | | 6.29% | 09/30/05 |
| TeliaSonera - Sweden | 633.0 | | 34.0 qtr | | 5.68% | 09/30/05 |
| TeliaSonera - TOTAL | | 1,338.0 | | 95.0 qtr | 7.64% | 09/30/05 |
| Tiscali | | 1,480.0 | | 160.0 qtr | 12.12% | 09/30/05 |
| Yahoo BB (Japan) | | 4,972.0 | | 83.0 qtr | 1.70% | 09/30/05 |
| TOTAL | | 88,514.1 | | 6,389.1 | 7.78% | |