

UPDATE

DIGITAL TV:



AB

THE REVOLUTION GOES ON

The end of 2004 has been awash with advertisements and initiatives on the opening in digital television and its multiple new diffusion modes. At the heart of this new step towards convergence, a new market is emerging that is capable of re-launching the universe of media and telecommunications. *Elenbi Strategic Review* published in its November/December edition a significant feature on this theme. We bring you here the latest updates on developments in the television sector.

We remember the failed attempts at convergence by large groups like Vivendi Universal, or that of AOL/Time Warner. Their coming together was initiated in a market that had yet to reach maturity. These failures also demonstrated that the capacity to operate a common strategy is sometimes far from evident in radically opposed universes. Today, perspectives seem to have changed. The convergence of new technologies via television could be capable of re-launching the market of media and telecommunications. All the main players are thus investing because the context is very favourable: high-speed connections have been widely developed, compression techniques have made enormous progress, a significant number of channels have set themselves up on cable and via satellite, flat-screen sales have exploded, digital terminals and mobile telephones are also rapidly developing. Traditional television is encountering competition from new audiovisual technologies that offer an improved image quality and interactivity (DVD, games consoles, digital photo).

Telecommunications and audiovisual operators have it in their interest more than ever to work closer together. Without content, the networks lose their attraction, and without a broadcast channel, content cannot exist. The necessary convergence sometimes co-exists with divergent interests: some seek to increase the value of the network and of the telecommunications services, others the commercial value of the content. Digital video in all its forms, via the different technologies seems to be the motor of this new dynamic. "It is the major element of the moment", declared Tom Bosco, Development Director at AOL, who is preparing the launch of new on-line video services (interview on the American site "Cnetnews.com"). Google will shortly be operating

a new video search engine. In the United States, the second telephone operator SBC is working together with Yahoo and Microsoft to launch the "Living Room" project. This project consists of offering in multi-channel (Internet, TV and mobile phone) a whole range of content: bringing Internet navigation via the television set, television via Internet, an offer of more than a thousand channels via high-speed Internet connection, mobile telephone services, or even, Wi-Fi access. The operator has announced an investment of 4 to 5 billion dollars to improve their video services, voice and Internet access to the benefit of their 18 million clients in the next three years. Tomorrow's television presents itself as multiple, personalised and accessible.

► Digital Terrestrial Television enters its operational phase

In November 8th 2004, the French Prime Minister partially addressed the question of DTT when he announced the official launch in March 2005, of MPEG2 format for those channels that are free. Paying channels will be similarly broadcast from September 2005 with a possible delay of 6 months (the government however set his mind on MPEG4 in late December for paying TV). After the government's decision, the TF1 group, fierce proponent of the MPEG4 format, changed radically its position by declaring through its President that in the end it was *preferable* that a norm be established for both free channels and paying channels. With a 32% share of the market,

DIGITAL TERRESTRIAL TELEVISION COMPOSITION OF FREE CHANNEL PORTFOLIOS

"Traditional National Channels"

the CSA reserved for them numbers 1 to 7

- 1 TF1
- 2 France 2
- 3 France 3
- 4 Canal Plus
- 5 France 5
- 6 M6
- 7 Arte

New Channels

Numbers 8 to 14 were drawn

- 8 Direct 8 (Groupe Bolloré)
- 9 M6 Music (Group Metropole TV)
- 10 TMC (Pathe group)
- 11 NTI (AB group)
- 12 NRJ TV (NRJ Group)
- 13 LCP (The Parliament Channel)
- 14 Festival (France Television group)

Numbers were attributed by a drawing of lots held by the CSA Dec 7, 2004.

the group cannot allow itself to be absent from this new mode of broadcasting.

The subject became more complex with the cancelling of frequency authorisations for the Lagardere and Canal Plus groups, October 20 last. Following a complaint from the TF1 group, the State Advisory body (le Conseil d'Etat) decided that two channels in the Lagardere offer (Cinecinemas and Planete), edited by Lagardere Multithematique, were also controlled by Canal Plus: the parent company (Vivendi Universal) being a 49% shareholder of Multithematique. These channels were not counted in the Canal Plus portfolio, which brought to seven the number of channels for an operator limited to five (this limit, destined to restrain the hegemony of the large groups in the future DTT landscape, was later expanded to seven channels). The authorisations for six channels out of twenty three were thus cancelled; among them the free channel iMCM, which will therefore be absent from the choice of channel next March. A new invitation for proposals will be launched, but it will take several months to validate the authorisations. "The free channel chosen could operate six weeks or 2 months after the others", according to the CSA. Two other channels originally destined for public use but reconstituted, will be added to this invitation for proposals. This new open door in this limited offer of hertzian digital broadcasting has whetted the appetite of the large groups. Canal Plus could re-focus its position towards the heart of its activity, multiply its cinema offers and broadcast iTelevision. TF1's reaction could see it propose its news channel LCI as part of the free portfolio, as well as its fetish channel "TV Breizh". M6 could propose Teva channel. AB is looking to broadcast a channel for children and documentaries. Avoided for a long, time federal DTT, coming into its operational phase, has concretised the ambitions of the broadcasting channels.

► **Mobile TV, a new "promising market" beginning 2005**

Last November 23, Patrick Devedjian, the French Minister delegated to the industry, brought together fifty audiovisual and telecommunications directors to inaugurate

the Forum for mobile TV. In a market, transversal by nature, the Minister's objective was to prioritise partnerships by inviting these actors in the mobile telephone industry to sign a commitment of collaboration (this document solicits the commitment of these actors to coordinate their ideas on the subject, to promote Mobile television and to put in place a series of trials before the end of 2005). Mobile TV must permit the broadcast of DTT programmes, those on cable, via satellite or the new channels on a new generation of mobile phones: to be viewed in a mobile context. "With on the one hand, a screen almost always available and in the pockets of a growing number of users, and on the other hand, a habit of paying to access a targeted content, the arrival of mobile video services presents itself as a market particularly promising," declared the Minister when launching the Forum. Technically, mobile TV will use the standard DVB-H drawn from the norm DVB-T for DTT broadcast, which allows a "point to multipoint" transmission. In other words, the idea is to turn the apparatus in to a TV receiver. Telecommunications operators target the R5 multiplex left vacant. The giants of audiovisual are reticent with regard to the idea of investing in this broadcast universe.

► **ADSL TV extends its ambitions to ADSL 2+ and digital channel decoders**

Patrick Devedjian has encouraged Internet providers to develop multi-channel decoders including digital TV. The CEO of Neuf Telecom recently presented to the Minister the "Neuf box" which, connected to the television, is capable of receiving at one and the same time high speed Internet TV, DTT, as well as the offers CanalSatdsl and Canal Plus Digital. With the arrival of ADSL 2+, ADSL TV positions itself in the TVHD opening. France Telecom has announced high-speed connections of 18Mbits/s, Free at 15Mbits/s, Neuf Telecom at 21Mbits/s (while the digitale operator launches the cable connection at 20Mbits/s). The objective of these access suppliers is to aim for 25Mbits/s.

Outside of the necessary alliances, com-



petition exists between content producers and telecommunications operators who gain in autonomy with the development of the network. TF1 and Canal Plus will offer their own ADSL portfolios. Free has announced that it is capable of broadcasting 16,000 channels on its ADSL network and promises to make a legal video on demand (VoD) offer with the arrival ADSL 2+. In conjunction with TF1 and Canal Plus, France Telecom put forward a proposal to the professional football league for the TV rights to first division matches from 2005-2008 (for lot4 on the "Pay per View" transmission)...

The merger of numerous digital multi-channel broadcasters, the interoperability of norms and terminals at the heart of the debate, the balance of alliance and competition between the actors, are the aspects that demonstrate that with these latest developments, the "television of tomorrow" is in the process of construction in France. The fruit of digital convergence, the TV of tomorrow thus proposes a TV model that will accompany the consumer during every moment of the day. But for what different needs, contents, environments, or even, economic models? ■

Michel Agnola

Author of *La télévision sur Internet*, Coll. Que Sais-Je? [Co-author Remy Le Champion, PUF Editions].

