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MEDIA DEVELOPMENTS IN EUROPE

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Edward Horowitz

Mr. Horowitz stated four assumptions upon which his comments were based:

1. The conventional media of radio, TV and the press have reached a saturation point, with little or no expansion in penetration through 1990.

2. The new media included cable, direct broadcast satellite (DBS), satellites in general, and videotape recorders.

3. He assumed a pan-European program format.

4. He assumed a six-year outlook.

Mr. Horowitz began with satellites. He noted that Europe was at least ten years behind the United States in technical developments. Europe is currently served by the Intelsat system with access restricted to signatory countries, which in turn operate through their designated contact agencies or organizations. One problem with the Intelsat system is that the satellites are relatively low power and thirteen meter dishes are required to receive their signals.

The European Space Agency (ESA) has begun testing satellites in the hopes of overcoming the demand-suply gap. Whether the new services would be offered through each country's Intelsat designate company remains unresolved.

Eutelsat is experimenting with the idea of a new European satellite regime. The nine principle members of the European Community would share a sixteen-transponder satellite. The facility is intended primarily for industry use.

Mr. Horowitz then addressed cable television. The status of cable in Europe is far from uniform, with France at nearly 0% penetration and Belgium and Holland upwards of 80-90%. Some systems offer a choice of four channels while others field fifty. Regulatory regimes also vary from municipal to national control. Britain seems to be the most advanced from a technical perspective, since they are preparing for a national two-way cable system.

A common theme is the significant role of government in the development of these new media. Only a small fraction of the cable operations is privately owned. Mr. Horowitz predicted that the success of cable television in Europe will be in direct proporation to the degree of private participation, since the private sector is where most innovation takes place. He said, "Europe represents a green field" in cable, much as TV did some years ago. Cable will be able to expand under private stewardship, but will face competition from direct broadcast satellites. But DBS will only survive if not "saddled by too many costs and regulations." Mr. Horowitz did not speculate on whether the two could co-exist.

Can the U.S. capitalize on the "green fields"? Already we are seeing some U.S. companies teaming up with European concerns:

Scientific Atlanta and Plessey, SAA and Oak, MA/COM and some cable manufacturing companies are but a few examples. The European demand for U.S. programming continues to be strong. Some American movie houses and television studios have teamed up to offer program packages for distribution in Europe. The Entertainment Group and The Entertainment Network have found footholds.

The key to the success of these ventures is the American firm or consortium operating through a European partner. European political and cultural sensitivity compels American firms to ally with a European group.

Michael Tyler

At this point Michael Tyler took over the discussion by assessing the potential rewards for these somewhat risky partnerships. The existence of transatlantic partnerships (such as the Television Entertainment group -- TEG in the UK) for distribution of programming packages proves that "the elements of how to do it are in hand." In the long term, according to Tyler, American businsses interested in a partnership must weigh the regulatory constraints against the benefits and incentives. He proposed three areas for discussion: physical plant, regulation, and the commerical viability of the pay to markets in Europe.

The physical plant for new media in Europe is quite different from the U.S. While there is as yet little or no pay TV or what Tyler called "supplementary programming," the cable television is very well established in some areas, particularly where there are cultural or linguistic gorups with a strong interest in improved programming in their particular language. Austria, Belgium, the Netherlands, and Switzerland fit this description. In areas of low signal strength, cable also offers a good alternative to standard TV broadcasting as well, because of its signal quality, although this has become less important as broadcast transmitter coverage has increased.

Mr. Tyler predicts a brisk retrofit market in cable, as well as network expansion, as the technology becomes more universally accepted, and as programming options increase.

The physical distribution of TV has caused many European countries problems with the "bottleneck" in primary distribution. The concentration of people in urban areas, both favor cable economics by providing large numbers of households per linear mile of plant, but poses particular infrastructure construction problems as well.

Europeans have always had a paucity of channels in comparison to the U.S. This may drive demand for access to more satelite transponders. This need may be met by Coronet, a private group operating under the auspices of Luxembourg which plans to supply relatively high-powered transponders as well as by Eutelsat's ESC system and by various PTTs (and Mercury in the UK) via Intelsat spot beams.

Mr. Tyler went on to describe the regulatory climate in Europe, which he characterized as tense. The tension exists betwen the PTTs, traditionally conservative, and the growing market pressure for increased services. Tyler referred to reports of a startling phenomenon in East Germany where master antennas are geing established to receive West German television. The East bloc authorities are not reacting in the expected manner by banning the devices. Quit to the contrary, they are encouraged. It seems that the East German authorities reason that by permitting vicarious participation in Western life through television, pressure to emigrate will lessen.

In France, where the three television channels are controlled by public agencies, another unusual situation has appeared. France has authorized retransmission of Television Monte Carlo (which belongs to Monaco) by cable in Nice and Marseilles. Mr. Tyler pointed to the "tremendous groundswell of enthusiasm for multichannel television" as the source of these two anomalous situations. Both the German and French examples illustrate compromises made by the existing PTT regimes in the face of growing demand.

However, compromise is not to be confused with acquiescence. Mr. Tyler warned that the competitive response of the PTTs should not be underestimated. He believes "the public entities will wake up and compete" given the apparent demand for multichannel television. Advertiser supported television is a relatively new notion in most parts of Europe, and may be one source of economic support. Experiments have shown that when air time is offered to advertisers, response is heavy. "There are untapped revenue sources here", Tyler said. Advertiser supported channels may open up the field to more competition and a more relaxed regulatory attitude; and with the PTTs getting into the business, the consumer is the obvious beneficiary.

Weston Vivian

Weston Vivian, the last speaker, spoke to the cultural concerns of Europe. While most European countries are culturally and linguistically protective, they also have an undeniable demand for U.S. programs. In many countries, "Dallas" is not only the most popular American show, but also the most popular show of all. Many young Europeans are fascinated with U.S. music and lifestyles. Many have learned to understand English. In the smaller nations, shows are frequently broadcast in English without dubbing or subtitles.

The growing penetration of new media into Europe makes the export proposition a realistic one. Mr. Vivian cited the trend in personal computers. They are moving rapidly into European households, particularly in England where the penetration level is roughly comparable to the U.S. Fiber optics for voice and data transmission is seen as the coming technology in Germany, France and England. Although eager for these technologies, the Europeans realize that a one-way flow of hardware is extremely costly. Mr. Vivian spoke of a "lust for export" in both hardware and software. The U.S. is viewed by Europe as the likely market, in preference to the closed and unreceptive Japanese market.

Questions from the floor followed the two main themes of European cooperation on broadcasting and programming, and European broadcasting into the Soviet Union.

As to the first topic, Mr. Tyler mentioned that the European Broadcasting Union already exists and operates in a moderate state of cooperation. A Pan-European news service may emerge from this group given that it is now technically possible and demand seems high enough. Mr. Vivian commented that the equivalent of a European Satellite consortium for DBS is unlikely given the rapid pace of investment by France in fiber optics.

The Soviets, Mr. Vivian said, are concerned about spillover of West European broadcasts into all the Eastern bloc countries. They are firm supporters of prior consent, a precept which requires international broadcasters to obtain the consent of the authorities in the receiving countries. The Soviets, however, are much stricter on what penetrates the U.S.S.R. than their Eastern European satellites.