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Viewsonic Under FCC DTV Tuner Probe, Company Discloses in SEC Filing

The FCC, which already has proposed \$3 million in fines against Syntax-Brilliant and Regent USA for "willfully and repeatedly" violating the DTV tuner mandate (CED June 6 p1), is probing whether Viewsonic also failed to comply, Viewsonic disclosed in a 10-Q report filed at the SEC. A Viewsonic spokesman declined comment, saying the only talking the company can do about the case was in the 10-Q.

On a date this year that the 10-Q didn't specify, the commission sent Viewsonic a letter of inquiry spelling out the possible violations, the company said. Viewsonic filed an LOI response, the 10-Q said, again without specifying when. Viewsonic met with the FCC on Sept. 11 "to present its factors in mitigation," the 10-Q said. A month later, the FCC and Viewsonic signed a tolling agreement that expires Dec. 15, the company said. The agreement, Viewsonic's second with the commission, will lapse if the FCC decides to proceed with a notice of apparent liability proposing monetary fines or drops the case altogether, the 10-Q said.

Though Viewsonic can't "predict the outcome with certainty," it doesn't think the case "will harm its business, financial position, results of operations or cash flows," the 10-Q said. Financial penalties for violating the DTV tuner mandate can be stiff, as Syntax-Brilliant discovered when the FCC served notice it wanted

to fine the company \$3 million for shipping or importing 72,000 noncompliant TV sets. The proposed penalty against Regent was much less severe -- only \$63,000 -- because the commission found it had shipped or imported only 1,182 noncompliant sets.

Still, to punish the increasing seriousness of the violation as the number of noncompliant units shipped or imported rises, the commission proposed forfeitures on a tier-by-tier basis, applying an increased per-unit forfeiture separately to each successive tier. Proposed fines range from \$50 per unit in the lowest tier (up to 1,000 noncompliant sets) to \$250 per unit (50,001 sets and more).

Following a third-quarter loss tied to a sharp sales decline, Viewsonic restructured its European and Americas divisions, bringing both under its top Asia-Pacific region executive, the company said. Asia-Pacific Managing Director Alan Chang will assume the duties of Matthew Milne and Jan Jensen for the Americas and Europe, it said. Milne, who joined Viewsonic in 2005, has left and Jensen is to depart by year-end.

In the revamping, Viewsonic formed a new VTV Division for the LCD TV and digital signage market. VTV will be headed by Steve Woo, vice president and general manager, who will continue to direct product sourcing, the company said. Responsibility for the Middle East and Africa sales regions will shift to the Asia-Pacific group from Europe and Viewsonic China Managing Director Rebecca Tsen will oversee a global support center in Wuhan, China, the company said.

The Americas division swung to a \$5 million third-quarter loss from a \$2.8 million profit a year earlier as sales declined to \$163.7 million from \$192.6 million amid heightened competition and a "soft" market, the company said. Americas gross profit fell to \$30.9 million from \$42.4 million. LCD TV and front projector shipments rose 30.1 percent and 22.8 percent, while those of LCD and CRT monitors fell 9 percent and 60.2 percent, the company said.

In Europe, Viewsonic posted an \$842,000 loss against a \$4.8 million profit as sales declined to \$78.5 million from \$92.5 million as LCD TV shipments plunged 57.3 percent, the company said. The lone bright spot was Asia-Pacific, where profit grew to \$3.8 million from \$3.3 million as revenue rose to \$160.4 million from \$141.2 million. LCD TV shipments in Asia-Pacific increased 35.2 percent. Viewsonic sells 19-inch to 42-inch LCD TVs, having dropped plasma and rear projection TVs in 2005.

Overall, Viewsonic swung to a \$1.7 million third-quarter net loss from a \$10.5 million profit a year earlier as sales declined to \$402.7 million from \$426.4 million. Worldwide LCD TV and front projector shipments rose 15.6 percent and 40.6 percent, while those of LCD and monitors dropped 1.7 percent and 24.2 percent. General and administrative expenses grew to \$32.9 million from \$29.9 million a year earlier and it wasn't clear whether the restructuring will result in layoffs. Viewsonic officials weren't available for comment. Viewsonic had 749 employees worldwide as of Dec. 31, 2006, according to its annual report.

Viewsonic has forecast shipping 400,000 to 500,000 LCD TVs this year, although sources familiar with the company put the total closer to 250,000. Viewsonic uses AU Optronics, Chi Mei Optoelectronics and Chunghwa Picture Tubes panels, which are assembled into sets and monitors largely by TPV Technology in China. Viewsonic is weighing an IPO and through Sept. 30 had capitalized \$897,000 in related costs, the company said. -- *Mark Seavy*

New Production Strategy

AU Optronics to Promote 'MoniTV' LCD Panel Hybrid in Smaller Sizes

LAS VEGAS -- Tight TV pricing in sub-32W LCD TV sizes, combined with a maturing PC monitor category, are working to promote the availability of LCD panel hybrids that serve both markets, James Chen, associate vice president of desktop display for AU Optronics, said at the iSuppli Flat Information Display conference here

Tuesday. So-called "MoniTVs" with resolutions of 1,440x900 emerged this year in 19W and 22W sizes without any promotional effort and will likely produce sales of 10 million units, Chen said.

While LCD panel markets for monitors and TVs historically have pursued separate paths owing to different requirements for brightness and contrast ratio, combining the two now is more profitable, Chen said. Current 19W panels have the same resolution for TVs and monitors, but have faster response times and better contrast for PC applications, Chen said. Monitors currently being sold as cross-over products carry a \$200 premium at retail over those being marketed for singular applications, Chen said. Much of MoniTV's future fate will depend on developing the needed components and devices, he said. If the necessary single IC technology is developed, MoniTVs could produce annual sales of 25 million units by 2010, Chen said.

Part of the change is being prompted by AU Optronics' LCD TV panel division's increasing focus on more profitable 32W and larger sizes, Chen said. To fuel future MoniTV growth, AU Optronics plans to start production of HD-capable 15.6W panels in early 2008 capable of serving as notebook PC and TV displays, Chen said. The total PC monitor market is expected to increase from 179 million units this year to 208 million units by 2010, Chen said. The current market for separate 19W to 26W monitors and TVs is "too crowded," producing prices that range from \$199 to \$699, Chen said. MoniTV also could thin out screen size assortment, he said. The 23W and 20W panels used for TVs could shift to 22W and 19W, Chen said.

MoniTV also would enable AU Optronics to devote its fifth-generation production lines to notebook PCs, Chen said. Any 6G and 7.5G capacity would go to MoniTV, Chen said. The company's move to 8G production also would help that along, he said. "We are not deciding whether we want to go with 8G or not, but rather are trying to decide what kind of spec will be used for the mother glass," Chen said. "It's a combination of what kind of process and equipment will be used."

As LCD production trends change, plasma makers are moving increasingly to 1080p. Samsung SDI expects to introduce a panel in 2008 that will increase efficiency to 2.6 lumens per watt from 1.2 lumens per watt, Senior Marketing Manager Sean Lee said. The so-called "W3" panel will contain 190 candelas and consume 370 watts, down from 390 watts this year, he said. It also will move to 18-bit color processing from 16-bit, he said. The goal is to reach 5 lumens per watt efficiency by 2010, Lee said. W3 technology will be at the heart of new 75W to 80W panels Samsung SDI will produce in 2008, though final sizes haven't been set, Lee said. "It has to be larger than 71W," since LG already sells that size, but "we have to consider the cost out of our mother glass," Lee said. Samsung currently makes a 63W plasma. It has shown a 102W prototype, but has no immediate plans for commercial production unless there is demand for it, Lee said.

More than 25 models of 1080p plasma TVs are available at retail and account for an increasing share of the total flat-panel pie, said James Palumbo, president of the Plasma Display Coalition. The 1080p sets are expected to increase to 35 percent of plasma TV unit sales in Q4 from 9.9 percent in August, Palumbo said. In dollars, 1080p plasma TVs will jump to 35 to 45 percent of the category's sales in the fourth quarter from 21 percent in August, he said. As a feature, 1080p has enabled plasma to secure a 50 percent share of the 50W and larger TV sales, Palumbo said. The spike in 1080p plasma TV sales owes its success to a retail education campaign that employs more than 100 product trainers from the coalition's four members -- Hitachi, LG, Panasonic and Pioneer. The trainers are armed with literature listing the benefits of plasma, including longer lifetime, wider viewing angles and higher contrast, Palumbo said. -- *Mark Seavy*

Regulatory Authority Unclear

DTV Outreach Must Target Many Venues, FCC Panelists Say

Government, broadcasters and civil rights bodies must speak to TV viewers in varied forums to ready minorities and the poor for the digital transition, participants said Tuesday at an FCC workshop.

Voluntary industry education efforts may have to suffice for now, given uncertainty over FCC authority to require broadcasters to air public service announcements on the transition, Commissioner Robert McDowell said in an interview. That concern has kept some commissioners from voting for a proposed order by Chairman Kevin Martin that would stipulate what broadcasters and pay-TV companies have to do to educate viewers (CED Dec 4 p2).

"Right now I detect a lot of energy" being expended by industry to do its part, McDowell said. "Broadcasters are making sure people understand exactly what they have to do. If that's not happening, then the commission can" consider stepping in, he added. Whether the agency has authority from Congress to mandate PSAs is "a question we are examining now."

Officials from offices and bureaus throughout the FCC have spoken about the transition at 250 events this year, Consumer & Governmental Affairs Bureau Chief Cathy Seidel said in an interview. Most of the events occurred outside the Washington area, she said. By year-end the figure will approach 300, she added.

Employees of NBC Telemundo stations will visit county fairs, fiestas, concerts and other events to alert Spanish speakers to digital TV, Senior Counsel Victor Cabral said at the FCC workshop. "There are a lot of community events where they gather, and if you have the information available in booths at those kind of community events, it's a necessary component to hearing it on TV or radio," he said. "We need to continue to educate the front line people at our stations, because they are going to continue to be key to educating the population." The company is telling its general managers about the importance of community events for DTV education, he said.

Youngsters are a key target for DTV outreach, said Cabral and other panelists. Youths can inform parents, relatives and others who don't speak English that they need to upgrade their sets or buy converter boxes to get TV on analog sets. "Go to the kids," said Lisa Malone, vice president of the National Urban League Policy Institute. "Empower youth to learn this, help their parents, their grandparents [and] elderly folks who do not have grandchildren or families." Ministers and other clerics are a good way to reach African-Americans, said Daniel Wilson, executive director of policy for the National Caucus and Center on Black Aged. Spiritual leaders carry great weight among African-Americans, he said. "If they say 'The sky is yellow,' they will believe it." -- *Jonathan Make*

Wal-Mart to Expand Program

Greenhouse Gas Emissions High on CDSA Conference Agenda

Counting all the supply chain components that go into producing a DVD and delivering it to market, the average Fox packaged disc is responsible for releasing the equivalent of 0.75 pounds of greenhouse gases into the atmosphere, Fox Home Entertainment (FHE) found in study it conducted in July 2007.

The study was discussed during an environmental issues panel Tuesday at a Content Delivery and Storage Association conference in New York. It grew out of a supply chain pilot survey Wal-Mart initiated with a handful of key suppliers, including Fox earlier this year at the urging of the Carbon Disclosure Project. Wal-Mart plans to expand the program to over 10,000 of its suppliers next year, Zoe Riddell, CDP vice president, told the CDSA conference.

FHE already had been working on crafting a DVD greenhouse gas analysis under a program launched internally at parent company News Corp., an FHE spokesman said. The program, in which all News Corp. divisions are taking part, is codenamed CoolChange, he said. FHE wants to expand the DVD greenhouse gas analysis to all markets globally where it sells DVDs, the spokesman said.

“What Wal-Mart is trying to do is to be able to label the products in their stores with not just the price, but also with a carbon footprint,” Riddell said. The Fox DVD study was “extraordinary,” she said. “They went through all of the supply chain, looking at the packaging, the storage, the delivery of the DVD, all the way through to the raw materials needed to create the DVD.”

The analysis, copies of which both Riddell and FHE gave us, “considered the carbon emissions of over 20 distinct supplier companies,” the FHE report said. It sought a methodology “that was as transparent, complete and as accurate as possible,” FHE said. It “seeks to share this methodology with other manufacturers for review and to potential standardize a methodology for [greenhouse gas] supply chain analysis within the DVD industry,” the report said.

Efforts to draft such a standard are under way at CDSA, President Charles Van Horn told the conference. CDSA also has launched a program to certify disc packages that are free of hazardous materials, Van Horn said. Holding to your nose a cheap DVD box produced by an unscrupulous supplier will leave little doubt the packaging contains ground-up batteries, Van Horn said.

Of seven metrics that FHE measured in its study, DVD manufacturing and assembly accounted for the largest proportion of greenhouse emissions (39.5 percent), followed by polycarbonate raw material (20.3 percent), plastic case manufacturing (16.5 percent) and transporting the DVD to market (13.8 percent). Challenges abounded in calculating emissions for the various parts of the supply chain, the study said.

For example, “mobile fuel emissions occur in numerous steps of the DVD production process,” it said. “However, the modes of transportation and availability of data vary among the various transportation components of the analysis.” The study used different methodologies to compute pounds of greenhouse gas emissions for each of four transportation “components.” And to measure the environmental impact of shipments from Fox’s replicator Cinram to retail, it did calculations both for UPS shipments and non-UPS shipments.

In its haste to move toward more environmentally friendly discs and packaging, Sony-BMG is “serving a lot of different masters here,” said Dana Renert, vice president of U.S. supply chain operations, another panelist in CDSA’s environmental session. Sony-BMG needs to serve its artists’ and corporate needs to be “environmentally correct, but we also are serving our [retail] accounts that want to be able to manage the product through distribution,” Renert said. “I think we’re trying to find our way through all this.”

Nexpak CEO Tim Barnette said some may be critical of his injection-molding company that supplies plastic jewelboxes for DVDs and CDs. “I guess from the standpoint of the environmental agenda that we’re the axis of evil,” he said. “On the other side, we’re certainly doing things to take steps to address the situation.” In the past year, Nexpak has reduced the weight of some of its packages by as much as 25 or 30 percent, also cutting back on the resin it uses, Barnette said. The company also is introducing new stackable, multi-disc packaging ideal for TV on DVD sets, he said. The packaging cuts resin use as much as 65 or 70 percent, he said. “We recognize the environmental agenda,” he said. “The issue is real, and we affirm it.” -- *Paul Gluckman*

Mixed Grades on Enforcement

Ratings Board Slams Latest MediaWise Videogame Report Card

The Entertainment Software Rating Board Tuesday slammed the latest MediaWise Video Game Report Card by the National Institute on Media and the Family, a frequent game industry critic. The report gave mixed

grades to retail enforcement of the ESRB rating system -- including an F for rental stores and a D for national retailers -- complaining that despite some “progress” there is “plenty of cause for concern.”

The game industry and its audience “continue to grow,” but the NIMF claims “efforts to protect children from the now undeniable potential harms of excessively violent videogames have not kept pace with industry growth.” The findings were announced by NIMF President David Walsh in Washington, D.C. He was joined by U.S. Rep. Betty McCollum (D-Minn.) and U.S. Sens. Joe Lieberman (I-Conn.) and Amy Klobuchar (D-Minn.).

ESRB President Patricia Vance argued that NIMF’s latest report card “contradicts” April Federal Trade Commission findings giving a mostly positive review of the ESRB rating system and finding most parents satisfied with the system (CED April 13 p5). The latest FTC mystery-shopper survey found “substantial” progress by retailers on enforcement of store policies restricting sale to kids of Mature-rated games, Vance said. Among children included in the latest FTC survey 42 percent were able to buy an M-rated game -- an improvement from 2003’s 69 percent. The game industry was the only one of three entertainment industries studied by the FTC whose data have improved with each round of study. The others were the music and film industries. The only major FTC concern about videogames was the online advertising of M-rated games.

The NIMF also said the ESRB should “review” its policies on game ratings. “Some loopholes regarding locked and blurred content must be closed,” it said. The NIMF singled out Take-Two Interactive’s controversially violent game *Manhunt 2*, which ESRB originally gave an Adults Only rating, reset as an M after edits. An AO rating would have blocked the game from U.S. release, since game console makers won’t allow AO games to be released for their systems and major retailers won’t sell such games. Some violent sequences were removed from the game, but NIMF said others “were simply blurred... using a special effects filter incorporated into the game’s code.” An unauthorized AO version of the game, leaked on the Internet, lets hackers remove blurring from the M-rated version, the NIMF said, comparing the incident to the episode of the Hot Coffee modification in earlier Take-Two game *Grand Theft Auto: San Andreas*. Take-Two didn’t respond to a request for comment.

Vance said the NIMF “exhibits a significant lack of understanding of and, as a result, grossly misrepresents the facts surrounding” the hack into pirated versions of *Manhunt 2*. She added that “at a time of year when parents are looking for helpful guidance about videogames, this year’s Report Card does little more than sow unwarranted doubt about effective tools like ESRB ratings.”

The Entertainment Merchants Association reacted less intensely to NIMF’s findings, saying it “agrees with NIMF’s call for further broad-based efforts to educate parents about the ESRB game ratings system.” The EMA “appreciates that the NIMF has singled out several retailers for exemplary videogame ratings enforcement efforts,” it said, cautioning that “we do not believe that NIMF’s overall findings on retailer enforcement reflect the true state of ratings enforcement in the industry as a whole.” Instead, it said, “we await the results of the videogame mystery shop recently undertaken by the FTC,” results of which are expected early next year. That survey uses “an objective and transparent methodology, a broad and statistically significant sample size and professional mystery shoppers,” the group said.

The only retailers graded high by the NIMF for enforcing ESRB game ratings were specialty stores, which got a B. Retailers in general “do not seem to understand the importance of enforcing the ratings,” that NIMF said, adding that “while the specialty retailers have shown encouraging improvement in enforcing their own policies to honor ESRB ratings this year, the big box retailers have slipped badly from last year’s performance,” and rental retailers “are dropping the ball completely and remain an embarrassing blight on the videogame retail industry.” Blockbuster wasn’t immediately available for comment. Although 94 percent of stores surveyed overall said they had policies preventing children younger than 17 from buying or renting an

M-rated game, almost half the time NIMF secret shoppers “walked into the national retailers” they “walked out with an M-rated game,” the group said.

The NIMF said Hollywood Video, along with Kmart and EB Games, was a “bright spot” and “100 percent compliant this year.” It wasn’t clear how rental retailers could get an F if Hollywood Video -- a rental retailer -- was included in the mix. NIMF didn’t respond to a request for comment by our deadline.

Retailer policies overall got a C-, as the NIMF complained that one of retailer in three doesn’t tell workers about the ESRB ratings. “That’s a significant drop from last year,” the NIMF said. “Even more shocking was that only 30 percent of local retailers provided families with information on the game rating system.”

Faring better was the ESRB effort to educate the public on its ratings. That effort received a B-. The NIMF called ESRB work with states on new public service announcements “an encouraging step.” The day the MediaWise report came out, the ESRB and Republican Oklahoma State Senator Glenn Coffee unveiled a PSA campaign encouraging parents to use videogame ratings. The TV and radio ads were premiered at an Oklahoma City Blockbuster store. But the NIMF said the “limited reach and failure to educate parents suggest that the industry could be doing much more to educate parents and retailers about the ratings.”

Parental involvement got only a C. The NIMF complained that parents “are not doing enough to protect their kids from the potential harms of videogames.”

The game industry overall got a C from the NIMF. Console makers, “for the most part, seem to understand the importance of making games safe for kids,” it said. Microsoft recently included a timer feature parents can use to limit children’s videogame playing time, it noted. But it complained about promotions for the Nintendo Wii version of *Manhunt 2*, the violence in all versions of that game, and the “poor taste” of games including *Kane & Lynch: Dead Men* by Eidos. Those two games were among 10 titles -- all M-rated -- that NIMF urged parents to avoid buying this holiday season.

The NIMF again called for a “universal” ratings system “to increase ratings knowledge and reduce confusion, claiming “a majority of parents favor one rating system for all media.” It also again said the ESRB “should issue its rating based on the game’s entire content, blurred or unblurred, locked or unlocked,” and game makers “should provide footage of the blocked or blurred code along with the footage they provide of easily accessible code.”

This year’s Report Card included the first MediaWise-Harris Interactive poll, which found that parents and their children, particularly those 8 to 12, “have repeated arguments over when and how much time kids can play videogames,” the NIMF said. Kids seem to know more about the rating system than the parents it was designed for, the NIMF said, adding that only 54 percent of parents polled claimed to use the ratings and 72 percent knew “little or nothing about the ratings system overall and many could not identify the meanings of specific ratings.” -- *Jeff Berman*

No Wii Issues For THQ

Too Early to Gauge Activision-Vivendi Merger Impact, Rivals Say

It’s too early to tell how a proposed blockbuster merger of Activision and Vivendi Games (CED Dec 4 p3) will affect the videogame industry, THQ and Ubisoft executives said Tuesday at the UBS Global Media & Communications Conference in New York. If the merger goes through, Activision Blizzard will be the world’s No. 1 third-party game publisher, eclipsing Electronic Arts, which remained silent about the deal.

The deal “seems like a very horizontal merger,” THQ CEO Brian Farrell told the conference. He noted that Activision has a strong presence in the boxed products arena, and Vivendi Games’ strength is in the massively multiplayer online game space. So it “feels more like a diversification play to us,” he said.

The proposed merger “hasn’t changed our thinking or growth strategy at all,” Farrell said, adding that his company is “very comfortable with our position” among the largest third-party publishers. But THQ will remain “very active in the developer acquisition space,” he said.

It’s “hard to say” whether the deal presages more industry consolidation on the scale of the Activision-Vivendi deal, Farrell said. The proposed merger might encourage other large media companies, in particular, to be more aggressive in the game arena, he hinted. “I think it will make” media companies with a presence in gaming “realize just how far they are from truly being a scale operator,” Farrell said. “This is a business of scale -- and while all of those media companies have some initiatives around digital media I think this will highlight just how far behind they are and how far they have to go.” But he said “how they respond to that... is anyone’s guess,” adding “I don’t think this deal necessarily is the bellwether for which way” the mergers and acquisition “footprint changes.”

EA’s response to the proposed merger is unclear, Ubisoft Chief Financial Officer Alain Martinez told the conference earlier. EA could decide it doesn’t need to be the number one third-party publisher and proceed with its current strategies -- or it could become more aggressive, seeking to regain the upper hand, Martinez said. Disney, Time Warner and other large media companies established in the game industry may realize “the number of publishers that will be available is shrinking and maybe they need to move faster,” rather than wait to buy a game company to increase their presence in the category, he added.

The proposed merger is “changing a lot of the landscape” in the game industry, Martinez said. “If I was a shareholder at Vivendi I would be very appreciative” of the plan, he said, noting that if the deal goes through, shareholders will make out far better than they would have made four or five years ago, when Vivendi first weighed selling off its game division. It would be a “fantastic achievement,” he said. Martinez also disclosed that when EA started buying Ubisoft shares, Ubisoft “spoke to just about everybody” about a sale or merger. Ubisoft even discussed such a deal with Vivendi before deciding against it, he said. No legal issues will bar completion of the Activision-Vivendi deal, he predicted.

Eidos CEO Bill Gardner, who didn’t attend the conference, was “surprised” by the merger announcement, he told *Consumer Electronics Daily* Tuesday. The companies seemed to have “somewhat diverse cultures, so a merger was not obviously” in the cards, he said. But such a merger “should be good for the industry in general, promoting healthy growth, and enabling some new opportunities for everyone,” he added. The deal will “call further attention to the industry from the press, analysts and others that have not paid a lot of attention to the space,” he said. Although “it is always a little scary to face changes,” he said “I think we are all up to the challenges” presented by such a move.

Separately, THQ’s Farrell said at the conference that his company isn’t encountering the same problem that Take-Two Interactive (CED Nov 4 p4) and other rivals are having getting adequate units produced of Wii games. Nintendo made clear to third-party publishers that they must let it know their production demands promptly to ensure adequate supplies in late 2007, said Farrell. THQ was able to do that, as a result receiving adequate supplies of its games, he said. “We’re satisfied with our inventory level with everything we planned around the Wii,” he said.

PS3 hardware has been “doing better” since recent price cuts by Sony Computer Entertainment America, Farrell said. PlayStation continues to enjoy strong brand loyalty among consumers, polls indicate, but Sony needed “some killer apps” and “great-looking” games for PS3 to give that platform a significant lift, he said. “They’re getting there,” he said, adding that Sony was “going to make mistakes -- but at the end of the day they’re going to get it right.” The comments came after Sony Computer Entertainment America CEO Jack Tretton reportedly conceded that PS3 sales weren’t as strong out of the gate as his company had wanted, and called Sony’s biggest mistake not shipping enough consoles at launch a year ago.

“We haven’t found shelf space to be an issue,” Farrell said. Small publishers are likelier to face that woe this holiday season than major publishers. Farrell “breathed a sigh of relief” about the holiday season in general upon seeing the strength of videogame sales over the Thanksgiving weekend, he said. “We have seen reorders” on games, he said, without offering specifics. But THQ needs to see “the same strong finish” as in recent holiday seasons to gauge whether this year’s holiday season was a success or not, he said. “So far, so good,” he said. -- *Jeff Berman*

Formats

Nobody knows how many consumers have tuned out of the format war by staying home, but still, the he-said-she-said fracas between Blu-ray and HD DVD shows no sign of relenting. The Blu-ray Disc Association stirred the latest hostilities late Monday, claiming Black Friday sales heavily favored its format on both the hardware and movie fronts. As of Nov. 24, North America’s installed base of “Blu-ray capable” machines was 2.7 million, the group said. “This figure stands in stark contrast to the 750,000 players and game drives announced by the HD-DVD camp last week,” the BDA said (CED Nov 29 p3). As is now habitual in both camps, the BDA rebuffed *Consumer Electronics Daily* requests for a hardware sales breakdown between stand-alone Blu-ray players and PS3 gaming consoles with Blu-ray playback. PS3 probably accounts for 2.35 million of BDA’s tally, we’ve found by extrapolating on data for the U.S. and North America from NPD, VG Chartz and other reporting agencies. That would indicate sell-through of about 350,000 dedicated Blu-ray players. By a similar process, we decided that HD DVD’s claim of 750,000 player sales through Black Friday in North America comprised 500,000 stand-alone players and 250,000 HD DVD add-on drives for Xbox 360. The Xbox 360 add-on has no use except to play HD DVD content, so those can be considered “dedicated” players in HD DVD’s 750,000 tally -- whereas PS3 game consoles can’t be considered dedicated Blu-ray players, said HD DVD’s spokesman Ken Graffeo, who also is executive vice president for HD strategic marketing at Universal Studios Home Entertainment, which supports HD DVD exclusively. “Coming out of the Black Friday weekend, HD DVD still owns a commanding market share of dedicated player sales,” Graffeo said Tuesday. “This is true whether or not you count the Xbox 360 HD DVD player, although HD DVD movie playback is the sole reason people purchase the Xbox add-on — the same can’t be said for the PS3.” Regardless, if the Blu-ray camp has sold 350,000 dedicated players to date, it quickly is closing the gap with HD DVD, whose mostly Toshiba-branded players went on sale eight months before the first Blu-ray players arrived this time last year. In this week’s sparring, the BDA also said Blu-ray dominated software sales during the Black Friday weekend. “According to Nielsen/VideoScan, Blu-ray software sales for the week of Black Friday were 72.6 percent, compared to just 27.4 percent for HD DVD,” the group said. It said Blu-ray movie sales in the U.S. topped four million as of November, compared with 2.5 million for HD DVD, and that Blu-ray content has outsold HD DVD 2:1 year-to-date. Graffeo dismissed those claims Tuesday. “Nielsen VideoScan data does not include Wal-Mart and other retailers who have reported strong HD DVD sales,” he told us. “In addition, Blu-ray’s heavily subsidized software promotions, including free movie ‘Buy one, get one’ offers, are counted at retail -- which artificially increases software sales data,” he said. “For example, Sony gave away free copies of ‘Open Season’ at Best Buy with the purchase of a PS3, and each copy was counted as a sale. This is different from the ‘Five Free’ mail-in offers that both sides have conducted, as those are not counted as sales,” he said. “With sales volumes still small relative to DVD, these promotions have a short term effect, but they don’t provide an accurate snapshot of a long term growth pattern.” -- *SAB*

Industry Notes

The Environmental Protection Agency recalculated energy savings based on an amended “on mode” proposal for the Energy Star specification for TVs. The new specification will save 692 million kWh in energy and \$66 million 2008 to 2010, it said. It provided incremental savings for just two years, “recognizing

that both products and market conditions will evolve in the coming years," and assuming that a more stringent specification will take effect in November 2010, boosting savings, it said. Deadline for comments on the revised on-mode proposal is Dec. 7.

Trends

Music sales to mobile devices will tally 30 percent of retail value by 2011, compared with 13 percent this year. Downloads to mobile will bring \$30 billion in 2011 to beleaguered music labels and offset some of the decline in their packaged music revenue, Understanding & Solutions said Tuesday. "Most new handsets now come with built-in music functionality, and recent developments from manufacturers and operators have helped improve the user experience when searching for, purchasing and using mobile music," the U.K.-based research group said. "However, interfaces and software need to continue to improve to make the mobile experience comparable with online." It cited "emerging markets" for successful sales of music downloaded to cellphones and other portables. "Looking to emerging markets, mobile could become the number one platform for music, where packaged CDs haven't gained traction due to piracy and lack of hardware ownership," said consultant David Sidebottom. "Both China and India are showing large revenue gains, which are being driven by strong mobile subscriber growth and the status associated with music-related personalized mobile products."

Consumer Electronics People

Marty Zanfino, ex-Mitsubishi and MicroDisplay Corp., named vice president of marketing at display start-up Spudnik... **Gina Harman**, ex-Harman International, named CEO of micro-lender Accion NYC, where she has served on the board since 2001... Analog Devices Chief Financial Officer **Joseph McDonough** to retire in May... **Gary Michael**, Albertsons CEO, resigns from Officemax board... **James Deering**, ex-PCJ Franchising Co., named ColorTyme franchise development director... **Jon Laff**, ex-Electronic Arts, named 38 Studios chief technology officer.

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