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Today's News:

POWELL SAYS HE SEES WRAP-UP of outstanding DTV transition issues, including 85% penetration debate, by year-end. (P. 1)

DON'T MISCONSTRUE OUR JOINING BLU-RAY group as commitment to release software, Fox executive warns. (P. 2)

LCD TV PRICES DROPPING as Samsung and Sharp move to lower retail tags in advance of the holiday selling season. (P. 3)

UNIVERSAL BUYS SIMPLEDEVICES for \$12.5 million as it seeks to expand its wireless business. (P. 4)

DTV Consumer Campaign Launched

Powell Wants Wrap-Up of Outstanding DTV Issues by Year-End

FCC Chmn. Powell said he wanted to "wrap up" outstanding DTV transition issues by year-end, including multicasting carriage, public interest obligations and how to count the 85% of consumers that convert to digital. But Powell wouldn't reveal his positions on those issues.

Powell made his comments Mon. at the launch of the FCC's DTV consumer education initiative. Powell unveiled a new website -- www.dtv.gov -- as a source of information for consumers on the DTV transition and available HDTV programming. The FCC also entered a joint effort with the CEA and the Consumer Electronic Retailers Coalition on a DTV tip sheet, which describes DTV features and terms. The tip sheet also explains that TV sets with only analog tuners will need a separate converter box to receive over-the-air signals after the TV stations turn off their analog signals. Major retailers, including Best Buy, Circuit City and RadioShack, have agreed to distribute the tip sheets. In addition, Powell was scheduled to be interviewed on DTV at halftime on *Mon. Night Football*.

Congress has been pushing the FCC to move more quickly on DTV transition issues. An amendment to Senate legislation to reform intelligence gathering would also set a deadline for the FCC to finish 3 proceedings relating to DTV transition (CD Sept 30 p1). The amendment to S-2485 would set a Jan. 1, 2008, deadline for broadcasters in the 700 MHz bands reserved for public safety to vacate the spectrum. But the amendment, based on

CONCORD CAMERA SALES TUMBLE in 4th quarter on pricing pressures in digital cameras. (P. 4)

AGREEMENT IS NEAR on how to finance national e-waste recycling system, after months of deliberations. (P. 5)

INDUSTRY NOTES: Sony, Panasonic top ratings in *Consumer Reports* Nov. test issue. Magazine plans test changes. (P. 6)

RETAIL: Office Depot CEO Bruce Nelson resigns as chain seeks to improve operating margins as its N. American stores. (P. 7)

COPYRIGHT: Consortium is formed to resolve conflicts among digital content devices that use different DRM systems. (P. 8)

the SAVE LIVES Act pushed by Senate Commerce Committee Chmn. McCain (R-Ariz.), would also require that the FCC finish: (1) Multicast must-carry proceeding by Jan. 1, 2005. (2) DTV public interest obligations by Jan. 1, 2005. (3) DTV must-carry proceeding for DBS providers, Jan. 1, 2006. The Senate approved the amendment by voice vote. But House Commerce Committee Chmn. Barton (R-Tex.) said he intends to oppose attaching any similar amendments to the House intelligence reform bill (HR-10).

Under current law, the transition is to occur in a given market in 2006 or once 85% of the population can receive a digital signal. The FCC has been focused on how to determine the 85%, Powell said. FCC's Media Bureau has drafted a plan that would count toward the threshold anyone with a DTV set, a digital-to-analog converter or a cable or satellite set-top box that can downconvert or pass through a broadcaster's digital signal.

Powell said he didn't support any proposal that would provide subsidies to ensure that every TV set in a consumer's home was receiving a digital signal. To do so would cause the DTV transition to be "another 50 years in the making," Powell said: "You have to remember a lot of those sets are not about TV at all." For example, his children use their sets for video games, he said.

Though Powell said he would address public interest obligations during the DTV transition, he received criticisms from fellow commissioners and advocacy groups Mon. Comrs. Copps and Adelstein said they applauded Powell's consumer outreach initiative, but were "disheartened" that Powell didn't involve consumers and public interest representatives in the launch. The event did include 2 panel discussions with broadcasters and the electronics industry.

Powell said the other 4 commissioners were very much a part of the consumer initiative, though none were present. "I'm dedicating myself personally to this. I want my autograph on this," he said.

The Senate Republican High Tech Task Force (HTTF) commended Powell's DTV consumer education plan. Sen. Ensign (R-Nev.), HTTF chmn., said Powell recognized the problems consumers face when pondering a purchase of a DTV set. "The confusion regarding different standards and resolutions for DTV is hurting buyers' confidence," Ensign said. "It is important that consumers should strongly consider buying sets which will be compatible with DTV. It is important that this occur to close the digital divide, increase competitiveness and encourage new innovations."

The Office of Communications (OCC) of the United Church of Christ and other advocacy groups staged a protest outside the FCC Mon. against being excluded from the DTV initiative. "The FCC's failure to define the public interest in digital television is an abdication of its responsibility to ensure that the public airwaves benefit the American public," said former Comr. Gloria Tristani, the OCC managing dir.: "The FCC needs to act now and put the public back in the picture." -- *Tania Panczyk-Collins*

No Commitment to Publish

Fox Executive Calls Hying Announcement Risky for Blu-Ray

Tempting as it might be for the Blu-ray camp to excessively exploit for political advantage the announcement Mon. that Fox was joining the Blu-ray Disc Assn. (BDA) as the 14th founding member of its board, Blu-ray "knows the risks in so doing," a key Fox executive told *Consumer Electronics Daily*.

Asked to specify the risks, the executive, Danny Kaye, senior vp-business development for Fox Home Entertainment, said Blu-ray "knows it's not our position" that joining the BDA equates to a commitment to release software in the format. "Our position is what we have said publicly, and if anybody tries to make more of it than it is, we're going to continually speak out and clarify it," Kaye said.

Fox becomes the first studio to join the BDA as a founding member. It said in a statement that as a result of its membership in the BDA, it will work "collaboratively with the other founders" of Blu-ray "toward the develop-

ment of a feature-rich and secure next-generation format.” While Fox hasn’t committed to releasing software for Blu-ray, “it believes that as a founder, it can influence the outcome of key issues including successful content protection as well as production costs and logistics, among other issues,” the statement said.

News reports from Tokyo in particular appeared to go overboard in assessing the announcement’s implications. A Dow Jones report quoted Michael O’Neill, a Fox special adviser, as having told a Tokyo news briefing it was too early to say when Fox expected to release Blu-ray movie titles. Moreover, it quoted an unnamed industry observer as saying Fox joining the BDA board amounted to “a practical endorsement” of the Blu-ray technology.

However, Kaye told us “the core BDA members understand perfectly well why we joined -- it doesn’t mean a commitment to the format, and there’s no agreement to publish our content in that format. We’ll take it as it comes and we’ll keep evaluating both formats. When the copy protection passes our test, at some point later in time, we’ll decide what format we’re going to publish in. We’re not there.”

For Fox, Kaye said joining the newly inaugurated BDA serves a purpose like that in joining the DVD Forum, which supports the rival HD DVD, a year ago. However, Fox’s role in the 2 groups is different -- it’s the 14th BDA board member, but is not a member of the DVD Forum’s steering committee, as is Disney. The studio interests of Sony and Warner also are represented on the steering committee, as their corporate parents were among the founding members of the DVD Forum. Of joining BDA, Kaye said, “one of the main reasons we did this was so we could get in on the inside of Blu-ray and help develop the direction high-definition is taking -- at least have some influence on things like copy protection. We’ve already been doing that on HD DVD through the DVD Forum since we joined there almost a year ago.”

Asked whether Blu-ray and HD DVD backers had become more forthcoming with format data than he had said in midsummer was the norm -- when the scarcity of data made technical evaluations of either format impossible (CED July 29 p3) -- Kaye said “it’s a process. I don’t know how long it’s going to take.” He said Fox has had “preliminary meetings” with founders in the group administering AACCS content protection, which has been designated for HD DVD. That 8-company group, AACCS LA, has said it would seek additional “contributors” in preparing final specifications by year-end, but Kaye wouldn’t comment on whether Fox had sought such status within the AACCS LA, as has been reported.

Within the BDA, Fox could have opted for membership status below that of the 14 founding dirs., but with less voting power. At the Tokyo news briefing, reporters were told there are now 73 companies belonging to BDA; besides the 14 founders, there are 22 “contributors” and 37 “general” members. The BDA will be comprised of 3 committees; a Joint Technical Committee, chaired by Shunji Ohara of Panasonic, will preside over format specifications; a Compliance Committee, chaired by Kai Yamashita of Hitachi, will be responsible for hardware-software interoperability; a Promotion Committee, chaired by Maureen Weber of Hewlett-Packard, will coordinate press and industry relations. BDA’s goal is to make Blu-ray “a normal household name,” Weber told reporters. -- *Paul Gluckman*

Holiday Preparations Accelerate

Samsung and Sharp Trim Retail Pricing on Their LCD TVs

Samsung and Sharp, continuing their battle in the flat-panel display market, have cut tickets on their LCD TVs in preparation for a frenetically price-competitive holiday buying season.

The largest price decrease was Samsung’s deducing its 40W LCD TV to \$4,999 from \$6,999. The price move was part of an effort to “seed” the market for a 40W screen size that’s expected to be a central focus of the company’s joint venture with Sony for 7th-generation panel production in 2005, Vp James Sanduski said. Samsung and Sharp have traded priced reductions on LCD TVs this year to blunt the impact of 2nd-tier suppliers that undercut their prices. In the most recent round, Samsung also lowered its 32W HD-ready LCD TV to \$2,999 from \$3,799, while the 26W dipped to \$1,999 from \$2,499. The 22W was cut to \$1,499 from \$1,799; 20", \$899 (\$999); and 17" and 17W to \$699 and \$899 from \$999 and \$799, respectively. “It’s a proactive move to assert market leadership in the category,” Sanduski said.

Sharp reduced retail pricing across its line of CableCARD-ready HD-integrated LCD TVs: 32W, \$3,499 (\$4,499); 26W, \$2,999 (\$3,499); and 26W monitor, \$2,499 (\$2,999). The 37W HD integrated and monitor models are \$5,999 and \$5,499, respectively. The 32W and 20W LCD TV monitors are \$3,999 and \$1,199, respectively.

Adding to the LCD TV competition was the emergence of a Dell 26W with 1,280x768 resolution, on Costco's Web site Mon. at \$1,599. It has dual analog tuners and an integrated 30-w audio system. But the price competitiveness wasn't limited to LCD TVs. Costco has priced V Inc.'s Vizio 56W DLP-based rear projection TV at \$2,499, down from \$2,999 when it shipped in June. The chain also is marketing a Samsung 50W DLP model at \$2,799, down from \$2,999 several months ago.

Costco also appeared to set a benchmark for entry-level HD-ready sets, promoting Akai's 47W CRT-based rear projection model at \$899, a price some industry officials didn't expect until later in the fall. At the same time, Akai has postponed delivery of its 44W DLP-based set until Nov., while increasing the planned screen size to 46W, said Gary Lafferty, chief operating officer at Akai Product Holdings. Akai had originally planned to have the set available in June and then Sept., but ran into "components issues," said Lafferty, who declined to elaborate. Akai is expected to start preproduction this month of the 46W, being assembled at the Five Rivers Electronic Innovations factory in Greeneville, Tenn., Lafferty said. -- *Mark Seavy*

Purchase Price \$12.5 Million

Universal Electronics Buys SimpleDevices As Way to Expand in Wireless

Universal Electronics acquired network software developer SimpleDevices for \$12.5 million, providing a key means for further expanding into wireless technology. At the same time, it provided SimpleDevices majority owner Rockford Corp. with a fresh influx of about \$6 million for its 51% of the firm, sources said. Rockford invested about \$3.5 million in SimpleDevices in 2002, the sources said.

Rockford had been seeking to sell its investment in SimpleDevices for 7-8 months and had conducted discussions with several firms before Universal emerged as the top bidder. Universal officials weren't immediately available for comment, but the company has sought to push into the wireless market. Its Nevo software suite was installed in Hewlett-Packard's Mobile Media Companion rx3000 Ipaq handheld PC earlier this year to provide remote control functions. SimpleDevices has marketed its Linux-based SimpleWare and SimpleMedia streaming software to CE, PC and automotive OEMs.

With the completion of the sale, Rockford will become one of SimpleDevices' top licensees, using the firm's software in its line of Omnifi digital audio streamers. SimpleDevices, which emerges as a Universal subsidiary with 20-25 employees, shares several customers, including Philips, with its new parent company.

"Universal is out there soliciting major OEM manufacturers for electronics and the customers are going to be very similar" to those that license SimpleDevices technology, said Thomas O'Mara, a former SimpleDevices executive who's now managing dir. of Rockford's Omnifi group. "Universal has a philosophy to sell technology and their customer base is manufacturers. At Rockford, our business is manufacturing and selling to the retailer, which is a totally different model than what SimpleDevices has." --*Mark Seavy*

Digital Camera Pricing Pressure

Concord Camera Posts Loss as Sales Tumble in 4th Quarter

Concord Camera blamed "pricing pressures" on digital still cameras (DSCs), as well as a drop in overall unit sales and increases in sales returns and allowances, for a decrease in its 4th-quarter retail sales and distribution (RSD). Finally announcing its results for the quarter and fiscal year ended July 3 after delays, the low-priced DSC

maker said Mon. overall Q4 revenue dropped to \$52.4 million from \$61.5 million a year ago and it posted a \$10.1 million loss (-36¢ per share) vs. a \$1.7 million profit (6¢). For the year, Concord said sales increased to \$203.1 million from \$189.7 million but it posted a \$31.2 million loss (-\$1.09) vs. a \$6.4 million profit (22¢) a year ago.

The company had again delayed release of its results late last week (CED Oct 4 p4). Although it appeared Concord had delayed the release to Wed., the company ended up delaying only its conference call with analysts until then. Concord said last week that it had decided to delay the conference call so it could concentrate on finishing its 10-K SEC filing. The Hollywood, Fla., company said last month that it had to delay the filing because of the effects of Hurricane Frances and the recent departure of Donald Dawn, who resigned as CFO shortly after replacing Richard Finkbeiner.

In the 10-K filing that was finally made Fri., Concord said that although total DSC sales increased in fiscal 2004 from a year ago because of “an increase in the average selling price of digital cameras, unit volumes and average selling prices were below expectations because of competitive pricing and weak sell-through with several retail customers” that it didn’t name. Concord said it “reduced selling prices of digital camera products to meet significant competition.”

Concord said its Q4 loss included a \$1.7 million reduction in the carrying values of certain DSC and component inventory “related to volatility in the digital camera market resulting from recent price declines and pricing reductions” by its rivals. Higher manufacturing costs, meanwhile, contributed to its Q4 gross profit drop to \$2.6 million from \$10.7 million.

The company said its RSD sales for the fiscal year increased 7% to \$156 million -- “mostly due to sales of private label traditional cameras and Polaroid branded single use cameras, opening of subsidiary in Japan, new customers and organic growth from customers [from] sellthrough and new product introductions.”

Concord said its design and manufacturing services (DMS) sales jumped 7% to \$47.3 million in the year thanks largely to sales of single-use cameras to Kodak under 2 DMS contracts. But the company warned it had “received notification from Kodak that it intends to cease purchases under [the] 2 DMS contracts by the end of the 2nd quarter of fiscal 2005.”

In Concord’s 10-K filing, the company also said sales to Kodak represented 19.6% of its total sales for the year, or \$39.8 million. Concord warned that it expected Kodak sales to drop to about \$14 million in fiscal 2005 because of Kodak’s plan to stop buying Concord merchandise.

A Concord spokesman said late last week that “we intend to vigorously defend ourselves” against various class action suits accusing the camera maker of securities violations. The company said in the 10-K filing it “believes that any liability to the company that may arise as a result of currently pending legal proceedings will not have a material adverse effect on the financial condition of the company taken as a whole.” -- **Jeff Berman**

States Getting Restive

Industry Closing In on E-Waste Financing Proposal

The CE industry is reportedly putting the final touches on a financing model to support a national electronics waste collection and recycling system, after months of deliberations to bridge differences between TV and computer manufacturers. But state agencies are getting increasingly restive with the slow pace of progress in intra-industry deliberations and are promising a new round of legislative initiatives next year.

The industry, state and local agencies and environmental groups have worked more than 2 years to develop a national e-waste recycling system through the National Electronics Product Stewardship Initiative (NEPSI). “It’s getting close to an end here, because we have got our final package,” said Jason Linnell, EIA mgr.-environmental affairs. Once a proposal is nailed down, it will go to individual companies for formal approval, he said. The proposal will then be put before NEPSI. Any federal program would require congressional legislation.

The NEPSI talks broke off in March after cracks emerged in the industry alliance over the financing model. A group of mostly TV manufacturers along with IBM took the position a fee imposed on consumer purchases should finance recycling of all products. Others -- mostly computer majors such as Hewlett-Packard and Dell -- disagreed, saying the fees would never go away and would be mismanaged. They put their weight behind a system under which companies would be responsible for collecting and recycling their own products.

“All we have heard from them since March is we are making progress,” said Scott Cassel, dir. of the Mass.-based Product Stewardship Institute, which formulates regulatory and legislative policy for state and local govt. agencies. States aren't going to wait for manufacturers to come together on a national system, he said: “As we believed all along, what's driving a national system is multiple state legislative initiatives.” He said PSI, which represents states on NEPSI, had started working on the issue 4 years ago “with a hope that we can develop a national system and not have individual state legislation.” But “unfortunately,” he said, the manufacturers “have not seen it in their interest” to agree on a national system.

Linnell said the industry was aware of the time constraints in getting its act together, as state legislative sessions are due to resume soon: “We are trying to get it done as fast as we can, but we need to have buy-in from all the companies.” He said the industry discussions had dragged out because everyone on both sides of the fee issue had to be roped in.

Linnell declined to provide specifics of the latest financing proposal. He said the first proposal involved allowing companies that didn't want a fee at the point of sale to deal with their own products. But retailers raised strong objections to having similar products with and without fees depending on the brand. Under a proposal sent to NEPSI in May, there would be a fee on all covered products but flexibility on how the funds are managed at the back-end. Companies that want to deal with their own products will get the money back, he said, but would have “defined responsibility for what you need to recycle with those funds.” As long as they meet set goals, they would have control over the money their products accounted for and would have flexibility in setting up a system. The final package is unlikely to reach NEPSI for “another month or so,” said Linnell.

State lawmakers still hope “something would come out” of NEPSI, but don't have high expectations, said Adam Schafer, program dir. of the National Caucus of Environmental Legislators. Most states are moving forward with their own initiatives, without waiting for action at the federal level. Schafer said he expected to see action in Ore. and Wash., which already have set up study committees. E-waste will be a major issue at the NCEL meeting in Savannah, Ga., beginning Dec. 8, he added. -- *Dinesh Kumar*

Digital Radio

Sirius's brand recognition, number 2 status and market penetration will likely limit Sirius's ability to meet earlier 3rd quarter subscriber estimates, according to a research report from IRG Research. The company is likely to “remain a distant No. 2 to XM for the foreseeable future” -- and based on XM's announcement of a lower than expected 415,000 additional subscribers in the last quarter, IRG said Sirius will probably add 180,000 subscribers instead of the estimated 195,000. Also, IRG said consumers aren't as familiar with Sirius as with XM, judging from Best Buy, Circuit City and Wal-Mart comments that they get more questions and sales for XM equipment and services. Distribution through automakers Chrysler and Ford isn't expected to affect near-term sales, and NFL programming hasn't added significant new subscribers, IRG said. While the company's joint deal with EchoStar and RadioShack seems to be “working well,” IRG said it's “concerned that EchoStar and Radio Shack are taking a significant portion of the economics.”

Industry Notes

Lab test reports on 159 CE products will appear in *Consumer Reports'* Nov. issue, hitting newsstands today (Tues.). The 24-page section pays keen attention to HDTV sets, including plasma (12), LCD (24) and CRT models. Top rated among the plasma HD models was Panasonic's \$6,000 TV-42PX25U, with Marantz' \$4,800 PD4220V top among enhanced definition (ED) plasma. In LCD, Sony's Wega KDL-32XBR950 (\$6,000) tested

best among HD models. Sony topped all others in CRT-based direct view HDTV, with its 30W Hi-Scan KV-30HS420 (\$1,000) and 4:3 aspect ratio 32" Hi-Scan KV32HS420 (\$1,100). Sony also had the front-runner among 26 digital camcorders tested, for its DCR-TRV260, a \$350 MiniDV model. The magazine also tested 75 digital cameras, 18 home-theater-in-a-box systems, 9 MP3 players and one of the first camera-cellphone combos. The issue also handicaps the pros and cons of online digital photofinishing, and of different types of digital video recorders. During a tour of the *Consumer Reports* labs in Yonkers, NY, last Fri., the magazine's editors and engineers said they'll make exceptions when necessary to its longstanding policy on acquiring products to test. Until recently, the magazine has bought all its test samples at retail -- never from manufacturers, who might be tempted to tweak a test sample. That procurement policy, though, sometimes has caused delays in the publication of test reports, owing to retail pipeline-filling and the time needed to test products then write and publish reports for a monthly magazine. To hasten publication, the magazine now will occasionally purchase test products direct from manufacturers, it said. But the same product will also be purchased at retail as soon as it's available, and undergo testing again that could result in a 2nd report if results differ from the first. The magazine, which has published since 1936 and accepts no advertising, has a \$20 million annual budget for product testing, a technical staff of 140 as well as 60 editors and reporters. It has 4.1 million paid subscribers and another 1.5 million subscribers to its website. It tested more than 100 TVs this year and plans to expand testing of CE and PC products. -- **SAB**

Retail

Office Depot will make improving operating margins at N. American retail stores its "No. 1 priority" under new management, said Neil Austrian, an Office Depot board member who replaced former CEO Bruce Nelson on an interim basis following his resignation on Mon. "Clearly we're not happy with the operating margins," said Austrian, who is moving to Fla. from Conn. to fill the post. Austrian told analysts in a conference call that he will bring "more accountability" to the retailer as part of effort to cure a "lack of execution and focus" that has hampered the chain. "There will be a better and more rapid execution of the strategy we have in place," he said. This will include opening 80 new stores this year, including 35 former Kids 'R' Us locations that Office Depot acquired from Toys 'R' Us earlier this year. Office Depot purchased 124 locations from Toys 'R' Us for \$197 million, but it has said it intends to reopen 50-55. About 20 of the former Kids stores were sold to Petco Animal Supplies for \$45 million. Office Depot turned back some leases and has yet to find a buyer for 15-20 locations, CFO Charles Brown said. Not expected to be affected by the effort to improve operating margins is the revamping of the chain's technology departments that Nelson began in the spring. Office Depot was expected to expand its assortment of notebook PCs in about half its 859 N. American stores this year. "We've told the board that technology is one of those destination categories that you can use to pull people in," Austrian said. Office Depot expects to hire a new CEO by early 2005, Austrian said. Office Depot has hired the executive search firm Hendrick & Struggles to help in the expected 3-6-month search for a new CEO, Austrian said. "We want to do it [the search] now so the person hired can be in a position to influence the 2005 results," he said.

GameStop narrowly revised its 3rd-quarter and fiscal 2004 earnings forecast Mon. as a result of its impending spinoff by Barnes & Noble (B&N). The interactive game retail chain said it bought 6.11 million shares of its Class B common stock from B&N for \$111.5 million. The purchase was at \$18.26 per share, which GameStop said was "a 3.5% discount to the last reported trade of GameStop's Class A common stock on the New York Stock Exchange [NYSE]" before the transaction. GameStop said the deal had been approved by its independent directors and funded with excess cash of \$37.5 million and a promissory note in the principal amount of \$74 million. The note is payable in installments over 3 years and will bear interest at 5.5% per annum, it said. B&N, meanwhile, said it intended to distribute to its shareholders its remaining 29.9 million GameStop Class B shares in a dividend intended to qualify as tax-free. The book retail giant set the close of regular trading Nov. 2 as the record date for the distribution, which it said would occur Nov. 12. After the share repurchase and distribution, GameStop said, it will have about 20.3 million Class A shares and 29.9 million Class B shares outstanding. It said the Class B shares "will retain their super voting power of 10 votes per share and will be separately listed" on NYSE under the symbol "GME.B." GameStop CEO Richard Fontaine said "we believe these transactions will provide for more investors to be attracted" to the firm's stock. Citigroup Global Markets is financial adviser to GameStop on the share repurchase and distribution. GameStop said that because of the transactions, it now expected to report 18-19¢ Q3 diluted earnings per share (EPS), including a one-time charge of about \$2.8 million related to fees involved in the transactions -- or 21-22¢ excluding the charge -- vs. the company's previous estimate of 20-21¢ (CED Aug 18 p6). For the year, GameStop said it expects to report earnings of \$1.18-\$1.22 excluding a one-time charge of about \$5.6 million (\$1.24-\$1.28 without the charge) vs. the company's previous estimate of \$1.20-\$1.24.

Citing “market sources,” *DigiTimes* reported that R500 will be built using a 90 nanometer process at Taiwan Semiconductor Manufacturing (TSM) and provide “performance similar to ATI’s next-generation high-end graphics chip, the R520.” The report said ATI was collaborating with Microsoft to develop the chip and ATI will receive royalties from Microsoft based on the number of chips produced. The Microsoft spokeswoman said only that “we haven’t made any formal announcements about future Xbox products and have nothing to confirm or deny at this time.” ATI and TSM didn’t respond to requests for comment by our deadline. It’s widely expected that Microsoft will ship its next console late next year, shortly ahead of Sony Computer Entertainment’s PS2 followup.

Toys “R” Us advertised “Greatest Hits” PS2 games at 2 for \$30 in its weekend ad circular. The games usually sell for \$19.99 each. It also advertised that consumers could get a free video disc for Hasbro’s new Video Now Color system after buying 2 at regular price. The toy chain advertised 3 titles at \$8.99 each. Target, meanwhile, advertised that customers could get a \$10 gift card if they bought *NBA Live 2005* from EA Sports at \$39.99 or Activision’s *Shark Tale* and *Tony Hawk’s Underground 2*, Microsoft’s *Fable* or Midway’s *Mortal Kombat: Deception* at \$49.99. Best Buy advertised that customers who bought the new Tony Hawk game could get *Sounds from The Underground: The Soundtrack* for free, along with a one-month subscription to the Napster digital music service. Circuit City advertised that customers could get Activision’s game *Tony Hawk’s Pro Skater 4*, valued at \$19.99, free with purchase of the *Metroid Prime* GameCube bundle at \$99.99.

New and Upcoming Games: Electronic Arts (EA) said soccer stars Fernando Morientes, Oswaldo Sanchez and Andriy Shevchenko will be the N. American spokesmen for its *FIFA Soccer 2005*, shipping Oct. 12 under its EA Sports brand... Digital Bridges (DB) launched a mobile version of the Vivendi Universal Games (VUG) title *Crash Nitro Kart*. The mobile entertainment company said it received exclusive N. American mobile rights to the Crash brand, which it said had a “global reach and a franchise value in excess of \$700 million.” Terms weren’t disclosed. DB also said it planned to launch mobile games based on the films *2Fast2Furious*, *Robocop* and *Rollerball*, as well as *dbi-3D Pool* and versions of select EA Sports games... Activision said the soundtrack for its upcoming PC game *Vampire: The Masquerade*, developed by Troika Games, includes Aerial’s “Pound” and Ministry’s “Bloodlines.”

Consumer Electronics People

Greg Ingham, Future Network CEO, appointed trustee of the Entertainment Software Charity in the U.K.

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Computing

PalmOne will launch the Treo 650 late this month expanding its line of smart phones with a model that will feature a 416 MHz Intel XScale processor and LCD with 320x320 resolution. The Treo 650, which will have case similar to that of the Treo 600 that it replaces, also will contain a built-in 1.3-megapixel digital camera and Bluetooth connectivity. The Treo 650 will be based on PalmSource's new Garnet operating system (OS), which is compatible with Apple Macintosh OS. Meanwhile, PalmOne also unveiled the Tungsten T5 (\$400), which is modeled on the business-level Tungsten E, but adds an Intel XScale processor, 256 MB of memory and a Secure Digital slot. The T5 will have nonvolatile memory and is expected available nationally on Nov. 3.

E-Commerce

Clarification: Amazon.com's Japanese website doesn't sell cellular products. Amazon CE Mds. Vp Frank Sadowski said Japan's wireless business was even more robust than the U.S. in terms of the overall industry (CED Sept 23 p7).

Copyright

Trying to resolve conflicts among digital media players over their use of incompatible digital rights management (DRM) or copy protection technologies, 7 CE and IT companies formed a consortium Mon. to create a common technology framework for content, device and service providers. Founders of the Coral Consortium include Hewlett-Packard, Intertrust Technologies, Panasonic, Philips, Samsung and 20th Century Fox. The group said it seeks to ensure interoperability so digital music and video can be easily accessed, regardless of service provider or device. Proprietary differences in underlying DRM or content protection technology prevent consumers from playing content packaged and distributed using one DRM technology on a device that supports a different one, the group said. Its focus is to create a new technology layer where existing DRM solutions co-exist. "The classic approach to solving the interoperability problem is to either use a single proprietary platform for media distribution, or to standardize a common content protection and management technology," said Jack Lacy, Coral Consortium pres. and Intertrust senior vp-standards & community initiatives. Instead, Coral will attempt to develop an interoperability layer that supports the coexistence of multiple different DRM technologies, and permits devices to find appropriately formatted content in the time it takes to press the play button, without consumer awareness of any disparity in format or DRM technology. The consortium said it had invited other interested parties to join the collaboration for an open interoperability framework (www.coral-interop.org). Notably absent from the founders' roster were Apple Computer, RealNetworks and Microsoft. DRM developer Intertrust is majority owned a joint venture of Philips, Sony and an investment bank.

Videogames

Mad Catz Interactive Mktg. Vp Sean Parry told *Consumer Electronics Daily* his company planned to start shipping National Football League (NFL)-licensed controllers for PS2 featuring all 32 NFL teams at \$29.99 each. It wasn't clear Mon. when the controllers would ship, but he said an Xbox version would likely follow 6-8 months later. Parry said only the top 12 teams would likely be carried at most retail stores but controllers for the other teams would be available online. He also said his company planned to start shipping a National Hockey League (NHL)-licensed controller for Sony's consoles in the U.S. that will be EA Sports co-branded. He said the same controller was already given away free in Canada with copies of the Electronic Arts (EA) game *NHL 2005*. An Xbox version of the controller will follow but it wasn't clear Mon. when it will arrive. When looking at potential licenses, Parry said Mad Catz considered those that "had some legs" and decided that "sports was where we wanted to go" because of such hit franchises as EA's *Madden NFL*. But he said the company also planned to ship Disney-licensed accessories for Nintendo's front-lit Game Boy Advance SP in a deal with Buena Vista Games, terms not disclosed. He said the first products included in that deal would be *The Incredibles* accessories expected to ship shortly after the Disney/Pixar animated film is released theatrically in the U.S. next month. A THQ videogame based on the movie is expected to ship later this month. Other Disney-licensed line accessories from Mad Catz are expected to follow, including items tied into the movie *Lilo & Stitch* and game *Kingdom Hearts*, he said. Parry said although plans were to make only Disney-licensed accessories for GBA, "if it makes sense" Mad Catz and Disney might

agree on accessories for the upcoming Nintendo DS dual-screen handheld system as well. Separately, accessory maker NubyTech and Midway Games announced the shipment of special limited edition controllers for PS2 and Xbox designed for Midway's new game *Mortal Kombat: Deception*. The companies said the M-rated controllers featured artwork modeled after the gruesome murders featured in the game. NubyTech Mktg. Dir. Birute Tursa boasted that these were the first M-rated controllers to ship but said his company wanted "to ensure the public that we [were] taking efforts to be a socially responsible company." Therefore, the graphic images on the controllers were concealed in the packaging and couldn't be seen until the packaging was opened after purchase, the company said. Pricing wasn't announced. Midway started shipping the game Tues. at \$49.99, backed by what it said was "the most extensive marketing campaign in Midway's history." It said "the multi-million dollar marketing support for *Mortal Kombat: Deception* includes television, cinema, print and online advertising, innovative point-of-purchase materials and specialized events." -- **JB**

Nokia said AT&T Wireless was the latest company to start selling its N-Gage QD. But distribution of the improved version of Nokia's handheld game deck/cellphone still seemed slim. When Nokia shipped QD in late July in the U.S. after a delay, it said the only retail stores carrying it were Electronics Boutique and GameStop, although the device was also available online at EBgames.com, Gamestop.com, Buy.com and Walmart.com (CED July 28 p3). Nokia said then that "more retail outlets are expected to follow," although it didn't say when. The only initial wireless service partner was T-Mobile USA's GSM network but Nokia said consumers could "soon" activate QD on AT&T Wireless's GSM networks. It wasn't clear Mon. whether other retailers or wireless carriers had thrown their support behind QD since then and Nokia didn't respond to a request for comment by our deadline. Nokia hasn't said how many units of QD have shipped or sold through. But NPD Funworld's Aug. sales data indicated only 2,839 units were sold through during the system's first full month available in the U.S. NPD's data -- estimated from sales at cooperating retailers -- also said only 38,686 units of the first N-Gage system had been sold through Aug. (CED Sept 15 p3) QD is being sold at a much lower price than its predecessor -- \$169-\$199.99, depending on the retailer, with a one or 2-year service contract but some retailers were selling it for only \$99.99 with a rebate and a commitment to N-Gage's wireless service. That makes it at least \$100 cheaper than the first N-Gage deck -- but still over \$100 more than Nintendo's front-lit Game Boy Advance SP handheld system.

China will become the world's #1 online game market by 2007, Game Trust and The Diffusion Group predicted in a new report. The companies said China has more than 80 million Internet users and about 15 million broadband subscribers. They said "rapid penetration of PCs and broadband are fueling explosive growth in online gaming and other online sectors." Game Trust CEO Adeo Ressi predicted "80% of the Internet's content will be in Chinese in 10 years" and "as the China gaming marketplace rapidly matures, we expect that the economic growth will rise in accordance with Western models." Other findings included: (1) Chinese Web users spend about 12.3 hours per week online. (2) Online games and entertainment are the 2nd most popular online activity. (3) While 15.9% of Web users played online games, 84.3% used e-mail. (4) 37.8% of wired households had made an online purchase. (5) Online network games had become so popular in China because game console makers including Nintendo and Sony, until recently, had been reluctant to release their systems in the country because of China's large piracy problem. (6) 67.8% of online gamers played traditional chess and cards, while 43.6% played role-playing games on a regular basis. (7) In Internet cafes, 27.6% of the users played strategy and shooting games. (8) The most popular and influential games continued to be imported from Korea. But Game Trust and Diffusion Group said Taiwan companies were "expected to aggressively challenge Korean market share." (9) Although 2D games "will continue to be successful for several years," new 3D games "will soon become the dominant form of online games." (10) The primary audience for online games will expand beyond young Chinese males to include older gamers and females "especially as new niche content is developed and marketed specifically to women." (11) Traditional stand-alone PC games "will be in danger of losing the attention of hard-core gamers."

Rentrak said Microsoft's Xbox was the first customer of its new Home Video Essentials Industry Data Service for the game industry. As a subscriber to Rentrak's videogame database, Microsoft had "continuous access to national videogame rental performance information including weekly and cumulative top-title performance, market shares broken-out by genre, ESRB rating, platform, and publisher and overall industry benchmarking on a week-to-week and year-to-year basis," Rentrak said. Xbox Business Mgr. Aaron Greenberg said the new data "lets us track and analyze the videogame market faster and better than ever before," noting that "we now have flexible, Web-based access to deep data that is updated continuously so we can track Xbox titles in the market and compare them to wider industry software performance and trends." Separately, a Microsoft spokeswoman declined comment on a published report that said ATI Technologies is expected to roll out a new GPU, code-named "R500," for the next Xbox console in first quarter 2005.