

DIGITAL AUDIO SERVICES

BY LARRY JAFFEE

● In the same way that the 1980s
 ● unleashed a whirlwind of technologi-
 ● cal advancements in home entertain-
 ● ment — the VCR, cable TV/MTV,
 ● Nintendo, and the CD player — the
 ● new decade promises to usher in
 ● several new ways we hear (and
 ● maybe even buy) music.

Now that it's apparent that a sizable chunk of the consumer marketplace has embraced compact-disc clarity (25 percent of U.S. households own a CD player), entrepreneurial companies are trying to capitalize on CD popularity with satellite distribution and transmission of digital audio signals via your local cable TV system.

Three companies — Digital Cable Radio (DCR), Digital Music Express (DMX), and Digital Planet (DP) — with similar business plans have essentially established full bandwidths

of their own national radio stations, catering to every musical taste.

What does the emergence of digital cable audio services mean to songwriters and music publishers? "A whole new source of revenue (in terms of music licensing royalties)," replies Jerold Rubinstein, chairman of DMX parent company International Cablecasting Technologies Inc. The former head of ABC Records and United Artists Records points out that DMX provides "more exposure than has ever been given to music before. We're not just playing one format. It's everything from opera to rap."

Marvin Berenson, BMI vice president & counsel, licensing, notes that BMI has agreements with two of these services and is negotiating with others.

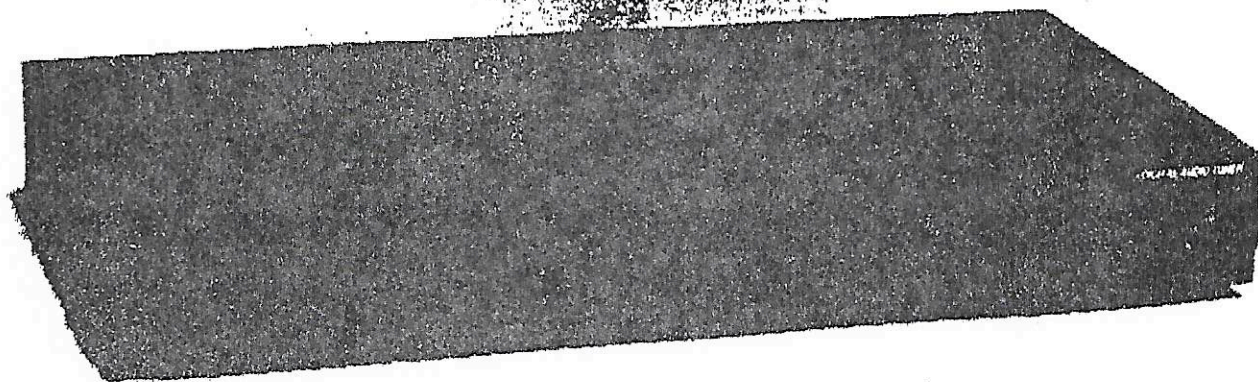
Now being rolled out in cities across America, digital cable audio is only available to those cable subscribers whose

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systems have installed the necessary equipment. Currently, there are some 55 million cable subscribers in the U.S. So far, DCR, DMX and DP, combined, are available to a few million homes.

DCR and DMX have financial backing from major cable system operators, thus

DM 2000 Digital Music Terminal



THE NEW AIRWAVE

assuring that their services will be available to several million consumers. (All three companies are banking on about a tenth of subscribers in each local system to take the premium service.)

To differentiate themselves from FM radio, DCR, DMX and DP are commercial-free, although their music is selected by established radio programmers. The companies provide mechanisms, either via a remote control or an 800 telephone number, for listeners to find out exactly what they're listening to at any given moment. (DCR and DMX are all-music, while DP employs low key disc jockeys to announce what's being played.)

The services involve hooking up a special tuner to your stereo.

The audio services and installations are currently offered free of charge the first month, after which you'll be charged a monthly price of \$6-\$10. Depending upon the company, you'll



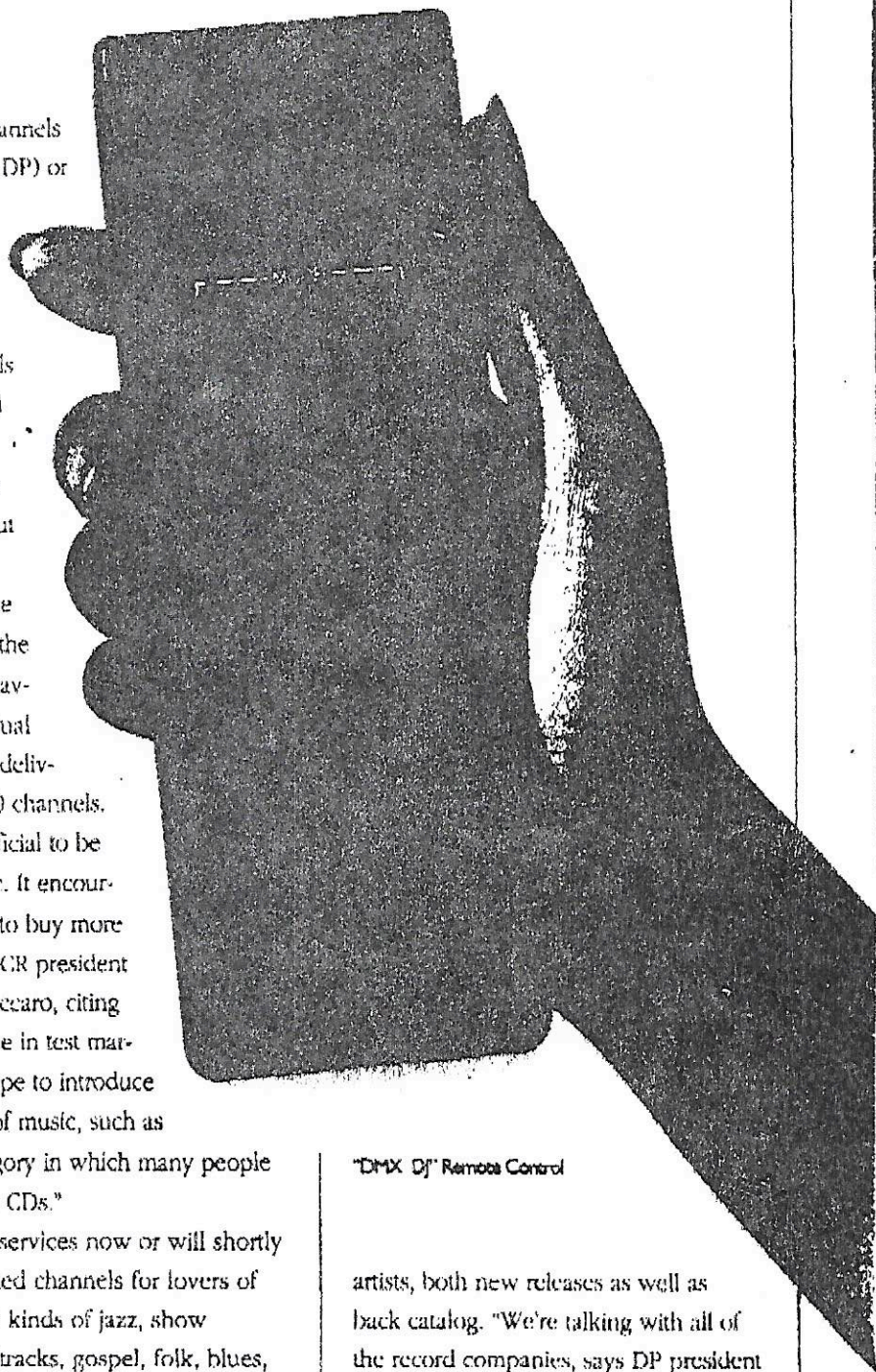
Jerold H. Rubinstein, chairman, International Cablecasting Technologies

receive 19 channels (DCR) or 26 (DP) or 30 (DMX) of music and simulcast cable channels like MTV and HBO. All three companies talk about periodically expanding the lineups, and the technology having the eventual capability of delivering 150-250 channels.

"It's beneficial to be more eclectic. It encourages people to buy more CDs," says DCR president Dave Del Beccaro, citing research done in test markets. "We hope to introduce other types of music, such as Latin, a category in which many people may not buy CDs."

All three services now or will shortly offer dedicated channels for lovers of big band, all kinds of jazz, show tunes/soundtracks, gospel, folk, blues, reggae/Caribbean, Brazilian/South American, and African/Asian world music.

Capitol Records jumped on the DP bandwagon by having a dedicated channel that plays only its



"DMX DJ" Remote Control

artists, both new releases as well as back catalog. "We're talking with all of the record companies, says DP president Bill Delany. DP also differentiates itself from DCR and DMX by scheduling hour-long program blocks of particular artists publicized in a monthly guide. Delany says the RIAA may have a "legitimate concern" when it complains that the