

EDITORIAL

IBM survey indicates interest but poor awareness from SMEs of Information Infrastructure

According to a survey carried out by IBM Corp., most US small and medium-sized business executives familiar with the emerging information superhighways believe it will boost their competitiveness and help them win market shares.

Of the executives familiar with information superhighways, three-quarters see them as a potential asset. However, half of the 514 SME executives surveyed by IBM are not familiar with the concept at all.

Some 70% of those familiar with information superhighways say it will increase their profit, while 55% believe it will cut costs.

Almost two-thirds say it will enhance their ability to expand globally.

In the view of the SME executives questioned, the main advantages that could be offered by the information infrastructure are services such as the ability to access markets traditionally reserved to large companies, take or place business orders, conduct video-conferences, check market prices or availability of raw materials, analyse cash flows, make competitive bids, send manufacturing and design specifications to staff and clients.

Despite their enthusiasm, most executives familiar with the concept think it will be 10 years before they are able to fully benefit from such network services. In addition, 90% of those surveyed say they are adopting a "wait and see" approach about whether or not to take their own business onto the superhighways.

The IBM survey suggests that the US government is right in insisting on the importance of information superhighways for businesses. However, it also reveals some deficiencies in the administration's communication policy towards SMEs with only half of SME executives aware of the issue.

Even though most executives familiar with the concept show a clear interest in the development of an information infrastructure, the survey suggests that they don't intend to play an active role in setting it up, leaving all the ground to the big players.

Considering the importance of SMEs for the US economy, this non-committal approach could have negative consequences in terms of employment and competitiveness.

EUROPE

MARKET

Britain's Reuters, the world leader in on-line financial information and news services, said it is moving into the multimedia market with the goal of enhancing its existing services as well as developing new interactive products.

Over the last year, Reuters has embarked on a global purchasing campaign of all or parts of 25 communication companies

ranging from personal finance to electronic medical information, Spanish-language satellite TV and media advertising pricing.

Much effort is currently being put into enhancing acquired services and deciding which to put on-line to PCs and which to

inject in Reuters' 250,000 terminals network.

Unlike many American multimedia players, Reuters isn't interested in owning telephone or cable networks or providing

electronic shopping and entertainment services. Reuters instead said it is targeting the high-margin intellectual content of

tomorrow's information superhighways that traders, investors and executives will pay hard cash to receive.

MFS Communications, an American telecoms company, said it will launch in April a long distance network offering

end-to-end services at competitive tariffs to the City of London, thus challenging British Telecoms (BT) and Mercury.

MFS will connect its London network with the long-distance networks of BT, Mercury and Energis, and is already planning

connections with other British cities as well as cities in France and Germany.

Two American cable companies, Time Warner Cable and Comcast have set up a common company, Citiréseau, to build up

cable networks in France.

Citiréseau's target market will be medium-sized French cities of more than 250,000 inhabitants.

The Dutch national telecoms company Koninklijke PTT Nederland NV (KPN) said it is looking for an American partner

ahead of its privatisation next summer.

KPN considers that a US alliance is a key element of its strategy to become a global player, thus enabling it to seize the multimedia opportunity as well as overcome fierce competition in a liberalised European market.

Belgacom, Belgium's national telecoms company, also said it is looking for an American partner in view of its eventual privatisation.

REGULATORY FRAMEWORK

The German government has endorsed, with the approval of majority and opposition political parties, legislation to privatise Germany's telecoms and postal national companies, Deutsche Telekom and Deutsche Post.

Under the draft bill, 25% of the capital of Deutsche Telekom will be privatised in 1996 while a first share of the capital of Deutsche Post will be sold-off in 1998. Deutsche Telekom will be fully privatised by the turn of the century.

The adoption of the bill will require the modification of Germany's constitution which necessitates a two-third majority in the Bundestag, the German Parliament.

NORTH AMERICA

MARKET

Viacom, an American media giant, has won a five-month battle against QVC Network, a US cable-shopping specialist, for the take-over of Paramount Communications Inc.

Viacom had the backing of the regional telecoms operator Nynex and America's top video seller and renter Blockbuster, while QVC Network was supported by the local telecoms company Bell South.

After this victory, Viacom will control one of the largest American global communication group. The control of Paramount's TV and movie studios as well as its video library is regarded to be a major asset in the opening multimedia era, especially for the supply of video-on-demand services.

Bell Atlantic Corp., a regional telecoms operator and Tele-Communications Inc. (TCI), the first US cable operator, said they have failed to complete a definitive merger agreement by a February 14 deadline.

Neither company elaborated on the reasons for the delay and no new deadline for the definitive merger has yet been set. Bell Atlantic and TCI said negotiations are continuing.

Canada's government presented its plan to set up an information infrastructure that will be a key element of its industrial strategy to help boost the international competitiveness of the Canadian economy.

According to experts, the superhighways would cost towards at least 20 billion Ecus but could create a 700 billion Ecus information market.

REGULATORY FRAMEWORK

Tens of thousands of Internet users across the United States and other countries have had their password stolen by intruders that have accessed private information, said the Computer Emergency Response Team (CERT), a US government-sponsored panel of experts overseeing Internet security.

Internet is a vast international network of 20 millions users linking computers in companies, universities and homes.

This massive computer break-in raises questions about information security not only on Internet but also on future information superhighways as well as about the way government and law makers will efficiently respond to the security challenge.

According to CERT, intruders have used sophisticated surveillance software to crack-in secret passwords, stifle private data and destroy files.

TECHNOLOGY

Micro Linear Corp., a small American semiconductor company, said it has developed a cheap chip that makes it possible to send high-speed digitised video, audio and data signals over existing phone lines.

While copper can't normally handle ATM signals (a technology that allows the rapid and simultaneous transmission of text, sound and image), Micro Linear said its chip can overcome the technical hurdle.

Thanks to the \$20-worth chip, an estimated \$1,500 investment build up an optical-fibre link to each home might be eluded if Micro Linear's technology proves to be sound.

APPLICATIONS

Motorola Inc., an American telecoms equipment manufacturer, said it will present on March 7 the first personal computer with a built-in modem to send data over telephone lines or Ardis, a nationwide digital wireless network owned jointly by Motorola and IBM.

Motorola is competing with companies such as Apple Computer Inc., AT&T Co. and Sony Corp. for a dominant position in the emerging market for hand-held communicators, a market which, according to experts, will grow at the same rate or faster than cellular phones.

Picture Tel, the world's leader in PC videophony for two interlocutors, said it is looking for new partners to develop its PC applications. The American company has already established a partnership with IBM and Lotus.

At stake is the domination of the international market for videophony equipment which is expected to raise from \$400 millions today to \$7 billions in 1997, including \$1.7 milliard in Europe, according to a study of the Gartner Group.

Picture Tel already controls 47% of the world market and 46% of the European market before America's CLI (31%) and Britain's GPT.

ASIA

INFRASTRUCTURES

Nippon Telegraph and Telephone (NTT), the world's telecoms leader, has announced plans to invest \$400 billion in developing information superhighways.

A 10-person Multimedia Development Office will be created in February to design a "backbone network" and engage in research projects to develop the required technology such as ATM (asynchronous transfer mode) and FTTH (fibre-to-the home).

In 1995, NTT will start experimenting interactive digital services such as video-on-demand and TV games.

The Japanese Ministry of Posts and Telecommunications (MPT) has unveiled plans to boost the communication business by establishing an information infrastructure, merging telecoms and broadcasting, promoting new businesses such as mobile and satellite communications as well as co-ordinating at the international level within the Triad (United States, European Union, Japan).

MPT places its initiative in the framework of the current debate on how to revive the Japanese economy. It forecasts that multimedia could create 2.4 million jobs and a market worth 1,2 trillion Ecus by the year 2010.

China has decided to dismantle its telecoms monopoly by setting up two new companies, Jitong Communications Co. which will develop information superhighways and Liatong Communications Co. which is to specialise in telephone services.

The Chinese government still has no plans to open its telecoms market to foreign investors and operators.

MARKET

The Japanese Ministry for Trade and Industry (MITI) announced it will invest 40 million Ecus in 1994 to set up multimedia information centres across Japan.

With a forecast that Japan's data communications industry will nearly triple to 546 billion Ecus by the year 2000, MITI also intends to allocate 407 million Ecus to data communications-related projects in 1994.

According to a study by Pyramid Research, the Asia-Pacific region is the fastest growing market for cellular telecommunications with an expected leap of income from \$901 million in 1991 to \$7.1 billion by the year 2000.

The market for cellular equipment in the Third World would increase by 30% between 1994 and the end of the century.

TECHNOLOGY

NTT said it will invest in General Magic Alliance, an American company producing software for multimedia equipment.

America's AT&T, Apple and Motorola, Europe's Philips and Japan's Matsushita and Sony have already made investments in General Magic.

The scope of the alliance suggests that General Magic's technology could become the de facto industry standard for portable multimedia equipment.

Mitsui, Japan's second largest trading house has signed a contract with the American telecoms equipment producer Network

Equipment Technologies (NET) under which it will become the exclusive distributors of NET's products in Japan.

NET, an ATM specialist for local networks, is expected to invest several million dollars to adapt its technology to the Japanese market. In doing so, it will benefit from the expertise of Adamnet, a subsidiary of NET specialising in multimedia services.

The content of the press review doesn't necessarily reflect the European Commission's views.