

EDITORIAL

Hollywood goes multimedia

The massive participation of movie studios in the Consumer Electronic Show (CES) held in Chicago on June 23-25 illustrates Hollywood's fast expanding ties with major electronics and computers companies in the promising multimedia entertainment market.

A main focus of the new partnerships is interactive games, a fast expanding market which could grow 26% in the USA between 1993 and 1994, from \$4.3 to \$5.4 billion.

The multimedia entertainment market offers movie producers new ways to exploit their portfolio of characters, scenarios and movies, and video software producers the opportunity to boost their sales by featuring popular cartoon and film heroes.

Hence, Walt Disney, which so far had refused to go multimedia, has signed accords with America's Microsoft, the world's leader in computer software, and Japan's Sony Electronic Publishing, authorising them to use Mickey Mouse in video games.

Disney is also producing a game with the British video software developer Virgin Interactive (in which the US video retailer Blockbuster has just increased its stake from 25% to 75%) featuring its new cartoon character, the Lion King.

Fox Interactive, the multimedia subsidiary of 20th Century Fox, has presented interactive video games based on its blockbusters "Aliens" and "Planet of the Apes".

Other studios, including Paramount, MCA-Universal, and Columbia Pictures, respectively owned by US media group Viacom, Japan's electronics group Matsushita and Sony, have adopted the same approach. Not to mention Steven SPIELBERG, the famous film producer, who has taken a share in Knowledge Adventure, a US software company, with which it will collaborate on creating educational software for children.

The expansion of these new products is prompted by the skyrocketing sales of CD-ROM players, which could reach 15 million players in 1994 in the USA. This trend has convinced the Netherlands' Philips Media to gradually release its 150 CDI titles

on CD-ROMs. Philips will also concentrate its efforts on developing interactive video games.

This rush of new players will erode the grip of Japan's Nintendo and Sega on the game market. But this seems to benefit mostly US firms despite Europe's increasing dynamism in the sector and the creativity fostered by the vividness of its cultural diversity.

For instance, Germany's Bertelsmann and France's Havas , two leading media groups, have established partnerships to produce interactive games, while France's electronics and publishing group Matra-Hachette publishes titles on CD-ROMs.

One has to wonder when interactive games or entertainment software featuring European comic strips characters or based on European films will become available.

EUROPE

Trends: The information society is gaining momentum with Germany's call for a quick liberalisation of infrastructures and the setting up by leading businesses of a European Multimedia Forum. Privatisation of telecoms companies is also accelerating in Germany and Portugal. Meanwhile, Olivetti and Hughes have agreed to deploy a multimedia satellite network over Europe.

INFRASTRUCTURE

The German government, who took over the six-month European Union rotating presidency on July 1, said it will seek agreement amongst its partners to liberalise communication infrastructures in 1998. This could correspond to the agreed date for liberalising voice telephony in the Union.

A group of over 30 Europe-based telecoms, computers, electronics, publishing and television companies have launched a pan-European association, the European Multimedia Forum, to promote the development of Europe's information infrastructure.

The Forum aims at encouraging cross-industry synergy and partnerships, facilitate the exchange of information and act as an intermediary between businesses and government.

Members of the forum include: Association of Commercial Television in Europe, BT, Canal+, Compaq, European Publishers Council, France Télécom, ICL, Mercury, nCube, Oracle, Philips , Silicon Graphics, Sony and

Thomson.

The Italian computer maker Olivetti and Hughes Networks Systems (HNS), a US specialist in digital satellite communication systems, will set up a joint venture, Hughes Olivetti Telecom (HOT), to develop a satellite network covering Europe.

Olivetti and HSN, each of which will have a 50% stake in HOT, have agreed to invest 21 million Ecus over three years to set up the new network, HotStar. It will provide interactive voice, data and video services to corporate clients..

APPLICATIONS

Vidéotron, a Canadian pioneer in interactive television, has joined forces with two London local cable TV channels, Carlton and LWT, to launch an interactive service trial with 65,000 cable TV subscribers over 6 to 12 months.

While watching Carlton and LWT's newscasts, viewers will have the possibility to access four information services: weather forecasts, road traffic, social or European news.

LEGISLATION

The Bundestag, Germany's lower Chamber, has passed legislation with the required two-third majority to privatise the country's post and telecoms, Deutsche Telekom, Postdienst Postbank, and has agreed to modify the Constitution accordingly.

The changes must now be endorsed by the Bundesrat, Germany's higher Chamber on July 8. The social-democrat opposition party SPD had warned that its approval was pending an accord between the government and the union DPG on the employees' status after the privatisation. A deal has just been struck, opening the way for easy approval.

A first 25% of Deutsche Telekom would be sold off in mid-1996 and another 25% two years later. The privatisation would be carried out through a subsequent increase of capital, while the German State would retain its shares until the year 2000.

The Portuguese government has merged the three national telecoms companies into a new company, Portugal Telecom(PT), which will be 25% to 30% privatised in 1995.

MARKET

French electronics and publishing group Matra Hachette is carefully expanding its multimedia activities on both sides of the Atlantic.

In Europe, Matra Hachette is setting up together with France Télécom an interactive video games cable TV channel, Ludo Canal, and has announced the launch of a women cable TV channel based on its best selling women magazine Elle. It will soon release new CD-ROM titles, including one on the football World Cup.

In the United States, its subsidiary Grolier, which has sold two million copies on CD-ROM of its popular school Encyclopaedia over the last five years, plans to release five new titles on CD-ROM by the end of the year.

INFORMATION SOCIETY

The Belgian city of Antwerp is developing a local information superhighway that will connect public administrations, including the city hall, social aid centres, the police department and the electricity utility, and later supply public interest services such as building security, traffic information or links between hospitals.

The infrastructure is based on the ATM technology supplied by France's Alcatel, which allows for the interactive high speed transmission of voice, data and video.

Spain's leading newspaper, El Pais, has launched a Mexican "satellite" edition. The newspaper's daily content and an additional two pages on Latin American news is transmitted via satellite to Mexico city, where the Mexican edition is printed. Another eight-page section covering Mexican news is produced by a local team of reporters .

The price of the Mexican edition is similar to that of the Spanish edition.

NORTH AMERICA

Trends: The deregulation of the US communication sector has progressed with approval of the legislation by the lower Chamber. Meanwhile, convergence is speeding up with a planned merger between CBS and QVC which could result in the creation of a new multimedia giant, and the increasing involvement in multimedia of advertisers.

APPLICATIONS

Interpublic Group, an American advertising giant and pioneer in interactive advertising, has formed a joint venture with Time Warner Interactive, the multimedia unit of Time Warner, to jointly create content for interactive television and CD-ROMs.

Interpublic hopes to benefit from Time Warner's experience in interactivity to develop interactive advertising. Time Warner has produced over 30 multimedia CD-ROMs and is planning to launch a video-on-demand test in Orlando later this year.

In April, Interpublic, which owns the advertising agencies McCann-Erikson, Lintas:Worldwide and Lowe Group, joined a group of three other investors to set up Interactive Partners, which is developing interactive TV and other multimedia projects.

Another leading advertising group, Britain's Saatchi & Saatchi, has also recently created a multimedia subsidiary, Interactive Plus, specialising in interactive TV.

BellSouth, a US regional telecoms operator, has announced plans to launch a video-on-demand experiment involving 12,000 households in Atlanta and Georgia starting in 1995. US computer manufacturer Hewlett-Packard will provide video servers.

LEGISLATION

The US House of Representatives has passed legislation to overhaul America's communications sector. It now faces the challenge of winning approval by the US Senate.

The legislation, which consists of two bills, would allow the seven regional telecoms monopolies - the Baby Bells - to provide long distance services, long distance operators to supply local services, open up the cable sector to competition and lift restrictions on Baby Bells manufacturing equipment.

The bills are a cornerstone of the Clinton-Gore Administration's National Information Infrastructure (NII) project. White House experts believe liberalisation would double the share of telecoms in the US GNP to 17%, generate a \$100 billion income and create 1.5 million new jobs over 10 years.

Baby Bells are still lobbying hard to scrap a provision preventing them to supply long distance services unless there is true and verifiable competition in their regional area. Long distance operators, on the other hand, insist that the safeguard remains.

MARKET

QVC Network, a US cable TV shopping company, and CBS, one of America's biggest private "networks," are holding merger talks that could be finalised by the end of July.

While rival broadcasters ABC, NBC and Fox have already expanded into cable television, the merger with QVC, which could be worth \$7 billion, would be a major shift of strategy for CBS. QVC would own 49% of the new company and CBS 51%.

US computer software manufacturers Novell and WordPerfect have completed their merger, by which they become the world's third largest software company behind Microsoft and Computer Associates, with revenues of \$1.8 billion in 1993.

Novell will act as the senior partner and the umbrella company for all existing and future operations of the two corporations. Their main focus will be network applications, particularly data access, information sharing and collaborative networking.

Two US regional telecoms companies, Bell Atlantic and Nynex, have agreed to merge their mobile cellular phone operations within a joint venture owned 62% by Bell Atlantic and 28% by Nynex but which they will control on an equal footing.

The new company would become America's second largest cellular operator in terms of potential customers (55 million) behind McCaw Cellular and ahead of GTE.

AT&T, the leading US long distance operator and telecoms equipment manufacturer, and Silicon Graphics, a multimedia hardware and software producer, have agreed to create a joint venture, Interactive Digital Solutions, to manufacture video servers.

ASIA AND PACIFIC

Trends: The Japanese government has stuck to its pledge to reveal deregulation measures despite the current political turmoil. Also in Japan, NTT is multiplying alliances with US software groups to acquire the technology it needs to develop new multimedia services.

INFRASTRUCTURE

Chinese authorities said they will double the amount of money they plan to spend on expanding telecoms networks until the year 2000, bringing the total expenditure to 43 billion Ecus, including 5.8 billion Ecus in foreign investment.

APPLICATIONS

Nippon Telegraph and Telephone (NTT), the national Japanese telecoms company, and America's Microsoft, the world's leader in PC software, have agreed to jointly develop hardware and software for video-on-demand (VOD).

Under the deal, NTT will participate at the end of 1994 in a VOD experiment jointly carried out in the United States by

Microsoft and TCI, the leading American cable TV operator. Microsoft, in turn, will participate in the trials NTT plans to launch in 1995.

NTT agreed last March to co-operate with Microsoft in developing multimedia services. NTT has also recently agreed to launch multimedia trials with Silicon Graphics, a US hardware software producer, which will supply systems similar to those used by Time Warner , the second largest American cable operator, for its Orlando VOD experiment.

LEGISLATION

The Japanese government has unveiled a detailed list of 279 measures to deregulate four key sectors of Japan's economy: telecoms, real estate, financial markets and imports.

The main goals of the 49 proposed measures for the telecoms sectors are to clarify approval criteria for new services, ease government control over prices of some services and facilitate the connection between private and public networks.

The content of the press review does not necessarily reflect the European Commission's views.