

EUROPE

Trends: Media Services, Europe's largest multimedia venture, tops the news as it comes under scrutiny of Europe's competition authorities. On the company front, a major new venture is the rapprochement between Bertelsmann and Canal+ in the entertainment market. Also important is the reinforcement of Northern Telecom's control over Matra Telecoms. Meanwhile, more reports were published: in France, the BRETON report analyses the likely development of new communication services until the year 2010; and in Britain, a parliamentary report calls for government action for the development of an information infrastructure.

INFRASTRUCTURE

Britain risks falling behind the USA and the rest of Europe in the information age if government fails to promote the creation of a nationwide optical fibre network, according to a report of the British Parliamentary Trade and Industry Select Committee .

The report criticises the British government for failing to create the right conditions for the development of a British information superhighway. In particular, it calls for a gradual lifting of a ban on British Telecoms (BT) providing entertainment services until 2001.

BT has warned that the implementation of its plans to invest 20 billion Ecus in wiring up British homes with fibre optic is pending an early lift of the ban.

APPLICATIONS

On-line information services could grow up to 16% a year in France over the next decade providing public authorities support their development, according a report published on the request of the French government by Thierry BRETON, the strategic director for the French computers group Bull.

The report notes that the market for "teleservices" - i.e. all added-value services supplied via communication networks, including cable television - which currently represents 5 billion Ecus would be worth 13 to 30 billion Ecus in 2005.

Within the same period, related employment would grow from 65,000 persons today to at least 170,000. But the overall impact on employment will not necessarily be positive since teleservices may destroy traditional jobs and facilitate off-shore delocalisations.

The bulk of the growth will come from business services, including teleworking, tele-banking, distance management of computer systems, etc. However, tele-medicine and distance education could grow rapidly providing government supports their development.

The report suggest that the development of teleworking in the public sector and a reduction of the tariffs of the national telecoms operator France Telecom would help teleservices take-off. It adds that a major obstacle that must be addressed is the fair distribution of revenue amongst services providers.

LEGISLATION

The European Commission has decided to carry out an in-depth investigation into the creation of Media Service Group(MSG), a multimedia joint venture between German media giant Bertelsmann , the private TV group Kirch Gruppe and Deutsche Telekom.

The review aims at finding out whether the concentration could create a dominant position in the German pay-TV market and affect the access of other European pay-TV suppliers to the German market, and impede competition within the internal market.

The European Commission has cleared an alliance between British Telecoms and MCI, the second-largest US long distance operator, thus removing the last regulatory hurdle to the deal. US authorities approved the deal in June.

The Greek government has decided to sell off in November 25% of the national telecoms company OTE. The sale is expected to raise about 800 million Ecus.

MARKET

In 1995, Canada's Northern Telecom, the world's fourth largest telecoms manufacturer, will raise its stake in France's Matra Telecommunications, the second largest French telecoms manufacturer, to 50% from 20%.

Northern will buy a 20% share from France's Lagardère Group, which currently owns 70% of Matra Telecoms, and another 10% share from Germany's electronics group AEG.

The German media giant Bertelsmann and the French cable television company Canal+ have signed a 30-year partnership

accord to jointly develop pay-TV in Europe.

A strategic committee in which both companies have an equal say will be responsible for launching and managing pay-television channels in Europe and supplying interactive services such as video-on-demand. Over 300 million Ecus will be devoted to these projects over the next three years.

The deal will be complemented by the setting up of two joint ventures. The first will develop the required digital technology. The second will buy programme diffusion rights.

Bertelsmann and Canal+ are already partners in Premiere, a German pay-TV channel. Bertelsmann owns 50% of Premiere and Canal+ another 25%, while the remaining 25% are held by Kirch Gruppe.

Matra Marconi Space (MMS), a satellite joint venture between Britain's GEC-Marconi and France's Matra has decided to purchase the satellite operation of British Aerospace for 72 million Ecus.

NORTH AMERICA

Trends: In the USA, the focus is on the consolidation of the mobile industry. Just as the acquisition of McCaw by AT&T is approved - though under condition - US West and Pacific Telesis decide to merge their cellular operations while Nextel purchases OneComm. A new giant satellite information superhighway project took-off as Hughes revamped its Spaceway network plans to meet the challenge set by Graig McCaw and Bill GATES' rival Teledesic. Meanwhile, another giant multimedia merger collapsed when CBS and QVC dropped their merger plans.

LEGISLATION

The US Justice Department has cleared the acquisition of the largest US cellular operator McCaw Cellular by the leading US long distance operator AT&T but has signed an antitrust consent decree with AT&T to preserve competition.

Under the decree, AT&T has agreed to keep McCaw as a separate subsidiary and has pledged to let McCaw customers pick any long distance carrier to handle long distance calls made on their cellular phones. AT&T will have to convert McCaw systems so that it can switch to any long distance operator within 21 months and won't be allowed to use its brand name to market McCaw services until the conversion is completed.

McCaw will also be barred from offering its customers AT&T long distance services but AT&T will be able to sell packages of

long distance and cellular services. The antitrust decree must now be approved by federal district Judge Harold GREENE.

America's Microsoft, the world's leading computer software manufacturer, has agreed to stop alleged anti-competition practices aimed at reinforcing its monopolistic position in the personal computer software market, thus settling a potentially costly anti-trust probe by the US Justice Department.

Amongst cited unfair practices were Microsoft's "per processor" licensing contracts requiring computer manufacturer to pay royalties based on the number of computers they sell, independently of whether Microsoft's programmes are installed on all them.

MARKET

QVC Network, a US cable television shopping company, and CBS, one of America's biggest private "networks," have abandoned plans to merge their operations in the face of a rival \$2.2 billion bid for taking over QVC by Comcast, a US cellular and cable operator.

Comcast, which already owns 16% of QVC has been joined in its bid by Liberty Media, a subsidiary of the leading US cable operator TCI, which also a 18.5% stake in QVC. Under the new deal, Comcast would have a 57% stake in QVC while Liberty Media would control the remaining 43%.

After the merger plan between QVC and CBS aborted, America's Walt Disney, ABC-Capital Cities and Turner Broadcasting expressed interest in purchasing CBS.

US electronics giant IBM and the US telecoms manufacturers AT&T, Motorola and Loral will set up a joint venture and invest \$100 million (including a grant from the US Administration) in the development of a new semiconductors manufacturing technology.

US West, a regional US telecoms company - so called Baby Bell - and AirTouch Communications, the cellular arm of the Baby Bell Pacific Telesis, are planning to merge their mobile cellular phone operations, thus becoming America's fourth largest cellular company with about 1.7 million subscribers.

The move follows last June's decision by the Baby Bells Bell Atlantic and Nynex 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 a equal footing. The new company would become America's third largest cellular operator behind McCaw Cellular and Southwestern Bell, and ahead of GTE.

Meanwhile, Nextel Communications, a US radiocommunication company, has decided to spend over \$650 million to

purchase its rival OneComm, thus enabling its wireless network to cover 80% of the US territory and have 210 million potential customers. In comparison, McCaw only has 60 million potential customers.

Nextel, which had so far specialised in Private Mobile Radio (PMR), is now competing directly with cellular companies as it offers mobile services to non-business customers.

Hughes Electronics, General Motors' space and telecoms unit, has amended its Spaceway satellite network project which aims at supplying high-speed data, voice and video transmission in the USA, in order to match Teledesic, a more ambitious rival project launched in March by Bill GATES and Graig McCAW.

Spaceway, which was initially to cost \$660 million will be turned into a much larger \$3.2 billion worldwide system. In comparison, Teledesic is expected to cost \$9 billion for a planetary satellite network.

ASIA AND PACIFIC

Trends: In Japan, information superhighway projects go on mushrooming, making it ever more difficult to find one's way in the complex Japanese info-web.

INFRASTRUCTURE

The Japanese electricity utility Kansai Electric Power has unveiled plans to connect four million households with fibre optic over the next 10 years. This would represent 40% of the customers in its service area.

The infrastructure would be used for both real-time monitoring of customer's power consumption and surveillance of customer's electric facilities, as well as the supply of new interactive multimedia services.

The Japanese Ministry of Equipment has drafted plans to build a 400,000 km fibre optic network connecting all Japanese households by the year 2000. Under the plan, the Japanese government and local authorities would invest 330 billion Ecus on building the network.

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