

EDITORIAL

Telecoms operators in the new environment: The Telmex case

As liberalisation and competition accompany the move towards the information society, national telecoms operators worldwide, which for decades enjoyed a monopoly, now have to adapt to a fast-changing environment in order to survive.

Telefonos de Mexico (Telmex), Mexico's private telecoms monopoly, illustrates that struggle for life as US telecoms groups are forging alliances with Mexican partners in view of the liberalisation of the country's long distance market in 1997.

The last announcement came from AT&T, the leading US long distance operator, who has agreed to form a joint venture with Grupo Alfa, an industrial conglomerate. The move is a set back for Telmex, who was expected to forge an alliance with AT&T.

Telmex is now left without a big US long distance partner since AT&T's major rivals, MCI and Sprint, have already established partnerships: MCI has joined forces with Banamex, Mexico's largest bank, and Sprint with Iusacell, a cellular phone group.

This rush of US telecoms groups is motivated by the explosion of the Mexican long distance market with expected revenues of \$20 billion by 2000. In addition, 85% of Mexico's outbound phone traffic is currently directed towards the USA.

Telmex' profits are currently almost entirely generated by long distance charges, which are amongst the highest in the world. Competition may change that: in the first year only, it could cut long distance tariffs by 20%. But Telmex still has many assets.

First, the loss of revenue may be largely compensated by the yearly growth of the long distance market, which is expected to range between 12 to 22% for several years.

Second, Telmex will still manage the distribution of 75% of the long distance traffic under a "gateway agreement" between the American and Mexican governments.

Third, Telmex will be able to collect fees from other long distance operators transferring calls to its local phone network, over which it will retain a monopoly.

Furthermore Telmex, Mexico's largest private company, has powerful resources to play on other fronts, as was demonstrated by its recent move to take a 49% stake in the cable television arm of the country's leading media company Grupo Televisa.

The venture would remove a potential competitor to Telmex and provide it with an opportunity to move into the market for new interactive video services. It was largely welcomed by analysts as an adequate response to the challenge of liberalisation.

Yet, the move must still win approval of the Mexican Competition Commission. Ruling upon the alliance could in fact prove to be a most difficult task for the young competition watchdog - it was set up in June 1993 - as Mr. Carlos SLIM and Mr. Emilio AZCARRAGA, respectively chairmen of Telmex and Televisa, are important contributors to Mexico's ruling party.

EUROPE

Trends: A key event of the last fortnight was a European Union political agreement over the liberalisation of Europe's infrastructures by 1998. But the info-superhighway euphoria could be tempered by warnings at an IDATE conference that the advent of the information society may not be as smooth and rapid as is often expected.

APPLICATIONS

British Telecoms (BT) said it will postpone by 6 months, until the Spring, the launch of a commercial video-on-demand trial involving 2,500 homes in Colchester and Ipswich in order to widen the scope of supplied interactive services.

According to BT, a previous trial with 60 households - mainly of BT employees - was a technical success but little information about consumer behaviour was gained since the experiment was free.

LEGISLATION

On November 17, the European Union Telecoms Council agreed to liberalise all communication infrastructures, including cable networks, by January 1, 1998, a date already chosen for completing the liberalisation of communication services.

The decision was reached on the basis of the first part of a European Commission Green Paper on the liberalisation of infrastructures. A second part will be published before the end of the year to set the basis for an agreement upon the modalities of liberalisation.

The European Commission has published a Green Paper on the future of mobile communications which calls for the full liberalisation of mobile services by 1996. The aim of the document is to set the basis for discussion amongst all interested parties.

MARKET

MFS Communications, a US fibre optic network operator, has started offering in Paris professional broadband communication services, including voice, data and video. MFS already operates in London and Frankfurt and plans to further expand in Europe (Sweden, the Netherlands, Switzerland and Italy) and towards the Asia-Pacific region.

On January 1, 1995, the Dutch telecoms and postal company KPN will launch a multimedia subsidiary, PTT Multimedia, to offer interactive services and Internet access. KPN's telecoms and postal arms will each have a 50% stake in the new company.

Amadeus, the European on-line airline reservation system jointly owned by the French, German and Spanish national airlines Air France, Lufthansa and Iberia, have agreed to join forces with System One, the reservation system of America's Continental Airlines.

It is not yet known under which terms Continental will enter the capital of Amadeus, but the move will allow Amadeus, which already has 50,000 terminals at travel agencies across Europe, to access another 10,000 terminals in the USA.

TECHNOLOGY

A study of the British Broadcasting Corporation (BBC), advocates to forge ahead with the launch of digital TV and says a near-national service could begin by mid-1997.

The document argues that digital technology will eventually win over existing analogue technology but that the two technologies may coexist for 10 to 15 years.

SOCIAL, SOCIETAL AND CULTURAL

Concerns were voiced at an international conference held by the IDATE over market, technological and regulatory aspects of the information society.

Many of the 400 business and academic participants stressed that companies hesitate to massively invest in info-superhighways because of uncertainties over the appropriate technology and technological shortages, and pending key regulatory decisions (i.e. global interconnection, access charges and the financing of universal service). Another major grey area is whether there will

really be a consumer demand for new information services.

NORTH AMERICA

Trends: North American news were dominated by a joint attempt by IBM, Apple, AT&T and Siemens to impose a worldwide standard for data transmission. Other major corporate events included the unveiling by Novell of ambitious plans, the teaming up of Teleglobe and TRW to launch a satellite network, the purchase by Continental Cablevision of the Providence's Journal cable assets and Time Warner's entry into the cellular market. On the regulatory front, the alliance between Sprint, France Télécom and Deutsche Telekom was challengeg, while the reform of US communication rules could soon be on tracks again.

APPLICATIONS

MCI, the US second largest long distance company, has launched commercial services on the Internet, including visual shopping catalogues, user-friendly software for tapping into disparate data bases and fibre optic links for businesses. Next year, it will add an entertainment service allowing users to download a movie in three minutes.

LEGISLATION

US Senator Larry PRESSLER, the new chairman of the Senate Commerce Committee, said he is committed to pushing through in 1995 legislation overhauling the US communications sector and adapting it to the information age. A previous bill, the so called Hollings bill, was withdrawn from the Senate in September, forcing the Congress to start again from scratch, despite the fact that the House passed its own bills in June.

A number of US telecoms groups, including AT&T, have filled complaints with the Federal Communications Commission (FCC) against a planned venture between Sprint, the third largest US long distance operator, and the French and German national telecoms operators on grounds that Europeans do not offer reciprocal market access.

MARKET

Novell, the world's leader in local networks with about 2 million NetWare systems installed, plans to turn its NetWare into a basic platform for all communication devices, whether a television set, a personal computer, a teller machine or a phone booth.

Novell has also signed an accord with the leading US producer of cable TV decoders, General Instruments, to jointly produce

decoders able to transform a regular TV set into an "intelligent terminal" capable of tapping into any on-line information service.

The Canadian long distance operator Teleglobe has agreed to participate in the launch of Odyssey, a worldwide satellite network providing wireless voice and data services initiated by the US aerospace manufacturer TRW. The two companies will set up a joint venture and invest \$2 billion in Odyssey, which is to be operational in 1998.

Odyssey is amongst the six groups, including Iridium, Loral-Qualcomm, Mobile Communications, Constellation Communications and American Mobile Satellite, that have applied for low-earth orbit (LEO) satellite system licenses. A final decision is expected by January 1995.

The US cable operator Continental Cablevision has agreed to acquire the cable operations of the media group Providence Journal, thus becoming America's third largest cable group with 4 million subscribers behind TCI and Time Warner .

Under the transaction, which is valued at \$1.4 billion, Providence Journal would receive an 18% stake in Continental, which would retain a 55% majority stake.

Time Warner, the leading US cable operator, said it will enter the fast-expanding wireless market with the provision of cellular phone services in Rochester, New York. The company, which doesn't own a cellular license, will buy capacity from a local mobile company, Rochester Tel Mobile Communications.

Sega, the Japanese video game giant, said it will market Sega Channel, a network supplying on-line video games, throughout the USA after market tests in 12 cities have proved successful. The service is expected to be available to 20 million homes in a year.

AT&T has decided to spend \$40 million in buying ImagiNation Network, a US on-line computer service offering interactive games in which it already has a 20% stake.

TECHNOLOGY

Four corporate giants, the US computer manufacturers IBM and Apple, America's leading long distance operator and telecoms manufacturer AT&T and the German electronics and telecoms group Siemens have launched Versit, an alliance whose aim is to develop a common standard for the transmission of voice, data and video.

The standard would allow users of any type of equipment - phones, PCs, personal communicators, etc. - to communicate with each other over any network, whether terrestrial, cable, mobile or satellite, independently of the device's brand name.

The move is a clear attempt to impose a worldwide transmission standard for the telecoms and computer industry.

SOCIAL, SOCIETAL AND CULTURAL

America's electrics and electronics group General Electric (GE) has said that secret information has been stolen from its computers via the Internet. The GE case again fuels the issue of data security on the Internet.

ASIA AND PACIFIC

MARKET

Japan's computer manufacturer Fujitsu and the Japanese electronics group Sharp have sealed an alliance to jointly develop multimedia and mobile communication products.

The first development will be a mobile system allowing users of Sharp's personal communicators to link up with a data network operated by Fujitsu.

About 10 Japanese companies led by Japan's leading long distance operator KDD will join Inmarsat-P, a planned worldwide satellite network providing wireless phone services sponsored by the international satellite organisation Inmarsat.

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