

EDITORIAL

Commission launches new instrument to promote the information society

On 12 December 1994, the European Commission launched ISPO, the Information Society Project Office, whose aim is to support, promote and advise private and public initiatives related to the development of the information society.

ISPO forms part of the Commission's Action Plan entitled "Europe's way towards the information society" published in July 1994. It will act as a user-friendly interface or "one-stop shop" enabling all parties - whether private or public - involved in the creation of the information society to gain quick and easy access to the relevant information.

ISPO aims at fostering the setting up of new partnerships by acting as a broker of ideas and expertise, and contributing to the dissemination and sharing of information on experiences and best practices related to the development of new applications.

ISPO will participate into actions dedicated to building public awareness of the benefits, opportunities and challenges of the information society. It will fully take into account the global dimension of the information society in all its actions.

ISPO is a venture between several Commission Directorate Generals involved in the creation of the information society and is headed by Mr. Jack METTHEY.

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EUROPE

Trends: While the preparation ahead of the 1998 services and infrastructures liberalisation (see latest moves by Telecom Portugal, Telefonica and Unisource) and business positioning in the information market (see latest initiatives by Bertelsmann, Alcatel, Veba and Videologic) is proceeding in Europe, a study published by Inteco raises new doubts about the development of info-superhighways. Titled "Multimedia in Home," the study makes two major points: 1) companies that bet on the juicy profit promised by the information age and invest massively could end up losing a lot of money 2) the US experience is not a model for Europe because of differences in the regulatory framework, the nature of networks, cultural behaviours and the fact that the multimedia markets in Europe remain fragmented amongst national lines.

LEGISLATION

The Portuguese government intends to privatise next May 25% of the national telecoms operator Telecom Portugal from which two thirds will be open for acquisition by foreign investors. The sell-off is expected to raise 1.2 billion Ecus.

Spain's national telecoms operator Telefonica, which is 32% government-owned, has been split in eight separate units that will respectively deal with voice telephony, international communications, data transmission, mobile communications, public phones, international business, advertising and information, and multimedia.

The move aims at increasing transparency ahead of the 1998 European telecoms liberalisation. It should in particular prevent cross-subsidising between units.

Telefonica has also unveiled plans to invest 2.2 billion Ecus between 1995 and 1997 in expanding and modernising its network, thus increasing digitisation to 80% from 49% today. The lion's share of the investment (about 50%) will go to Alcatel, the world's leader in telecoms equipment, and the rest to Sweden's Ericsson and America's AT&T.

MARKET

Unisource, a consortium of the Dutch, Spanish, Swedish and Swiss national telecoms operators, and AT&T, the leading US long distance operator, have agreed to create a joint venture to provide voice and data services to multinationals in Europe.

The new company, as yet unnamed, should be operational next June and will be 60% owned by Unisource and 40% by AT&T. It will be worth over 1 billion Ecus and employ 2,200 people. The partners also agreed to invest 800 million Ecus in developing networks.

The move seems to be a response to Concert - a venture between BT and the second-largest US long distance operator MCI - and Atlas - a partnership between the French and German telecoms operators and the third-largest US long distance operator Sprint.

France's Alcatel, the world's leading telecoms equipment manufacturer, has decided to buy a 20% stake in the mobile operation of the French cellular operator Compagnie Générale des Eaux (CGE). It is the company's first move into telecoms services.

Germany's media giant Bertelsmann has unveiled plans to move into movie production and distribution with a view to controlling 10% of the global market within 10 years.

On the distribution side, its subsidiary BMG Entertainment went over the last weeks on an audiovisual title shopping spree in view of distributing them worldwide both via third distributors and its own music and video distribution network. Bertelsmann will eventually set up a specialised movie distribution network.

As regards to production, one of Bertelsmann's first big steps was the completion in November of a TV production accord with ABC, one of the four big US TV networks.

Veba, a German energy-based conglomerate, has unveiled plans to invest over 1 billion Ecus in its telecoms subsidiary Vebacom with a view to becoming Germany's second-largest operator after Deutsche Telekom. Of the planned investment, over half will go to network development, 25% to cable TV and 15% to mobile telephony.

The company has also set aside another 4 billion Ecus for acquisitions or start up partnerships. Part of this sum could be spent on finding an international telecoms partner.

Veba's telecoms assets already include a 28% stake in the German mobile network E-Plus and a 10% stake in the international satellite communications group Iridium.

Canal+, the French pay channel, is set to start broadcasting in Poland after its Polish subsidiary was cleared by the Polish public authorities.

Canal+ Poland, in which Canal+ has a 33% stake, will have a complete 18-hour programming by March 1995 and will be immediately available to 1 million homes equipped with parabolic antennas. In parallel, it will set up 14 transmitters to cover the whole country. With 40 million inhabitants, Poland is Eastern Europe's biggest market.

TECHNOLOGY

Videologic, a small British multimedia company, has agreed to supply the Japanese electronics company NEC with a revolutionary three-dimensional imaging technology which is substantially more realistic than existing systems at a tenth of the price.

The exclusive accord signed by Videologic and NEC is said to be worth millions of Ecus. The technology will be used by NEC to develop video games for the home whose quality would be that of arcade machines. They could be marketed by the end of 1995.

Videologic has designed multimedia chips for the US computer groups IBM and Compaq and has a manufacturing accord with Intel, the world's leading chip producer.

NORTH AMERICA

Trends: In the USA, like in Europe, corporate manoeuvring ahead of the information age continues (see moves by Apple, Sprint, the N.Y. Times, Capital Cities/ABC and Comcast) with the making of the US Administration, but doubts arise on this side of the Atlantic too: a study of the Stanford Research Institute that cost over \$1 million over two years argues that the info-superhighway is a myth created by the media and that the assumption that computers, audiovisual, electronics and telecoms will blend into one single entity is not based on any solid ground.

APPLICATIONS

Sprint, the third-largest US long distance operator, has announced the launch of an multimedia E-mail service available on the Internet which allows the transmission of still video pictures, sound bites, text, annotations and graphics.

Comcast, a leading US cable operator, has said it plans to offer interactive services over its cable network, including Internet access, local services such as news, classified ads and real estate listings, and eventually on-line shopping. As a first step, it will

offer the services to 300 homes next year and then expand towards its 3.3 million subscribers.

LEGISLATION

The US Commerce Department intends to spend \$125 million on improving computer data storage systems and \$120 million on enhancing video transmission over telecoms and computer networks over five years under its Advanced Technology Programme(ATP). The move is part of a plan to add six new commercial technologies to the five which are already supported by the ATP.

The plan is expected to run into opposition in the Republican-dominated US Congress as Republicans argue that the ATP unfairly favours some industries over the others.

MARKET

The US computer manufacturer Apple has unveiled plans to move into the video games market in collaboration with the Japanese toy manufacturer Bandai. The two partners will jointly produce a game station connected to the TV set. They will face the tough competition of three well-established giants: Japan's Nintendo, Sega and Sony.

The US press group New York Times has announced plans to invest \$1 billion to \$1.5 billion over five years in developing electronic and audiovisual media services. With 90% of its \$6 million annual profit coming from the print press and only 10% from on-line news, the N.Y. Times hopes the move will boost the latest figure to 25% within six years.

The group intends to purchase TV stations, cable channels and electronic information services as well as launching on-line versions of its newspapers and magazines. Other press groups have taken similar steps, including Grolier, the US subsidiary of France's Matra Hachette, whose publications are available over the network America OnLine.

Sprint, the third-largest US long distance operator has agreed to form a partnership with Mexico's private phone monopoly Telefonos de Mexico (Telmex). The two groups will jointly offer long distance voice and data services between Mexico and the USA.

The accord is an unexpected revenge for Telmex who was dealt a heavy blow only weeks ago when the leading US long distance operator AT&T dropped plans to team up with Telmex and picked instead the Mexican industrial conglomerate Grupo Alfa.

But the move constitutes a serious setback for Iusacell, a Mexican cellular phone group which was about to form a joint venture with Sprint.

Capital Cities/ABC, the owner of the US TV network ABC has agreed to join forces with the movie studio created in October

by film maker Steven SPIELBERG, former Disney chief Jeffrey KATZENBERG and the billionaire David GEFFEN .

ABC and the trio will each initially invest \$100 million in a joint venture whose goal will be to produce and distribute a broad range of television programmes.

The US computer giant IBM has decided to stop shipping PCs equipped with the faulty Pentium chip on grounds that the chip's producer, Intel, underestimated risks for error arising from the chip. Intel, the world's leader in microprocessor, rejected IBM's claim.

Only 5% of the PCs sold by IBM last year were equipped with Pentium. IBM is in fact trying to challenge Intel with the PowerPC chip developed with Apple and Motorola.

ASIA AND PACIFIC

Trends: In Japan, government is in the spotlight again, with a series of initiatives by different ministries related to the development of the information society.

LEGISLATION

The Japanese government plans to agree by mid-February on basic guidelines for moving towards the information age and submit them to a G-7 ministerial conference on the information society to be held in Brussels on February 25-26, 1995.

The strategy will be based on a report to be published in December by the Advanced Information and Telecoms Society Promotion Headquarters, an inter-ministerial body set up in August to coordinate the views of involved ministries.

The Japanese Ministry of Post and Telecommunications (MPT) is considering the introduction of fixed fees for telecoms and other communication services by the turn of the century as a way to encourage intensive use of new telematic tools.

The MPT believes that the current scheme, under which people pay according to use, encourages them to limit communications to avoid high bills. On the contrary, a flat fee would be an incentive to use new communication devices as much as possible.

Next year, the MPT will set up a committee on fees that will present its report in 1996.

TECHNOLOGY

The Japanese Ministry of Post and Telecommunications (MPT) and the Gigabit Network Council, which groups Japanese businesses, are planning to launch a joint project to experiment gigabit-per-second network technology. So called "gigabit networks" would allow for super-fast multimedia communication.

The MPT is also considering launching a gigabit-per-second satellite communication experiment in collaboration with the US National Aeronautics and Space Administration (NASA).

SOCIAL, SOCIETAL AND CULTURAL

A Council set up by the Japanese Ministry of Education has proposed that each student and pupil in Japan be provided with a PC at school and university. The proposal will be included in a report on computer education to be released in March 1995.

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