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EDITORIAL

Asia: a new broadcaster's Eldorado?

Asia's television landscape is the world's fastest changing as the number of channels quickly multiplies. With half of the world's population and an economic growth rate of over 5%, the region's booming audiovisual market may present worldwide opportunities.

From India to South Korea and Japan, over 350 million households are equipped with a TV set, including 42 million in Japan. In China, over 215 million families have a television, amongst which 30 million will have a cable connection by the end of 1995.

Malaysia is expected to increase the number of its channels from three to 30 over a decade, while Singapore plans to launch 40 new channels on its cable network, which will connect 750,000 homes within four years. As to Hong Kong, it already has 16 specialised cable channels while the cable operator Wharf, which already supplies pay-per-view services, plans to launch video-on-demand towards the end of 1995.

Not surprisingly, powerful regional broadcasters are taking steps to grab a substantial slice of Asia's audiovisual pie. NHK for instance, Japan's public TV, will launch in April a programme library available via satellite to TV channels in 13 Asia-Pacific countries.

Americans too want to secure their own piece of the cake: about 10 US broadcasters are already present in Asia with their own channels, while more are expected.

Amongst the most important are Turner Broadcasting Systemwith the global news cable channel CNN International and the entertainment channel TNT-Cartoon, Time Warnerwith the pay-channel HBO Asia, Viacom with the music channel MTV, and the Australian-American media magnate Rupert MURDOCH with Star TV.

Many specialised US channels are also there, including the education channel Discovery or the sports channel Prime Sports , and more are expected, for instance Country Music Television or the Science-Fiction Channel.

But conquering the Asian audience is all but easy: foreign broadcasters have to adapt to local tastes and centres of interest, for instance when it comes to news or sports. They also have to dub movies and series or add subtitles, whether in Mandarin, Thai or Indian.

This involves some extra costs which may be difficult to cover as TV advertising revenues in Asian are still extremely low. But this may only be a short-term problem as the income generated by TV advertising is expected to grow by 75% by 2003.

Yet another obstacle is censorship, which remains extremely stiff in some countries such as China - which last year banned all satellite dishes and forced Star TV to drop the BBC news- or Malaysia and Singapore - which have banned foreign channels.

Whatever the obstacles, the absence of any European-controlled television channel in Asia is a far cry from America's assertiveness and commercial aggressiveness.

EUROPE

Trends: The liberalisation of Europe's telecoms seems to attract all kinds of appetites, the latest being that of Europe's railway companies, which have launched Hermes, a pan-European broadband infrastructure. As for US appetites, they seem to be extremely active in searching for new "recipes", whether it concerns Hermes or the partial privatisation of Belgacom. Americans even seem to be needed to help Europeans face US competition , as is illustrated by the AT&T-Europe Online and UGC-Fox alliances. Meanwhile, the Italian Antitrust Authority is forging ahead with liberalisation having decided that EU legislation prevails even if Parliament has failed to transpose it into national law.

INFRASTRUCTURE

Hitrail, a consortium of 11 European railway companies, and the US telecoms group Global Telesystems Group (GTS), have agreed to launch Hermes Europe Railtel, a pan-European fibre optic communication infrastructure laid along rail lines and linking Europe's main cities. GTS will own a 33% stake in the venture and Hitrail the remaining.

Hermes intends to sell transmission capacity to multinational companies, service providers, national telecoms companies and cellular operators. It has invited six leading telecoms equipment manufacturers - France's Alcatel, Germany's Siemens , Finland's Nokia, Sweden's Ericsson, Canada's Northern Telecom and America's AT&T - to bid for the first part of the infrastructure, which will be worth 500 million Ecus.

LEGISLATION AND POLICY

The Italian Antitrust Authority has delivered a landmark ruling asking Telecom Italia, the national telecoms operator, to lease telecoms lines to private competitors. It said Telecom Italia has abused its dominant position by refusing to lease lines to Telsystem, a small company which intends to offer corporations high-speed data transmission services.

The Authority said its decision was based on European Community legislation liberalising all telecoms services with the exception of voice telephony. It said the 1990 Directive was applicable despite the fact that the Italian Parliament has so far failed to transpose it into national legislation. Telecom Italia said it will make an appeal.

On 25th January, the European Commission adopted the second part of its Green Paper on telecoms and cable TV infrastructure liberalisation.

The first part, which fixed the date of January 1, 1998 for the liberalisation of infrastructure for services already liberalised, was adopted last October.

The second part examines the general regulatory framework which will be necessary after 1998 and raises a number of important questions such as how to fund the universal service, interconnection, licence provision, competition rules, employment, the social challenge, and the international dimension.

Following a wide public consultation the Commission will report to the European Parliament and the Council of Ministers in May, and the latter is expected to approve a resolution in June.

Nine telecoms companies have applied for a stake in Belgacom , the Belgian national telecoms company, which is to be partially privatised later this year, including BT, Deutsche Telekom , France Telecom, KPN, AT&T, GTE , Ameritech, Bell Atlantic and SBC - formerly Southwestern Bell. A final decision is expected by July 1995.

MARKET

Cable & Wireless, the UK telecoms operator, and the German industrial conglomerate, Veba, have signed an agreement to set up an alliance on three fronts.

They plan to launch a joint venture, called Vebacom, aimed at the German market in preparation for liberalisation in 1998. Vebacom announced an investment plan of 6 billion DM over 10 years. C&W and Veba already own or lease infrastructure in Germany.

The two companies have also agreed to set up a jointly-owned company which will be known as Cable & Wireless Europe, which will target EU countries (except the UK and Germany) and will seek to acquire licences in the mobile, satellite and fixed infrastructure markets - C&W and Veba already have a stake each in Bouygues Télécom, the third mobile licence holder in

France. Finally, Veba will also take a 10.5% stake in C& W.

The French movie production and distribution group UGCsaid it has agreed to establish a strategic partnership with the Hollywood studio 20th Century Fox.

The deal will include the creation of a common company for the marketing and distribution of films in France, as well as the co-production of European movies targeting an international audience, and the use by UGC of Fox' distribution facilities in the USA.

AT&T, the leading US long distance operator, has agreed to take a 10% stake in Europe Online, Europe's first commercial information network, which intends to rival US on-line services such as the Microsoft Network, America Online or Prodigy.

Europe Online was set up in June 1994 by the German media group Burda and reinforced in August 1994 when the British publishing group Pearson and France's Matra-Hachette Multimedia joined in. t will start operating in English, French and German in July 1995 and hopes to attract 120,000 subscribers by the end of the year.

NORTH AMERICA

Trends: In the first week of the new Congress, regulatory reform of the communications sector has been earmarked for priority treatment, as the Republicans pick up the pieces after the failure of the Hollings Bill last September. Senator Pressler lost no time in presenting his outline for a new regulatory framework that would overthrow the 1934 Communications Act, and open up cable-telephone competition. He has set the ambitious target of July 4, for the adoption of his legislation package.

LEGISLATION AND POLICY

At its first meeting, the US Senate's Communications Committee examined Senator PRESSLER's new proposals for reform of the 1934 Communications Act.

The package would be implemented in three phases over a period of 3-4 years and would open up all lines of business, including local and long distance telephony, and cable TV, to full competition. The signs are that Congress is extremely confident that the legislation from both Houses will be agreed by July 4, which Senator Pressler has set as his target. If the legislation does go through, it would mean that the US communications market (telecom and cable TV) would be fully open to competition by 1998, in line with the European Union's calendar.

Meanwhile, Vice-President Al GORE has made it clear that he does not support the idea of setting a date for liberalisation. Another key area of debate concerns the current restrictions (20%) on foreign investment and ownership. Senator Pressler would like these restrictions to be applied on a reciprocal basis so that they could be used as a lever in negotiations to encourage foreign markets to open up to US companies.

Others, notably Congressman Oxley would like to see these limitations totally withdrawn in the interests of global competition. The US Administration can be expected to raise these issues in the on-going negotiations within GATS and at the G7 conference at the end of February in Brussels.

The US Federal Communications Commission has authorised the US regional telecoms company Bell Atlantic to offer video programming and services over its telecoms network in Virginia, providing they are not subsidised by phone subscriptions.

In July 1994, the FCC already cleared the way for New Jersey Bell, a subsidiary of Bell Atlantic to provide, video services to 38,000 residents. It was the first time ever the FCC authorised a phone company to directly compete with cable television operators.

Several other phone companies have similar applications pending before the FCC.

On March 8, 1995, the Canadian Radio-television and Telecommunications Commission (CRTC) will start hearings on the regulatory implications of the development of information superhighways. A main focus of the hearings may be the restrictions on telecoms companies offering video services or holding a cable license, while cable operators have been authorised in September 1994 to offer phone services.

The US Federal Communications Commission (FCC) said it hopes to rule within six months on whether to let the French and German national telecoms companies buy a 20% stake worth $4.2 billion in Sprint, the third largest US telecoms company.

The FCC will review the planned alliance on the basis of existing US legislation, which doesn't explicitly require reciprocity in foreign market access. But, Reed HUNDT, the FCC's chairman, has warned Europeans that some Republicans in the US Congress want to make reciprocity mandatory. The change could cancel an FCC approval a posteriori.

MARKET

Time Warner, the US media group, is to spend $2.2 billion on expanding its cable TV interests through a deal with Houston Industries, the Texan electrical utility.

The purchase will bring Time-Warner's cable customers to 10 million in total, putting it narrowly behind the US leader, TCI.

The deal forms part of a general consolidation of the cable industry in the US, prompted by the prospect of direct competition with the Baby Bells (regional telephone companies), if legislation gets through the US Congress in the course of this year.

Fox, the fourth US television network, controlled by the Australian-American media magnate Rupert MURDOCH, has struck a deal with Britain's Reuters, a world leader in on-line financial and news services, which could help it challenge the supremacy over US television news of the rival "big three" - ABC, CBS and NBC. Under the accord, Fox will assemble a daily US news service based on Reuters' worldwide data and video input.

It is thought that Mr. Murdoch hopes the deal will help finalise similar agreements between Reuters and his broadcast interests worldwide. That could include Sky News, the European loss-making satellite news channel and the Asian satellite TV service Star TV.

The move could also present Reuters with an opportunity to challenge the US cable news channel America's CNN and the news programming of Britain's BBC or ITN. In fact, Reuters has built up over the past two years state-of-the-art video news facilities, Reuters Television, based on its worldwide-based reporters and its satellite network.

Sprint, the third largest US long distance operator, and its three cable partners, TCI, Cox and Comcast , have bought a 49% majority stake from the newspaper company Washington Post in American Personal Communications , one of three firms that have been granted "pioneer-preference" licenses for personal communications services (PCS).

The move will give the four partners a head start in providing new wireless services while most US telecoms and cable groups are bidding for PCS licenses with the Federal Communications Commission (FCC). Services will be offered under the well known Sprint brand name as early as October 1995 in the Washington-Baltimore area.

ASIA AND PACIFIC

Trends: Both India and Thailand are moving forward with plans for telecoms deregulation, while Japan uncertainty over the direction of policy is counterbalanced by the launch of a number of initiatives and projects.

INFRASTRUCTURE

China said it will invest 7.5 billion Ecus in developing telecoms infrastructures in 1995, a 15% increase compared to 1994. Mr Wu JICHUAN, the post and telecoms minister, predicted that 10-18% of investment is expected to come from foreign companies. He also indicated that the main priorities for investment will be for the construction of long distance optical cables and an acceleration of digital mobile communications systems, satellite telecommunications, and long distance exchange systems development.

APPLICATIONS

The Japanese electronics group Fujitsu has started using the Internet to broadcast video material which in-house technicians and salespeople receive on their PCs in 30 locations in Japan. Separately, it said it plans to launch a one-year multimedia services trial involving 300 homes in Yokohama, including near video-on-demand.

LEGISLATION AND POLICY

The Indian Department of Telecoms has unveiled guidelines for companies wishing to bid for basic telephony and cellular licenses. They state that only private Indian firms can bid while foreign groups can only own a maximum 49% stake in a bidding company. The objective is to boost the amount of lines in India from 8 to 20 million by the year 2000. India, with a population of 900 million, offers the largest market for foreign communications companies behind China.

Thailand is moving forward with plans to privatise two telecommunications companies and open the industry up to freer competition. Foreign telecom companies may be invited to become strategic partners in the privatised companies. The plans, drawn up by the Minister of Transport and Communication, Mr Vichit Suraphongchai, call for Thailand to privatise its two telecom monopolies - the Telephone Organization of Thailand, or TOT, which handles domestic service, and the Communications Authority of Thailand, known as CAT, which provides international links - and list their shares on the stock exchange. The process is likely to be long, given the complexity of the issue, the number of interested parties and the vast potential for profit.

The Japanese Ministry of Posts and Telecommunications (MPT) seems to be shifting its priorities away from optical fibre networks and towards wireless communications to promote the development of the Japanese information society.

The MPT said that by 2000 it will support the commercialisation of mobile video phones and the development of high-speed wireless LANs and revise its spectrum allocation policy accordingly. It has already awarded Satellite Digital Audio Broadcastinga license to start in April 1995 the world's first commercial large-scale satellite data transmission to the home, which will include computer game software.

The Japanese Ministry of International Trade and Industry(MITI) and a number of leading electronics companies, including Hitachi , Matsushita, Nec, Sony and Toshiba , have agreed to create in March 1995 a public-private multimedia consortium, Digital Vision Laboratories, to jointly develop multimedia systems and technologies.

MARKET

One day before the Indian government unveiled its guidelines, the international arm of the American regional telephone company, US West, announced that it won a government license to set up India's first private telephone network in the form of a pilot project involving local partners which aims to set up a network in southern India linking rural communities and industrial centres using the latest digital technology. The project will expand to include voice and data transmission, and cable television.

SOCIAL, SOCIETAL AND CULTURAL

In April 1995, Japan's National Cancer Centre plans to launch a video and data communication network connecting the Centre with affiliate hospitals nationwide. The link up would allow for the transmission of high definition pictures - such as X-rays and microscope images - for real-time analysis in collaboration with specialists of the Centre, as well as direct access via personal computers to data bases on the latest cancer data.

The American School in Japan said it is planning to offer American pupils in Japan remote access to schools in the USA via a video-conferencing system using the Internet .

WORLD-WIDE

TECHNOLOGY

The endorsement by leading electronics and entertainment firms of the digital video disk (DVD) presented by Japan's Toshiba is a major setback for its rivals Philips and Sony in the battle to impose a new standard replacing both audio CDs and video tapes. But Toshiba hasn't won the battle yet, as the computer industry still has to reveal its choice.

Support came from the US media giants Time Warner and Viacom, the Hollywood studios MCA and MGM, Japan's electronics groups Matsushita Hitachi and Pioneer, and France's Thomson Consumer Electronics(TCE), the US leader in TV sets.

Toshiba's DVD will have the size of an audio CD, store 270 minutes of video , have eight language tracks and should be available mid-1996. Its storage capacity will be eight time superior to CD-ROMs', which it could also eventually replace.