

## EDITORIAL

### Multimedia convergence: An emerging reality in the USA and Europe

The convergence of computers, telecoms and the media, and their eventual merger into a single multimedia sector is believed to be a key feature of the information society.

But amongst the mergers and alliances that are announced almost daily in the information-related industry, the overwhelming majority correspond to a consolidation of traditional industry segments, whether telecoms, cable TV, computers or the media.

Only a few ventures suggest that convergence is really taking place and a clear pattern is only starting to emerge. Furthermore, most of the so-called multimedia alliances do not encompass all segments of the information industry.

In the USA for instance, the convergence of telecoms and cable TV operators in the perspective of tougher competition once the US deregulation has been completed has translated into ventures such as Sprint/TCI-Cox-Comcast and Time Warner/US West.

At a trans-Atlantic level, ventures link up all kinds of companies, for instance telecoms and computers groups (Telecom Italia/IBM and Bell Atlantic/Olivetti) or electronics and computers firms (Thomson/Sun Microsystems).

But these convergence patterns are not truly multimedia in the sense that they have no content dimension. Content is indeed a key feature of new multimedia services and ventures involving content providers are now multiplying.

Hence, in the USA, the long distance operator MCI has joined forces with the media giant News Corp., three Baby Bells (Ameritech, BellSouth, SBC) have teamed up with Walt Disney, while another three Baby Bells (Bell Atlantic, Nynex, Pacific Telesis) have formed an alliance with the Hollywood talent agency Creative Artists Agency.

A similar rapprochement between telecoms operators and media groups can be observed in Europe, for instance France Télécom/Hachette and Telefonica/Prisa.

But there are so far only two US emerging multimedia poles which group all segments of the information industry: the first is being put together by Microsoft, the world's leader in PC software, and the second is being formed around the studio

DreamWorks SKG.

Microsoft is present on most fronts: content, for instance through alliances with the TV network NBC and DreamWorks, as well as Continuum Productions, a company that buys art treasure rights; distribution with the launch of The Microsoft Network and a venture with the cable operator TCI; and technology by trying to impose Windows 95 as the world's standard for the operating system and interface of new multimedia services.

As for DreamWorks, it has the backing of leading companies of most segments of the information industry, including the media (Capital Cities, MCA and Time Warner) and computers (Microsoft, Microsoft's co-founder Paul Allen, Silicon Graphics and IBM).

Europe too has its emerging global multimedia pole, Multimedia-Betriebs-Gesellschaft (MMBG), which comprises the German, French and Luxembourg media and telecoms firms Bertelsmann, Deutsche Telekom, Canal+, RTL, ARD, ZDF and CLT.

## EUROPE

### LEGISLATION AND POLICIES

The Greek government has unveiled plans to privatise 6% to 8% of the national telecoms operator OTE in November 1995.

It is Greece's third attempt to partially privatise OTE. A first attempt to sell off 49% of OTE ended up in the fall of the conservative government back in 1993. In 1994, the socialist government had to drop plans to privatise 25% of OTE.

With a new down-scaled attempt to partially privatise OTE, the Greek government is believed to try to defuse political opposition to the move while ensuring that the proceeds of the sell off will allow OTE to write off its short-term debt and fund new investments.

### MARKET AND COMPANIES

The US computer giant IBM and the Italian national telecoms company STET have signed a Memorandum of Understanding for the setting up of a global partnership.

The alliance would include the merging of the two companies' global networks in a joint venture which would offer data, voice

and multimedia communication services to corporate and private clients. The joint venture would be opened to other partners.

The deal would also include the development and supply of a wide range of value-added services such as E-mail, videoconferencing and access to the Internet.

Finally, a new company would be created to supply outsourcing and facility management services in Italy.

## NORTH AMERICA

Trends: Microsoft is acting on all fronts, once more demonstrating that it is becoming the archetype of the multimedia company of the future. But competitors are not giving way as is shown by the first concrete step taken by the News Corp.-MCI multimedia venture. Meanwhile, the reform of the US communications legislation is making headway with the approval of the House's version of the bill.

## LEGISLATION AND POLICIES

The US House has massively passed by a 305 to 117 vote a bill overhauling the US communications sector that would allow cable operators, regional telecoms companies (the Baby Bells) and long distance operators to enter each other's business.

The draft bill would also scrap most rate restrictions for cable TV operators and the Baby Bells, and lift many restrictions to media ownership. To become law, the House bill must be merged with a similar bill recently adopted by the US Senate by a 81 to 18 vote.

But the Clinton Administration has threatened to veto the final bill, which could be adopted in the Autumn, on grounds that it would encourage media concentration, thus reducing consumer choice, and lead to higher TV and local telephony prices.

Yet massive support for each chamber's draft bill suggests that the final bill could be adopted by a two-third majority, thus making it impossible for President Clinton to veto it.

The US Department of Justice (DoJ) has said it will not reach a decision on whether to initiate an antitrust action against Microsoft, the world's leader in PC software, prior to the launch on August 24 of Microsoft's new operating system Windows 95 and on-line service The Microsoft Network (TMN).

However, the DoJ said it would pursue its investigation into Microsoft's plans to incorporate within Windows 95 software to

directly access TMN. The DoJ's investigation follows complaints from rival on-line services that the link between Windows 95 and TMN will give Microsoft an unfair advantage over its competitors.

## MARKET AND COMPANIES

The alliance sealed last May by MCI, the US second largest long distance operator, and News Corporations, the group of the Australian-American media mogul Rupert Murdoch, to provide new information services worldwide has borne its first fruit, with the decision by the two partners to merge their global on-line operations.

MCI and News Corp. have agreed to form a joint venture that will provide a large roster of new Internet-based services targeting both consumers and businesses. They will build on their respective expertise in communications technology and content.

Microsoft, the world's leader in PC software, is negotiating the purchase of a large minority stake in the US media group Turner Broadcasting System (TBS), whose assets include the global all-news cable TV channel CNN.

The move would strengthen Microsoft's access to distribution channels to market its on-line products and services both in the United States and abroad.

The deal, which could be worth about \$2 billion, would also significantly strengthen TBS' plans to buy a US television network, possibly by making a counter offer to the US industrial conglomerate Westinghouse's recent \$5.4 billion worth bid to buy CBS.

Microsoft, the world's leading PC software manufacturer, has sealed a strategic alliance with the US computer group Digital Equipment to expand the use of the Microsoft Windows NT operating system in office computer networks.

Digital, a leader in enterprise computer systems, will receive substantial funding in exchange of its support to Microsoft's software products. The two companies will also collaborate in the development and marketing of business software.

Maid, a US provider of on-line business information, has established a partnership with Microsoft, the world's leader in PC software, to supply its services on The Microsoft Network, a new on-line PC service that will be launched on August 24.

## ASIA AND PACIFIC

Trends: New multimedia application and technological projects have mushroomed in Japan in recent weeks, suggesting that Japanese companies and the government are set to strike back in the global battle for leadership in the information age.

## APPLICATIONS

NTT Data Communications, a subsidiary of the national Japanese telecoms operator Nippon Telegraph & Telephone (NTT) has unveiled plans to launch towards the end of 1995 a large scale multimedia experiment in cooperation with 30 Japanese companies, including banks and travel agencies. The trial would supply services such as on-line banking and shopping, as well as electronic newspapers and weather reports.

Japan's Kyocera Multimedia Corp. and its affiliated game manufacturer Taito Corp. have said they will launch in October 1995 an on-line service whose main feature will be the possibility for subscribers to download via terminals hooked to their telephone set "karaoke" songs from a choice of over 10,000 titles. Other services will include general, business and sport news, weather forecasts, home shopping, music, health and games.

The Japanese Ministry of Posts and Telecoms (MPT) has said it will launch in August 1995 a Multimedia Mobile Access study group (MMAC) that will promote the development of multimedia mobile communications systems by the year 2000.

MMAC will in particular work on the development of virtual offices in train stations and airports by providing high-speed radio communications. MPT believes the multimedia mobile market will be worth 15 billion Ecus and employ 40,000 people by the year 2000.

The Japanese personal computer consulting firm Create Lab has decided to launch a automated Japanese-English translation service on the Internet in collaboration with the Canadian specialist Intransnet Service. The two partners claim that they will provide a 60% to 80% accuracy rate.

Japan's Internet Project Executive Committee (IPEC) has launched a new World Wide Web site where about a hundred manufacturers and service providers offer a wide range of on-line services such as shopping, publishing and entertainment.

## LEGISLATION AND POLICIES

The Japanese Ministry of International Trade and Industry (MITI) has released its final report on rules governing intellectual property rights (IPR) in a multimedia society.

The report states that digitisation of an author's work does not constitute additional creative input and that authors should therefore not seek additional protective measures.

It calls however for the drawing of new rules for preventing unauthorised network access and the unauthorised display of digitised works.

MITI also advocates the setting up of several digital data centres that would handle IPR-related issues without involvement of the central government.

## TECHNOLOGY

The Japanese Ministry of Posts and Telecoms (MPT) has said it will set up in August 1995 a Video-On-Demand (VOD) Committee in the Telecoms Technology Council, an internal advisory group, to develop a national standard for VOD services.

Industry participants in the VOD Committee are expected to include the telecoms, audiovisual and electronics groups NTT, NHK, NEC, Sony, Hitachi and Matsushita.

The Telecoms Technology Council, an advisory group of the Japanese Ministry of Posts and Telecoms (MPT), has released a "Programme for Developing Advanced Data Communications Technologies" that calls for the annual spending of about 9 billion Ecus yearly until the year 2000 in the development of data communications technology.

The first large scale industry-academic multimedia consortium has been set up in Japan between three leading Japanese universities and 11 major Japanese and US electronics, computer and software companies to launch multimedia research projects.

The consortium comprises the universities of Tokyo, Kyoto and Osaka, and firms such as NEC, Hitachi, Fujitsu, Nihon Sun Microsystems and Hewlett-Packard.

## LATIN AMERICA

### LEGISLATION AND POLICIES

The Mexican Federal Competition Commission -- Mexico's competition watchdog which was established two years ago -- has cleared the sale of 49% of Cablevision, the cable TV arm of the Mexican media giant Grupo Televisa, to the private national telecoms operator Telefonos de Mexico (Telmex).

The \$211 million worth deal would seal a partnership between Mexico's two leading communications groups: Televisa controls 80% of the TV market and Telmex has a monopoly over long distance calls until the end of the year.

Many analysts see the move as an adequate answer of Telmex to the challenge of liberalisation as it would both remove a potential competitor and provide it with a way to move into the market for new interactive video services. As for Televisa, the venture would provide it with a much-needed input of fresh money.

Yet other analysts have criticised the deal, arguing that it would be an obstacle to competition, thus discouraging foreign investments in view of the telecoms liberalisation. In fact, the three leading US long distance operators announced in 1994 ventures with leading Mexican groups: AT&T with the industrial conglomerate Grupo Alfa, MCI with Banamex, Mexico's largest bank, and Sprint with the cellular operator Iusacell.

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