

EDITORIAL

US media merger mania intensifies

The US media and cable giant Time Warner has made a \$8.5 billion worth surprise offer to merge with the US media group Turner Broadcasting System (TBS), whose assets include the global news channel CNN, and in which it already has an 18% stake.

The deal would be a perfect fit creating strong synergies between Time Warner's content and cable television assets and TBS' distribution and programming skills. It would also result in the creation of the world's largest media company ahead of Walt Disney.

Time Warner controls the leading Hollywood studio Warner Bros. and is the second largest US cable TV operator after TCI. It also owns Warner Music, one of the world's five largest music groups, and the subscription cable channel Home Box Office (HBO).

In a first attempt to create its own distribution network, Time Warner launched in January 1995 the WB Network, which competes with the other American TV networks ABC, CBS, NBC and Fox, as well as United Paramount Network (UPN), which was also launched in January 1995 by the US media giant Viacom.

As for TBS, it controls a series of cable TV channels specialising in documentaries, sports, cartoons, old American movies, as well as two small but dynamic film producers, New Line Cinema and Castle Rock Entertainment.

The offer comes in the wake of two other major deals announced in August 1995. The first, worth \$19 billion, would see the merger of the US studio Walt Disney and the US TV and radio empire of Capital Cities/ABC. The second, worth \$5.4 billion, would be the take over of CBS by the US industry conglomerate Westinghouse.

However, the Time Warner-TBS merger still faces a series of potential hurdles.

The deal could be opposed by Time Warner's largest shareholder (15%), the Canadian drinks group Seagram, which in April 1995 bought from Japan's Matsushita a 80% stake in the US film and music group MCA, which controls the Hollywood studio Universal. It could also be opposed by Time Warner's arch rival TCI, which has a 21% stake in TBS.

Rival entertainment groups, in particular News Corp., which controls Fox, and General Electric, which owns NBC, could make counter-offers for the purchase of TBS.

Finally, it is not certain that TBS founder Ted Turner, who would become vice-chairman of Time Warner, will accept the offer. When Time Warner made its offer, Mr. Turner was in fact mounting a counter-offer to purchase CBS.

Whatever the outcome of the deal, Time Warner's bid together with the Disney-Capital Cities and CBS-Westinghouse deals reflect the speed at which US media and communications groups, encouraged by the prospect of US deregulation, position themselves to seize new market opportunities expected from the advent of multimedia.

EUROPE

Trends: The launch of new telematic applications and services is gaining momentum in Europe. So is the privatisation of national telecoms operators. On the industry front, the top event is AT&T's alliance with Mannesmann via CNL.

APPLICATIONS

Spain's national telecoms operator Telefonica de Espana has launched Spain's first interactive multimedia trial, InfoVia, in Barcelona.

About a hundred companies, in particular financial entities and retailers, will offer their services on InfoVia. Telefonica will supply connection software for free and users will only pay the price of an urban phone call. Yet value added services such as access to the Internet will work on a subscription basis.

The service will eventually be extended to the whole of Spain as well as Latin American countries such as Argentina, Chile, Peru and Venezuela, where Telefonica is already a telecoms operator.

The Bolsa de Madrid has become the first European stock exchange connected to the Internet. It provides free of cost information on stock indices and share prices as well as quarterly and half-year results of major listed companies.

The Barcelona stock exchange will follow suit in February 1996.

Media Control, a German media company, has established Dublin-based Music Control, Europe's first on-line music

database. By the end of 1995, Music Control expects to sign over 500 radio stations in 15 European countries.

Netconsult Computersysteme, a small German vendor of computer and software, has launched Intershop, Germany's first virtual shopping mall. Intershop is available over the Internet and offers over 13,000 computer articles from over 200 manufacturers.

News Corp., the company of the US-Australian media magnate Rupert Murdoch, has said it would launch a new on-line PC service in Europe in early 1996.

The Italian computer and electronics group Olivetti has unveiled Envision, a new multimedia PC that can be connected to a TV, a fax or an answering machine, which can play CD-Roms, audio and video CDs as well as Kodak photo CDs.

Envision is pre-programmed for easy connection to the Internet and other on-line PC services. It comes with Windows 95 and a cordless infrared keyboard. Envision will be sold in Italy for about 1,450 Ecus.

LEGISLATION AND POLICIES

On September 11, the Spanish government launched the sell off of 12% of the national telecoms operator Telefonica de Espana. The move will reduce the state's stake in Telefonica to 20% from 32%.

The Dutch government has confirmed plans to sell off in the fall of 1995 a second part of the national telecoms operator Koninklijke PTT Nederland (KPN).

In June 1994, the Netherlands privatised a initial 30% of KPN. The second flotation, which is due in October or November, will reduce the state's share to a minority stake.

The European Commission has cleared plans by the German energy-based conglomerate Veba and the British operator Cable & Wireless (C&W) to set up two telecoms joint ventures, Vebacom and Cable & Wireless Europe.

Vebacom will provide telecoms services in Germany, while C&W Europe will be in charge of the rest of the European Union and Switzerland, with the exception of Britain.

MARKET AND COMPANIES

Communications Network International (CNI), a German corporate voice and data services provider, has agreed to set up an alliance with AT&T, the leading US long distance operator, and Unisource, a European telecoms consortium. CNI would also swap shares with Uniworld, a joint venture set up by AT&T and Unisource.

CNI is 50%-owned by the German mobile operator Mannesmann, 25% by the German bank Deutsche Bank and 25% by the German electricity utility RWE, which has announced that it would withdraw from CNI.

The move marks the emergence of a new competitor for the national telecoms operator Deutsche Telekom in view of the 1998 liberalisation of telecoms in Europe.

Other competitors include: Vebacom, a joint venture between the German energy-based conglomerate Veba and the British operator Cable & Wireless; Thyssen Telecom, the telecoms arm of the German steel group Thyssen; Viag InterKom, the telecoms unit of the German industrial group Viag, in which the British operator BT has a 37.5% stake; and a joint venture between the Canadian telecoms group Northern Telecom and Deutsche Aerospace (Dasa), the aeronautics arm of Daimler Benz.

Axel Springer, a leading German publisher, has agreed to take a 10% stake in Europe Online, a European on-line PC service that will be launched later this year.

Europe Online was jointly set up in 1994 by the German, French and British publishers Burda, Matra-Hachette and Pearson to rival US on-line services. In January 1995, the US telecoms giant AT&T agreed to take a 10% stake in Europe Online.

The British cable TV operator Bell Cablemedia said it has set up an alliance with the Canadian long distance operator Teleglobe to offer international telephone services in the UK. The move is part of Cablemedia's strategy to become a provider of telecoms services.

The Japanese electronics group NEC has agreed to purchase a 60% stake in Sistel Comunicacoes, a Portuguese telecoms equipment manufacturer, in a move to get a foothold in the European telecoms equipment market.

The Canadian telecoms equipment manufacturer Northern Telecom (Nortel) has agreed to buy a 49% stake in Sixtel, an Italian supplier of telecoms infrastructures 100% owned by the Italian computer giant Olivetti.

Nortel expects to strengthen its presence in the Italian market. Sixtel has already been distributing Nortel's products since 1978.

SOCIAL, SOCIETAL AND CULTURAL

The Swedish telecoms equipment manufacturer Ericsson has unveiled plans to cut down the workforce of its public telecoms division to 24,000 from 30,000. The move is part of a drive to rationalise its operation and improve profitability. Ericsson also

plans to sell part of its non-core manufacturing activities.

NORTH AMERICA

LEGISLATION AND POLICIES

The second largest US long distance operator MCI has filed a complaint with the US Federal Communications Commission (FCC) against Phoenix, a planned ventures between rival Sprint and the French and German national Telecoms operators.

MCI argues that the FCC should block the deal unless France Télécom and Deutsche Telekom's national telecoms monopoly is dismantled. The US telecoms giant AT&T has indicated that it would also call upon the FCC to block the venture for the same reason.

MARKET AND COMPANIES

America's Compaq, the world's leading PC manufacturer, and the US toy manufacturer Fisher Price, have agreed to set up an alliance to jointly produce multimedia educational and amusement toys for children under the age of seven.

The two partners said they expect to start marketing the new toys by mid-1996.

Microsoft, the world's leader in PC software, has said it has suspended negotiations on a possible alliance with the US media group Turner Broadcasting System (TBS) following the offer by the US media giant Time Warner to merge with TBS.

Microsoft, which was negotiating the possible purchase of a stake in TBS said it will resume talks after the merger talks between Time Warner and TBS are completed.

The Japanese electronics group NEC said it had finalised the purchase of a 20% stake worth \$170 million in Packard Bell, a leading US multimedia PC manufacturer.

The two partners said their cooperation efforts would encompass research and development as well as the manufacturing of multimedia products for the world market.

Packard Bell is also 20% owned by the French computers group Bull.

Creative Artists Agency (CAA), the world's leading talent agency, has lost a contract to advise three US regional telecoms company, Ameritech, BellSouth and SBC, on the development of interactive TV services following the departure of its chairman, Michael Ovitz, who has become the Hollywood studio Walt Disney's number two top manager.

ASIA AND PACIFIC

APPLICATIONS

Japan's national telecoms operator Nippon Telegraph and Telephone (NTT), the Japanese electronics group Sony and the US telecoms giant AT&T have agreed to set up a joint venture, NTT Future Agent Network (NTT FAN), that will launch in January 1996 on-line PC service in Japan. The service will initially work as a trial.

NTT FAN, which will be worth 4.5 million Ecus, will be owned 44% by NTT, 28% by Sony and 28% by AT&T. It will allow subscribers to exchange multimedia information and access services such as economic information and on-line video games.

LEGISLATION AND POLICIES

The Japanese Consultative Telecoms High Council has recommended that the government splits the national telecoms operator Nippon Telegraph and Telephone (NTT) into five independent companies next year.

TECHNOLOGY

Japan's leading electronics companies are racing to take a lead in the development of flat plasma television screens that can be hung on a wall, a technology that is expected to eventually replace conventional cathode-ray tube TV screens.

Fujitsu, Sony, NEC and Matsushita have all unveiled plasma screens whose size ranges from 66 to 150 cm as well as investment plans to launch mass production in 1996. Initial cost would be around 4,000 Ecus but could fall to 1,500 Ecus by the year 2000.

A main advantage of flat screens is that they save a lot of space, a crucial selling argument in countries like Japan where housing costs are extremely high.

LATIN AMERICA

LEGISLATION AND POLICIES

Avantel, a joint venture between the second largest US long distance operator MCI and the Mexican financial group Grupo Financiero Banamex-Accival, was awarded Mexico's first license to compete in the country's \$4 billion worth long distance market.

Other ventures lead by the US telecoms groups AT&T, Bell Atlantic, GTE and Sprint are also expected to be awarded long distance licenses in the coming weeks.

The monopoly of the national telecoms operator Telefonos de Mexico (Telmex) over long distance calls will be abolished on January 1, 1997.

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