

EDITORIAL

Commercial on-line services are booming

Already well established in the United States, commercial on-line PC services are now mushrooming in Europe with the launch of at least 10 of them before the end of 1995.

So far CompuServe and Delphi, which crossed the Atlantic respectively in 1990 and 1994, were the only available on-line services with about 250,000 subscribers. One shouldn't forget the Minitel which, with 7 million terminals and an offer of 25,000 different services, makes France the world's leader in on-line commerce.

Of the new on-line services, a majority are being specifically developed for the European market, including Italia OnLine (Olivetti), Europe OnLine (Burda, Hachette, Pearson and AT&T), UK OnLine, Telekom OnLine (Deutsche Telekom), Vnet (Virgin) and Infonie (Infograme Entertainment).

The service jointly operated by Bertelsmann and America OnLine (AOL) as well as Ziff Interactive (AT&T) would be extensions of the US services. As for The Microsoft Network (MSN) and eWorld (Apple), they were designed for the global market.

What is striking about these services are their similarities. They all emphasise the importance of local languages and content, and proposed services are very much alike: chat, news, weather, sports, games, special interest magazines and product catalogues.

As for US commercial on-line services, their launch goes back as far as the late 70s and early 80s: 1979 for Compuserve; 1984 for Prodigy and Delphi (News International); 1985 for AOL and GENie (General Electric); 1994 for eWorld; and 1995 for Ziff.

Only three however are in the top league: AOL with 3 million subscribers, Compuserve with 2.1 million and Prodigy with 1.2 million. The others have less than 200,000 users. But MSN, which could have two million subscribers in 1996, is a serious contender.

In spite of their initial success, the lack of security for commercial transactions still remains an obstacle to the development of commercial on-line services.

Furthermore, their long-term viability is questioned by the explosion of the Internet's multimedia section, the World Wide Web. In fact, according to a report of the US consultancy Forrester Research, the supremacy of commercial on-line services over the Web will not last beyond the end of the century.

Aware of the risk, on-line firms are trying to harness the Web phenomenon rather than allowing it to erode their markets by offering Web access through user-friendly interfaces.

Yet Forrester believes that the growth of commercial services, which had 4.7 million subscribers in 1994 compared to 2 million for the Web in the United States, will reach a 10 million-subscriber pick in 1997 and then start to decline, while the Web would take over. By the year 2000, there would be about 29 million on-line service users in the USA, including less than 7 million for commercial services and next to 22 million for the Web.

EUROPE

Trends: Telecoms liberalisation is gaining momentum in Europe with the Italian government's plans to liberalise alternative infrastructures by 1996 (as would be required by a draft legislation the Commission said it will adopt before year-end), the Dutch government's decision to privatise a further part of KPN, the launch of new mobile services in Spain and The Netherlands, and AT&T's plans to offer telecoms services in the UK. Meanwhile, the Hermes pan-European infrastructure project is taking shape.

INFRASTRUCTURE

Hermes Europe Raitel, a pan-European fibre optic infrastructure project launched in January 1995 by Hitrail, which comprises 11 European railway companies and the US telecoms group Global Telesystems Group (GTS), is gaining momentum with the consortium's decision to pick France's Alcatel as project manager.

Alcatel, the world's largest equipment manufacturer, has won a 200 million Ecus worth four-year contract to supply equipment and fibre optic cable for the planned 22,000 km-long network which will interconnect 55 European cities by mid-1999.

Hitrail and GTS, which respectively own 77% and 33% of Hermes, plan to invest 500 million Ecus over 10 years. An initial service will start in mid-1996.

LEGISLATION AND POLICIES

The Italian government has drafted legislation to liberalise alternative infrastructures by January 1, 1996 and fix clear rules of the game in the telecoms sector.

The new legislation would in particular forbid the national telecoms operator Telecom Italia from using or purchasing cable networks built by other public utilities, as well as entering the television market until effective competition is introduced.

The Dutch government has said it will sell off a second part of the national telecoms operator Koninklijke PTT Nederland (KPN) by mid-October 1995.

In June 1994, The Netherlands privatised an initial 30% of KPN. The second flotation will reduce the state's share to a minority stake. But the Dutch government does not intend to reduce its stake to less than one third before 2004.

The European Commission has blocked Holland Media Groep (HMG), a planned Dutch media merger, on grounds that it would have a dominant position in The Netherlands' television distribution, advertising and programme production markets. The Commission said however that it would welcome a revised offer.

HMG comprises the TV broadcasters Veronica and RTL, which is owned by the European media group CLT and the Dutch publisher VNU, as well as Endemol Entertainment Holding, the leading Dutch producer of TV programmes.

The European Commission has said it hasn't reviewed Albacom, an Italian telecoms joint venture set up by the Italian bank Banca Nazionale del Lavoro (BNL) and the British operator BT, because the venture's turnover doesn't reach the 250 million Ecus ceiling that triggers a Commission investigation.

MARKET AND COMPANIES

The US telecoms giant AT&T said it will launch in 1996 a nationwide telecoms service in Britain in competition with the former telecoms monopoly BT. A corporate service would be launched in January 1996 and a residential service in the second quarter of 1996.

Libertel, a Dutch mobile phone consortium, has launched The Netherlands' second digital GSM network in competition with that of the former national telecoms monopoly Koninklijke PTT Nederland (KPN).

Libertel, which is 52% owned by the Dutch bank Internationale Nederlanden Groep and 35% by the British telecoms group Vodaphone, will invest about 500 million Ecus in network development by 2000 and plans to capture 50% of new Dutch mobile users.

Airtel, a consortium comprising Spanish banks, the US cellular group AirTouch and the British operator BT, has launched a mobile cellular GSM network in Spain that will compete with the mobile system of the national telecoms operator Telefonica.

The German and European media giants Bertelsmann and CLT have engaged in a major battle for the control of RTL, Germany's leading private TV channel.

The dispute was triggered by two events: first Bertelsmann's decision in July to raise its stake in RTL to 39.1% from 37.1%; secondly the recent decision of the newspaper publisher WAZ Gruppe to raise its stake in RTL from 10% to 11%.

Since Bertelsmann and WAZ will merge their TV assets in January 1998, the move would give them a 50.1% majority stake in RTL. CLT, which set up RTL in 1983 and owns the remaining 47.9% opposes the move and has decided to sue Bertelsmann-WAZ.

NORTH AMERICA

Trends: The decisions by PacTel to downgrade its info-superhighway project and three Baby Bells to enter the TV market via a one-way technology reflect persistent caution over the future of interactive TV, particularly in regard of the huge required investment. Meanwhile, leading US firms launched IBEX, an on-line business service.

INFRASTRUCTURE

The US regional telecoms company Pacific Telesis (PacTel) has down-scaled its plans to build a fibre optic network throughout California. PacTel, which originally planned to wire up 1.5 million homes in 1997 and 5 million by 2000, now expects to reach only 1 million homes in 1997 and 3 million by 2000. PacTel will carry out its plans in the San Francisco Bay area and postpone similar plans in the Los Angeles and Orange counties.

MULTIMEDIA APPLICATIONS AND PRODUCTS

A group of leading US multinational companies, AT&T, Dun & Bradstreet, General Electric and the US Chamber of Commerce, have announced the launch in 1995 of International Business Exchange (IBEX), a global on-line service available over the Internet that will allow companies around the world to do business on-line. (More)

IBEX, which will be supported by other leading groups, including Chase Manhattan, Digital Equipment and Viacom, would enable corporate users to negotiate contracts, contact suppliers, make and receive bids and organise the supply of goods

and services.

LEGISLATION AND POLICIES

MCI, the second largest US long distance operator, said it would bid for a federal direct-broadcast satellite (DBS) license to launch a nationwide video service by year-end.

But the US Federal Communications Commission hasn't yet decided whether it will auction the license or sell it directly to Primestar, a consortium of nine cable operators.

MARKET AND COMPANIES

Tele-TV Systems, the television subsidiary of the US regional telecoms companies Nynex, Pacific Telesis and Bell Atlantic, said it will launch a new wireless television service that will offer 120 channels to customers via a TV set-top box.

Tele-TV, which has currently 41,000 wireless TV subscribers, intends to reach three million customers. It has thus signed a \$1 billion worth contract with France's Thomson for the delivery of three million set-top boxes between next summer and 1999.

While the offer of 120 channels is superior to the service offered by cable operators, the wireless technology could be rapidly outdated since it provides poor interactivity. However, it could prove a fast track for the Baby Bells to enter the lucrative TV business.

Skytel, the paging unit of America's Mobile Communications Technologies, has launched a new two-way paging service covering the top 50 US metropolitan areas, that will allow users to receive and send messages. While pagers have so far been limited to the reception of messages, the new technology could boost the number of US pager users. Rival paging companies are expected to launch similar services in the coming months.

America's Netscape Communications, the leading supplier of Internet navigation software, has agreed to spend \$109 million on buying Collabra Software, a small US firm that specialises in software that allows PC users to do collaborative work on-line. Netscape will incorporate the software into the next generation of its Internet Navigator.

MCI, the second largest US long distance operator, has agreed to spend \$1 billion on buying Canada's SHL Systemhouse, a provider of computer network management services. MCI said the move will allow it to provide a full range of communications services that will meet the growing demand of businesses and government.

TECHNOLOGY

Microsoft, the world leader in PC software, and Netscape, the world's largest supplier of navigational software for the Internet, have unveiled rival technologies to ensure the security of financial transaction on the Internet, thus risking to trigger a standard war.

Netscape's encryption technology, Secure Courier, was jointly developed with the credit card giant MasterCard, while Microsoft teamed up with rival Visa International to develop its Secure Transaction Technology (STT). Last June, Visa and MasterCard said they would jointly develop a system to guarantee the security of on-line payments.

ASIA AND PACIFIC

MARKET AND COMPANIES

The Japanese electronics group Hitachi and the US software firm Oracle have agreed to jointly develop interactive TV systems, including video servers and set-top boxes. It is the most ambitious effort so far to commercialise interactive TV systems in Japan.

Bharti Cellular, a consortium which comprises India's Bharti Telecom, Britain's Mobile Systems International, France's CGE and Mauritius' Entel, has launched New Delhi's first cellular mobile phone service.

LATIN AMERICA

LEGISLATION AND POLICIES

The Italian telecoms company STET has won a 480 million Ecus worth bid to purchase a 50% stake in the Bolivian national telecoms company Entel Bolivia.

Entel has a monopoly over domestic and international services until 2001, runs one of the country's two cellular systems and has cable TV and paging assets.

STET already has stakes in telecoms companies in neighbouring Chile and Argentina.

AFRICA

MULTIMEDIA APPLICATIONS AND PRODUCTS

Orstom, the French institute for development cooperation, has unveiled InterAfrique, a programme that aims at overcoming the lack of access to the Internet in Africa and the consequent isolation of its research community. It will be carried out in collaboration with the UN Institute for Training and Research and the International Telecoms Union.

It will contribute to creating conditions favourable to the development of the Internet and the creation of an initial demand in Africa through the training of technicians, the supply of equipment and the installation of specialised telecoms lines. InterAfrique will also set up "virtual" Internet sites reproducing some of its most interesting scientific servers.

So far, only Algeria, Egypt, South Africa, Tunisia and Zambia have direct access to the Internet while many other African countries can only use the E-mail facility. Another 15 African countries have no access at all to the Internet.

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