

Information Society Trends

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EUROPE

Trends: A key event during the summer was the EU's growing concern regarding the US approach to implementing its WTO commitments. At pan-European level, the period was marked by the Bonn Conference. At national level, France is in the spotlight with new privatisation plans for France Télécom and the launch of an information society strategy. As regards market developments, the focus is on Italy with three major ventures: Mannesmann-Olivetti, ENI-Albacom and Canal+-RAI-STET-Mediaset.

LEGISLATION AND POLICIES

The European Union (EU) has urged the US government to reconsider draft rules to implement the recent World Trade Organisation (WTO) accord on the global liberalisation of basic telecoms services as they may breach WTO rules. Otherwise, the EU said it reserves its right to challenge the draft rules in the WTO.

At stake is the compatibility of two US Federal Communications Commission Notes of Proposed Rule-Making (NPRM) respectively on foreign participation in the US telecoms market and on international satellite services. They aim to implement some US commitments under the WTO General Agreement on Trade in Services (GATS).

As regards foreign participation, although the EU welcomed the US initiative to eliminate the Effective Competitive Opportunities (ECO) test for access to international telecoms services in the USA, it expressed concerns over the maintenance of the broad and unclear "public interest" and "very high risk to competition" concepts, as well as the assumption that different safeguards are needed for US telecoms operators affiliated with foreign carriers which have market power in destination countries or which do not face international facilities-based competition in the destination market.

As regards satellites, the EU is concerned that the maintenance of the ECO test of reciprocal nature for one-way satellite transmission could enable the USA to deny access of foreign operators to direct-to-home, digital broadcast and digital audio services. Concerns over the "public interest" and "very high risk" concepts also apply here.

The European Commission has adopted a Recommendation to European Union Member States and issuers of electronic payment instruments setting out minimum transparency, responsibility and customer redress requirements applicable to electronic payment instruments and electronic money products. The Commission said it will review the situation at the end of 1998 and replace the recommendation with a more binding instruments if the recommendation's implementation is not satisfactory.

The European Commission has authorised the concentration by which the Italian national telecoms operator STET and the Spanish electricity utilities Endesa and Union Fenosa would acquire joint control of Retevisión, Spain's second telecoms operator, as a result of the public competition for the privatisation of 60% of Retevisión.

The European Commission has cleared the creation by the German national telecoms operator Deutsche Telekom and the German vehicle and aerospace group Daimler Benz of a joint venture, Telematik GmbH, that would combine the two groups' activities in the area of traffic telematic services as it doesn't threaten competition in this market.

A pan-European Ministerial Conference on Global Information Networks held in Bonn in July agreed on principles for a rapid growth of information networks in Europe.

The conference, which was organised by the European Union (EU), was attended by ministers from 29 countries, including the EU, the European Free Trade Area (EFTA), Central and Eastern Europe, the USA, Russia, Japan and Canada, as well as representatives from industry, users and international organisations.

A Ministerial Declaration identified a number of key issues, including: the driving role of the private sector; the availability of capital for start-ups and small and medium-sized businesses; the principle of non-discriminatory taxes on the use of global networks; the use of networks in public services such as education, health care, the environment and electronic democracy; the respect of privacy rights; the availability of strong encryption technology and digital signatures; rules of responsibility for content; police and judicial cooperation to fight against illegal and harmful on-line content.

Ministers also agreed to make full use of multilateral fora to strengthen international cooperation, in particular within the Council of Europe, the OECD and WTO.

An Industry Statement emphasised the leading role of governments in creating an appropriate and stimulating business environment based on a global regulatory framework and in bringing the benefits of the information society to classrooms through ambitious national plans, as well as the key role of industry in setting global standards.

A User Statement stressed that people's readiness to accept the information society depends on whether they feel that their needs and interests are taken into account and met. This concerns in particular: the universal service concept; information protection through encryption, the respect of existing data protection principles and secure transmissions; employability through training; and redress and complaint systems.

The French government said it would privatise a 20% stake expected to be worth 4.5 to 6 billion Ecu of the national telecoms operator France Télécom in October 1997. An additional 3% to 4% stake would be reserved for France Télécom employees.

The move would end a period of uncertainty regarding the status of France Télécom following the election, in May 1997, of a new Socialist government in France, which decided to put on hold the planned privatisation of about 40% of France Télécom.

The proceeds of the sell-off would be used to recapitalise state-owned firms, in particular Thomson Multimedia, which would receive about 1.7 billion Ecu.

The flotation would be followed by the sale of a further 7% to 8% which would allow France Télécom to swap stakes with the German national telecoms operator Deutsche Telekom, a move that would cement the two partners' alliance.

The two groups have established a global telecoms joint venture, Global One, together with the US long-distance operator, Sprint, in which they each own a 5% stake.

Separately, French Prime Minister Lionel Jospin outlined the broad lines of a nationwide action plan to take France into the information society. Its precise modalities are to be defined before the end of the autumn, following a period of public consultation.

The action plan would rest on six priorities: education and training; French culture; secure electronic commerce; small and medium-sized businesses in the information and communications technologies sector; on-line provision of public services; a protective regulatory framework at national and global level.

The Spanish government said it would sell to the national telecoms operator Telefonica the 24% stake it still owns in the operator's international unit, Tisa.

The move, which follows by a few months the full privatisation of Telefonica, would give the operator full control over Tisa, which has strong operations in Latin America.

The Danish incumbent telecoms operator Tele Danmark said it would spend about 1.9 billion Ecu on buying about 30% of its capital still held by the Danish state.

The move, which requires parliamentary approval, would follow an initial privatisation of 51% of Tele Danmark back in 1994.

The Swiss Federal Office for Communications has awarded licenses to two telecoms companies, America's WorldCom and Britain's Colt Telecoms, to build a high-speed telecoms network in the city of Zurich and to offer corporate services.

MARKET AND COMPANIES

The German industrial and telecoms group Mannesmann said it has agreed to buy a 49.9% stake in Olivetti Mobile

Telephony Services Holdings (OMTS), a telecoms holding company recently created by the former Italian computer giant Olivetti.

Mannesmann would acquire an initial 25% of OMTS worth 560 million Ecu before the end of the year, and a further 24.9% worth 660 million Ecu before March 2000.

Olivetti is due to shortly transfer all its telecoms assets to OMTS, including its 25.5% stake in the cellular operator Omnitel Pronto Italia (OPI), in which Mannesmann also owns a stake, and its 67% stake in the fixed network operator Infostrada.

The two companies also agreed that all their future investments and initiatives in the Italian telecoms market would be realised through OMTS.

Omnitel's other major shareholders are the US telecoms groups Bell Atlantic and AirTouch. As for Infostrada, it is currently owned 33% by Bell Atlantic, but the French telecoms operator France Télécom is due to take a 49% stake.

The Italian public energy utility ENI has agreed to buy a 35% stake worth 89 million Ecu in Albacom, a telecoms joint venture between the UK operator BT, the Italian bank Banca Nazionale del Lavoro (BNL) and the Italian media group Mediaset.

As a result, Albacom would enjoy the use of the 10,000 km nationwide private network of ENI's natural gas unit, which include 4,000 km of fibre optics. As regards shareholding, Mediaset's stake would fall to 19.5% from 30% and BT-BNL's joint stake through the holding company Albacom Finanziaria to 45.5% from 70%.

The move would strengthen Albacom in view of the 1998 telecoms liberalisation against its competitors, Telecom Italia, Infostrada and Enel-Deutsche Telekom.

Canal+, the leading French pay-TV group, has signed a preliminary accord with three leading Italian telecoms and media groups, STET, RAI and Mediaset, to jointly set up a single platform for digital TV in Italy which would be open to third parties.

The move would lift uncertainty regarding the emergence of rival digital TV platforms, including on one side STET-RAI, which recently agreed to set up a digital TV joint venture owned respectively 80% and 20%, and on the other side the leading pay-TV channel Telepiu, which is 90% owned by Canal+ and 10% by Mediaset.

The move would represent a further strengthening of Canal+'s European digital TV operations following the launch of a digital TV platform in France and Spain. Details of the accord are due to be finalised by the end of September 1997.

Spain's incumbent telecoms operator Telefonica has said it would take a 25% stake in the Spanish private TV channel Antena 3. The move is likely to add further confusion in the Spanish digital TV market as the two companies belong to rival digital TV alliances.

Telefonica is a partner in DTS alongside the Spanish public broadcaster Television Espanola (TVE) and the Mexican TV group Grupo Televisa. As for Antena 3, it has a 15% stake in Canal Satellite, which is led by Europe's largest pay-TV group, France's Canal+, and the Spanish media giant Grupo Prisa.

NORTH AMERICA

Trends: North-American news are dominated by two major events: WorldCom's purchase of Compuserve and Microsoft's rescue of Apple.

MARKET AND COMPANIES

WorldCom, the fourth largest US long-distance operator, said it has agreed to spend \$1.2 billion on buying the world's second largest commercial on-line service, Compuserve, from its parent company, America's H&R Block.

While WorldCom would retain the Compuserve Network Services (CNS) division, which provides networking to 1,200 corporate clients, it would transfer Compuserve's 2.6 million subscribers to America OnLine (AOL), the world's leading on-line service.

In exchange, AOL would transfer to WorldCom its high-speed Internet access division, Advanced Network and Services (ANS), and receive an extra \$175 million. WorldCom would also become AOL's largest network services provider for five years.

The move would mark a major consolidation of the Internet access market, with WorldCom emerging as a major player together with companies such as MCI and GTE.

Indeed, CNS and ANS would come on top of UUNet Technologies, a leading US and UK provider of corporate Internet access. UUNet, in which the US PC software giant Microsoft has a 15% stake, already provide networking for the on-line service Microsoft Network (MSN). WorldCom acquired UUNet in 1996 when it agreed to spend \$12.4 billion on purchasing MFS Communications, a US corporate services provider.

The move would also mark a major consolidation of the on-line market, with AOL expanding its subscription basis to close to 13 million, or roughly six times the size of its main competitor, MSN, including over half of the US market.

In Europe, AOL's partner, the German media giant Bertelsmann, would have to pay \$75 million to secure its 50% stake in AOL's pan-European on-line operations.

The US Department of Justice said it has initiated a review of the venture.

The US computer group Digital Equipment has unveiled plans to offer a complete solution for Internet-based electronic commerce, the virtualStore Program, in collaboration with the US PC software giant Microsoft, the US financial institution Wells Fargo and the US specialist in electronic payment systems VeriFone.

Digital would provide hardware, software and services to establish a secure and effective on-line retail store, including a server running the Microsoft Storefront software, and Wells Fargo credit card clearing services based on VeriFone software.

Microsoft, the US PC software giant, has agreed to inject \$150 million into arch-rival Apple, which amounts to about 5% its capital, in exchange of what Apple agreed to incorporate Microsoft's Internet browser, Explorer, in its operating system.

The move seems to be part of Microsoft's strategy to substitute Explorer to Netscape's Navigator, which has currently an 80% market share, as the leading browser.

Microsoft hopes to achieve that on the basis of its leadership in operating systems (MS/DOS) and user interfaces (Windows), as it did in the past in the office application market. It also intends to include Explorer in the next versions of Windows.

A large diffusion of Explorer would also help Microsoft in its attempt to impose its Explorer in-built encryption technology for secure on-line payments, Krypto-Application Programme Interface (KAPI), as a de facto market standard.

ASIA AND PACIFIC

TECHNOLOGY

The Japanese electronics groups Hitachi, Fujitsu and NEC have unveiled a platform for secure on-line transactions, the Banking Transaction Protocol, which would allow users to check account balances, wire money and make payments over the Internet.

The protocol, which was approved by 11 major Japanese banks, was prepared by the Secure Electronic Commerce Environment (SECE) Study Group, which was set in 1996 by the three partners to develop a common platform for electronic commerce

The SECE platform would be compatible with the Secure Electronic Transactions (SET), a secure on-line payment system developed by the US credit card giants Visa and MasterCard but it would cater for the specific needs of the Japanese market.

NEC, Hitachi and Fujitsu also said they plan to set up before the end of the year a joint venture with leading banks and credit card groups to market the software and services.

WORLD-WIDE

TECHNOLOGY

The Dutch and Japanese electronics giants Philips and Sony have said would develop DVD-RAMs, digital video disks that can be recorded several times, based on different technical specifications than the ones endorsed earlier this year by the DVD Forum, a group of 11 leading electronics and computer companies to which they belong.

The move risks reviving the standard war which raged for months until the DVD Forum managed to struck a compromise deal between the rival technologies of, on one side, Philips and Sony, and on the other, Toshiba and Matsushita.

Hewlett-Packard (H-P) said it would support Philips and Sony. The other DVD Forum members are Hitachi, JVC, Mitsubishi, Pioneer, Thomson Multimedia and Time Warner.

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