

Information Society Trends

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EUROPE

Trends: Utilities' private networks remain a key target of new entrants, as is illustrated by two new ventures: France Télécom-Deutsche Telekom/Energis in the UK, and Infostrada/Ferrovie dello Stato in Italy. Meanwhile, consolidation is speeding up in the Internet access market with two significant buys: Oléane by France Télécom, and EUnet by Qwest. The latter also illustrates the growing role of US players in this market.

INFRASTRUCTURE

The French and German incumbents telecoms operators France Télécom and Deutsche Telekom said they have agreed with the UK telecoms group Energis to set a joint venture, Metroholdings. The new company would specialise in the development of broadband networks in UK cities, beginning with London, Birmingham and Manchester, to offer corporate services. It would be owned 50% by Energis and 25% by each of the two other partners. The move would also give France Télécom and Deutsche Telekom access to Energis' existing telecoms network, which is based on the nationwide electricity infrastructure of the National Grid, which owns a majority stake in Energis. But the partners would follow separate strategies. France Télécom and Deutsche Telekom for instance would use Metroholdings to increase the market reach of Global One, the global telecoms venture they jointly own with America's Sprint.

The Italian private telecoms operator Infostrada, a joint venture between Germany's Mannesmann and the former Italian computer giant Olivetti, said it has agreed to spend 386 million Ecu over 14 years on purchasing the nationwide private telecoms infrastructure of the Italian national railway company, Ferrovie dello Stato (FS). Infostrada plans to route more than 90% of its Italian traffic over FS' network by the year 2000, thus allowing it to cut the cost of leasing lines from the incumbent operator Telecom Italia by 50% to 60%. Competing operators are already enjoying the use of private networks: Wind, a company set up by France Télécom and Deutsche Telekom, has joined forces with the electricity utility Enel; as for Albacom, which was created by BT, BNL and Mediaset, it has teamed up with the oil and gas company Eni.

MULTIMEDIA SERVICES AND PRODUCTS

The French pay-TV giant Canal+ has launched a trial of high-speed Internet access over the digital TV set-top box with 200 subscribers to its digital satellite broadcasting (DSB) service CanalSatellite. Commercial roll-out is planned in the fall of 1998. This would also include home-shopping services, for which customers would be able to pay by inserting their credit card in the

set-top box. CanalSatellite's new digital channels would also be linked to interactive services. The travel channel Voyage, for instance, would provide access to an airline booking service from July 1998.

MARKET AND COMPANIES

The incumbent French telecoms operator France Télécom has agreed to buy a 67% stake in Oléane, a leading French Internet service provider (ISP) for corporations. The venture would strengthen France Télécom's Internet operations. The move would also amplify the consolidation of the French Internet market. Another major player is Cégétel, France's largest private telecoms operator, which has recently agreed to merge its French Internet activities with those of the French pay-TV giant Canal+ and America OnLine (AOL), the world's largest commercial on-line service, and its partner, the German media giant Bertelsmann. As for the US operator WorldCom, it purchased 100% of Internet-Way, the third-largest French ISP, back in 1997, and also has a 20% stake in Oléane.

The US long distance operator Qwest Communications International said it would spend 133 million Ecu on buying EUnet, a leading European Internet service provider (ISP) which serves 60,000 primarily business customers in Europe. EUnet has extensive operations in 13 European countries: Austria, Belgium, the Czech Republic, Estonia, Finland, France, Luxembourg, Norway, Portugal, Romania, Spain, Sweden and Switzerland. Qwest would also finance the purchase by EUnet of a 50% stake in the German ISP X-Link. The move would give Qwest a strong foothold in Europe. It would also reinforce the penetration of US companies into the European on-line market alongside giants such as WorldCom and America OnLine (AOL).

LEGISLATION AND POLICIES

The European Commission has decided to clear Nor.Web, a joint venture between Norweb, a subsidiary of the UK water and energy utility United Utilities and the Canadian telecoms group Northern Telecom (Nortel), specialised in the development, manufacturing and marketing of a new telecoms technology, Direct Power Link (DPL). DPL allows for high-speed Internet access over electric power lines. The technology, which was unveiled in 1997, only works for data transmitted in packets, which is typical of the Internet, but not with a continued stream of data, such as phone calls. As much as 10 electricity utilities from all over the world, including Germany, Sweden and Singapore, have already agreed to test DPL, and another 40 have expressed interest.

The European Commission has adopted a Notice on the application of competition rules to access agreements in the telecoms sector which aim to provide telecoms companies and national regulatory and competition authorities with guidance on the

Commission's approach in three areas: access principles stemming from European Union competition law; relationship between competition law and sector-specific harmonisation legislation; and how competition rules will be applied in a consistent way.

The European Commission and the Danish government are jointly organising a European Expert Hearing on cryptography in Copenhagen on 23-24 April 1998. The aim of the hearing is to clarify specific questions on the development and use of digital signatures and encryption and thereby to provide a basis for political decision-making. The hearing is a follow-up to the Communication on digital signatures and encryption.

The German Telecoms Regulatory Authority has ruled that the incumbent operator Deutsche Telekom cannot charge customers for keeping their telephone number when switching to a rival carrier. Telekom has also decided to cut the fees it wanted to charge unfaithful customers as they faced almost certain rejection from the telecoms watchdog.

The Turkish government has approved plans to sell-off up to 49% of the national telecoms operator Turk Telecom, probably in the last quarter of 1998. A 20% stake would go to a strategic investor involving both a domestic firm and a foreign carrier, 14% would be sold in a domestic and foreign equity offering, 5% would go to company employees and the remaining 10% to the Turkish postal service. In early 1997, the Turkish Constitutional Court gave its green light to government privatisation plans.

SOCIAL, SOCIETAL AND CULTURAL

The French government has approved plans by the incumbent French telecoms operator France Télécom to provide French schools with preferential communications tariffs for Internet access over the next three years. Under the scheme, schools anywhere in France would be charged a annual flat rate for almost unlimited Internet use. The fee would depend upon the amount of connected PCs.

The UK telecoms and cable TV group Cable and Wireless Communications (CWC) has announced that it would axe 12% of its workforce or 1,500 jobs out of 13,000. The move is aimed at cutting redundancies following the merger of Mercury with the cable operators Bell Cablemedia, Nynex CableComms and Videotron.

NORTH AMERICA

Trends: Sun's Java platform is likely to get a major boost following the decision by IBM and Sun to jointly develop a Java-based operating system for network computers, and a federal judge decision that bars Microsoft to use the Java logo. As for Netscape, it took a major step to strike back at Microsoft by releasing for free the source code of its Internet browser. Meanwhile, the US telecoms industry is undergoing further consolidation with a new merger between Qwest and LCI. Finally, the FCC endorsed the industry's voluntary TV rating system and adopted technical requirements for the V-chip.

MULTIMEDIA SERVICES AND PRODUCTS

The world's leading commercial on-line service America OnLine (AOL) said it would launch a high-speed data transmission using the DSL technology, which allows for high-speed data transmission over regular phone lines for multimedia applications, in collaboration with the US regional telecoms operator GTE.

MARKET AND COMPANIES

The US long distance operators Qwest Communications International and LCI International said they have agreed to a \$4.4 billion worth full merger under Qwest's control, that would create the fourth largest US long-distance operator after AT&T, MCI-WorldCom and Sprint, with revenues of \$2.3 billion and a 3% market share.

The US computer groups IBM and Sun Microsystems have agreed to join forces to develop JavaOS for Business software, a new operating system for network computing on the Java platform. The software would be released to manufacturers by mid-1998. IBM said it plans to initially offer JavaOS for Business on its high-end network computers. As for Sun, it intends to migrate users of the JavaStation products to the new JavaOS in the course of 1999. The move marks the first time the two rivals agree to team up to develop a common product. It is also likely to reinforce Sun in its strive to impose Java as an industry standard. Java, a programming language which allows any kinds of terminals to easily work together, poses a threat to conventional operating systems such as arch rival Microsoft's Windows, which it could replace in the on-line environment.

LEGISLATION AND POLICIES

The US Federal Communications Commission (FCC) has adopted an Order finding acceptable the video programming rating system currently in voluntary use, the "TV Parental Guidelines," which were designed by the National Association of Broadcasters (NAB), the National Cable TV Association (NCTA) and the Motion Picture Association of America

(MPAA). The FCC also adopted technical requirements for TV sets with picture screens of 33 centimetres or more to allow to block unwanted video programming. The so-called "V-chip" technology will be introduced in two phases: manufacturers will equip half their models by 1 January 1999 and all of them by 1 January 2000. These two actions fulfil the requirements of the 1996 US Telecoms Act.

A US Federal Judge in San Jose, California, has ruled that the US PC software giant Microsoft cannot use the Java logo of rival Sun Microsystems in any software package or Web sites. The ruling is based on the fact that Microsoft's version of the Java programming language differs slightly from the original. The copyright issue settled by the San Jose judge is only a first skirmish in the Sun-Microsoft legal battle. It follows a suit for alleged breach of contract filed by Sun against Microsoft in late 1997. Sun claimed that Microsoft breached its licensing obligations by reducing the interoperability of the Java software embodied in its Explorer 4.0 browser and inserting secret programmes that slow down Java on computers that do not run its Windows operating system. Microsoft replied by counter-suing Sun for breach of contract and unfair dealing.

TECHNOLOGY

Netscape Communications, the world's leader in Internet browsers, has put into the public domain the so-called "source code," or fundamental programming instructions, of its new Communicator 5.0 browser. The move is targeted at the world's developer community, with the aim of incorporating their best enhancement into the future commercial versions of Netscape's software. The decision is part of Netscape's strategy to fight back against arch-rival Microsoft, which has rapidly eroded Netscape's market share by giving away for free its own browser, Explorer. As a first step, Netscape decided in January 1998 to also offer its Communicator for free. By releasing the source code, Netscape aims at using developers as a leverage to boost the development of the Communicator. This is vital to Netscape's survival, as the market penetration of the Communicator determines the company's ability to sell its suite of corporate Web servers and network products and software.

ASIA AND PACIFIC

Trends: Infrastructures top the news in Japan with a government-led airship based project, Skynet, and the launch by Japan Telecom's of a wireless local loop trial.

INFRASTRUCTURE

The Japanese government has unveiled plans to develop Skynet, a nationwide wireless telecoms infrastructure based on solar-powered airships placed into the stratosphere. The network, which would cater for the growing need for wireless broadband communications, would be a cheap alternative to satellite-based communications. It would be based on an initial 20 to 30 airships and could be upgraded to a maximum of 200. Skynet, which would be operational in 2005, has received the

support of leading Japanese high-tech firms such as Hitachi, NEC and Mitsubishi.

The Japanese telecoms operator Japan Telecom (JT) said it would launch in April a trial of its wireless local loop (WiLL), a technology that would allow it to bypass the local loop of the dominant carrier Nippon Telegraph and Telephone (NTT). It would connect corporations to JT's long-distance network within a distance of 2 km of the WiLL. Commercial roll-out is planned in July 1998. NTT too is looking into a WiLL to wire up homes in isolated areas such as Hokkaido by next summer.

WORLD-WIDE

LEGISLATION AND POLICIES

The International Telecoms Union's (ITU) 2nd World Telecoms Development Conference closed with the adoption by 143 countries of the Valetta Declaration and Action Plan. The Declaration recognises that in the context of convergence and globalisation time is ripe to restructure the telecoms sector to stimulate private investment and to accelerate the expansion and modernisation of networks in developing nations. It emphasise that adequate policies must be adopted within the framework of a stable and transparent environment aimed at promoting fair competition while protecting network integrity and guaranteeing the rights of users, operators and investors. As for the Action Plan (1998-2002), it puts together six mutually reinforcing programmes of action to achieve universal access, a special programme for less-advanced nations, and a cooperation programme for governments, industry and international organisations.

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