

Information Society Trends

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EUROPE

Trends: The spotlight is on STET, which is present on all fronts: globally, through its alliance with AT&T; in Spain, where it won the Retevision bid together with Endesa; in digital TV, through its alliance with RAI. Meanwhile, as a result of the recent Kirch-Bertelsmann alliance, Canal+ withdrew from the German market and reinforced its presence in Italy through Telepiu. Also important are the smartcard alliance between IBM and Gemplus and Deutsche Telekom's decision to experiment Internet telephony.

MULTIMEDIA SERVICES AND PRODUCTS

The German national telecoms operator Deutsche Telekom (DT) said it has launched a global Internet-based telephony trial, T-NetCall, allowing some 1,000 test users in Germany, Canada, Japan and the USA to place Internet calls over regular phones.

DT is the first leading telecoms group to experiment with Internet telephony. Smaller companies such as US Global Link have announced the roll-out of such services but their plans have been delayed. The move would allow DT to test different technologies and analyse usage patterns with a view to rival potential competitors.

LEGISLATION AND POLICIES

The Spanish government has chosen the 700 million Ecu worth bid of the consortium led by the Italian telecoms group STET and the Spanish electricity utility Endesa for the purchase of 60% of the state-owned TV signal transmitter Retevision.

STET and Endesa said they would invest another 390 million Ecu for a further 10% stake in Retevision, which is to become the country's second telecoms operator in competition with the incumbent telecoms operator Telefonica.

Retevision said it plans to have a telecoms network in place in 12 major Spanish cities by December 1997, 50 cities by December 1998 and achieve nationwide coverage by the year 2000. By then, it expects to have achieved a 10% market share in

Spain.

Spanish authorities are also expected to proceed with the privatisation of a 67% stake of Endesa before the end of 1997.

The European Commission has decided to move to the second stage of formal infringement procedures against the Spanish government regarding its legislation on pay-TV and digital TV services, by sending a so-called "reasoned opinion".

The move follows Spain's incomplete and unsatisfactory response to the Commission's "letter of formal notice". Spanish authorities must inform the Commission within a month that they have removed the provisions of the law that could have potential adverse effects on the development of the digital TV market in Spain.

MARKET AND COMPANIES

The Italian telecoms operator STET and the US telecoms giant AT&T have agreed to form an alliance covering their corporate operations in Europe and Latin American.

The European part of the partnership would be cemented by STET buying a stake of up to 30%, possibly by the end of 1997, in AT&T-Unisource Communications Services, a joint venture comprising the European operations of AT&T and the European telecoms alliance Unisource, which would be left with respectively 30% and 40% stakes.

As regards the Latin American part of the alliance, STET and AT&T would set up two joint ventures, one specialised in corporate services and the other in telecoms transport services. The two groups have extensive operations in Latin America, including Bolivia, Cuba, Chile and Argentina for STET and Mexico and Venezuela for AT&T.

The move marks STET's entry in the global race to form trans-Atlantic carriers such as Concert and Global One, and raises its worldwide profile.

As for AT&T, it marks a shift of fortune following the recent decision of the Spanish telecoms operators Telefonica to withdraw from Unisource and to join forces instead with the UK and US telecoms groups BT and MCI.

The venture would allow AT&T to step back into the Spanish market, where STET has just won a bid to take a significant share in the country's second telecoms operator, Retevisión. It would also partially compensate the loss of access to the Latin American market, where Telefonica has strong operations.

The French telecoms, media and construction group Bouygues has said it would form a telecoms alliance in France with the

German industrial and telecoms group Veba.

This would further strengthen Bouygues in its strategy to rival the French incumbent operator France Télécom and its main rival Cégétel, following its 1996 decision to set up a joint venture, BS Telecom, with the Italian telecoms group STET.

Veba would take a 20% stake in BSV, a subsidiary of BS specialised in fixed telecoms services for the residential market. BS is owned 51% by STET and 49% by Bouygues.

Canal+, the leading French pay-TV group, said it agreed to exchange its 37.5% stake in the German pay-TV channel Premiere against the 45% stake owned by the German media group Kirch in the Italian pay-TV channel Telepiu, thus raising its stake to 90%.

Canal+ acquired an initial 45% stake in Telepiu back in 1996 when it bought the European TV assets of the South-African media group Nethold. The remaining 10% are owned by the Italian media group Fininvest.

The move follows the recent decision by Kirch and arch rival Bertelsmann to settle their lasting dispute in the German pay-TV market by taking joint control of Premiere. It also marks Canal+'s withdrawal from the German TV market.

Separately, Bertelsmann and Kirch reached an agreement with the German telecoms operator Deutsche Telekom (DT) to offer their digital and pay-TV channels DF1 and Premiere over DT's cable TV network, the country's largest with close to 17 million users on a total of 24 million. Under the accord, DT would operate a technology-neutral platform allowing all broadcasters to offer digital TV channels over its network.

The Italian national telecoms group STET and the Italian public broadcaster RAI have signed an agreement establishing a joint venture owned respectively 80% and 20% that will operate an open platform for digital TV in Italy.

The new company would develop a bouquet of thematic digital channels that would be distributed through Stream, STET's multimedia arm, in which RAI would take a 15% stake. The move would create competition for Italy's only pay-TV channel, Telepiu.

The US computer giant IBM and France's Gemplus, the world's leader in smartcards, have agreed to cooperate on the development and marketing of smartcard solutions.

According to the two companies, the global smartcard market could increase from currently 85 million Ecu to over 17 billion Ecu by 2000-2001 and there could be up to 2.5-3 billion smartcard users by then. Major users would include telecoms and insurance groups, banks, hotels, airlines, health care providers and governments.

NORTH AMERICA

Trends: US high-tech firms continue to pave the way for the development of new on-line services. As for President Clinton, it quickly overcame the rejection of the Decency Act by endorsing a voluntary Web site rating system to protect children.

MULTIMEDIA SERVICES AND PRODUCTS

The US computer giant IBM, the US financial publisher Dow Jones & Co. and the US financial technology group Infinity Financial Technology have agreed to join forces to launch an Internet-based stock portfolio management service for individual investors.

The service, Riskview, due to start in August, would allow users to make analyses and projections based on data supplied by Dow Jones, which owns the Wall Street Journal, thanks to the computing power of IBM and the risk calculation software of Infinity. Such services have so far been confined to institutional investors and big investment firms.

The US telecoms giant AT&T and the second-largest US computer group Hewlett-Packard (HP) said they have agreed to cooperate on the provision of integrated solutions for corporations that wish to step into electronic commerce over the Internet, including Web site design as well as secure payment and order processing systems

Microsoft, the world's leader in PC software, has agreed to licence RealAudio and RealVideo, two pieces of software developed by America's Progressive Networks, the market leader in technologies enabling the transmission over the World Wide Web of audio and video content. It would also take a minority share in Progressive Networks.

The move could accelerate the availability of audio and video content on the Internet. It also complements Microsoft's Internet content-related investments, including the purchase of WebTV Networks, which specialises in Internet broadcasting, the Web-based news service MSNBC and the treasure right buying arm Continuum Productions.

Separately, Microsoft once again decided to revamp its proprietary on-line service, Microsoft Network (MSN), by making more features available for free on the Web and moving away from TV-style services. This reflects the failure of the December 1996 overhaul, which aimed to attract more subscribers through TV-style services.

MFS-WorldCom, the fourth largest US long-distance operator, has announced the launch in the USA and the UK of a global Internet-based fax service for corporations.

The service, UUNet Fax, which would aim to cut fax bills by half, would be operated by MFS-WorldCom's Internet subsidiary, UUNet Technologies. UUNet is a leading Internet access provider in the USA and in Britain through its subsidiary Unipal Pipex.

LEGISLATION AND POLICIES

The US Department of Justice has cleared Concert, a planned merger between the leading UK telecoms operator BT and the US second largest long-distance operator MCI. The merger still needs to be approved by the US Federal Communications Commission (FCC). It has already been approved by the European Commission.

MARKET AND COMPANIES

Sprint, the third-largest US long-distance operator, said it has agreed to spend \$425 million on purchasing Paragnet, a US networking company, in a move to enter the market for corporate network installation and management.

Lucent Technologies, the former telecoms equipment manufacturing arm of the US telecoms giant AT&T, has agreed to spend \$1.8 billion on purchasing Octel Communications, a leading US supplier of voice mail systems, in a move to widen its offer of voice mail products, which represent a lucrative market.

SOCIAL, SOCIETAL AND CULTURAL

US President Clinton agreed to back a Web site rating system similar to those introduced for TV in a move to protect US youngsters against on-line pornography.

Combined with existing filtering technologies, the rating system would allow parents to ban their children access to Web sites containing inappropriate contents.

The move shortly follows the US Supreme Court's decision to outlaw provisions of the 1996 US Telecoms Act, the so called Communications Decency Act, which bans the transmission over PC networks of indecent or patently offensive material to minors, because they breach freedom of speech protected under the US Constitution.

ASIA AND PACIFIC

Trends: Liberalisation and consolidation of the telecoms sector are now firmly on the Japanese agenda as is illustrated by the planned merger between JTC and ITJ, the announced launch of domestic services by KDD as well as the MPT's plans to authorise Internet telephony and to liberalise international leased lines.

LEGISLATION AND POLICIES

The Japanese Ministry of Posts and Telecoms (MPT) would authorise in August 1997 the offer of international telephone calls over the Internet, according to the Japanese business daily Nihon Keizai Shimbun.

The move would foster fresh competition in the Japanese overseas telecoms market. It is due to be followed in December 1997 by an MPT decision authorising the connection to the public telephone networks of international leased lines used by corporations.

The private Japanese domestic and overseas telecoms operators Japan Telecom Co. (JTC) and International Telecom Japan Inc. (ITJ) have filed a 480 million Ecu worth merger application with the Japanese Ministry of Posts and Telecoms (MPT).

The merger, which is due to be completed by 1 October 1997, seems aimed at reaching a critical size to face competition by the leading domestic operator Nippon Telegraph and Telephone (NTT), which has recently been allowed to enter the overseas market, and the leading overseas telecoms operator Kokusai Denshin Denwa (KDD), which has recently been authorised to enter the domestic market.

The merged group would have a pre-tax profit of 290 million Ecu which compares to a pre-tax profit of 150 million Ecu for KDD in 1996 and of 2.6 billion Ecu for NTT.

MARKET AND COMPANIES

Japan's leading overseas telecoms operator Kokusai Denshin Denwa (KDD) said it would offer corporate domestic

long-distance services at prices 50% lower than the leading domestic operator Nippon Telegraph and Telephone (NTT) from August 1997.

The move follows the recent Japanese Diet's decision to pass legislative amendments allowing NTT and KDD to compete with each other in their respective market.

It would step up competitive pressure on NTT as other smaller Japanese long-distance operators offer telecoms services that are only 20% lower than NTT.

However, competition will remain limited until KDD substantially expands its national infrastructure. To do so, KDD agreed earlier this year to form an alliance with nine Japanese electricity utilities to interconnect its Japan Information Highway (JIH), a 700 million Ecu worth submarine optical fibre network to be developed around the Japanese archipelago by mid-1999, with the utilities' private networks. KDD is also planning an alliance with the Japanese long-distance operator DDI.

LATIN AMERICA

MARKET AND COMPANIES

The UK public broadcaster BBC and the US TV group Discovery Communications, which is 49% owned by the leading US cable operator TCI, have agreed to launch two satellite TV channels in Latin America, Animal Planet and People and Arts.

The move follows the setting up in 1996 of an alliance between the BBC and Discovery to jointly launch cable and satellite TV channels aimed at the British and global markets. The wildlife channel Animal Planet has already been launched in Europe and in the USA while People and Arts would be an entirely new venture.

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