

EDITORIAL

TCI-Bell Atlantic merger, the biggest in American history, collapses

A \$33 billion planned merger between Bell Atlantic Corp., an American regional telecoms operator and

Tele-Communications Inc. (TCI), the major US cable TV operator, collapsed on February 23.

The corporate merger, which was to be the biggest in America's history, was viewed as being a landmark event of the new

multimedia era. As such, its collapse may darken the market's vision of the future of multimedia, according to analysts.

Bell Atlantic and TCI broke the already delayed negotiations after the US Federal Communications Commission (FCC) ordered

on February 22 that cable television companies cut their prices by an average of 7%, thus making the deal a lot less attractive

for Bell Atlantic.

Bell Atlantic and TCI lashed out at the FCC's decision, saying it threw the future of the US regulatory environment for the

cable business into uncertainty.

An aggravating factor was the recent victory of the American media giant Viacom against the US cable-shopping specialist

QVC Network in the battle to take over Paramount Communications Inc., which will result in the creation of the world's

second multimedia group after Time Warner. TCI will merge with Liberty Media Inc., a cable programmer which controls 22% of QVC.

However, despite the merger's failure, Bell Atlantic and TCI do plan to collaborate in a wide range of areas and are discussing other ways, such as setting up joint ventures, to provide multimedia services. This suggests that the merger might only have been delayed.

The real intention behind Bell Atlantic and TCI's decision to end the merger talks could be to put pressure on the CLINTON-GORE Administration to accelerate the deregulation of the communications sector currently carried out by the FCC.

Indeed, the collapse of the merger is a setback for an Administration which has put the creation of a national information infrastructure, the so-called NII plan, at the top of the political agenda.

Since Washington considers that the private sector is responsible for making an estimated \$100-200 billion investment to develop the NII, it strongly supports the creation of giant communication groups which would have the financial capacity to carry out this task. A successful merger between Bell Atlantic and TCI would have been an asset for the Administration.

On the other hand, the merger's failure, by delaying the development of Bell Atlantic and TCI's electronic superhighway, may put great pressure on the Administration to accelerate a deregulation much awaited by American telecoms, cable and other communication companies to seize the multimedia opportunity.

EUROPE

INFRASTRUCTURES

The French government has asked an expert, GERARD THERY, to produce a report on the measures to be taken to develop information superhighways in France in view of a draft legislation to be presented to the French Parliament next Autumn.

The government considers that new communication technologies will have tremendous impact on the French society in terms of education, training, culture, territorial planning and access to administrations. In particular, it forecasted that growth in the communications sector will amount to 8% a year and will represent as much as 10% of the European GDP by the year 2000.

British Telecommunications (BT) said it is set to announce later this year a major network upgrading programme that would require investment of more than 7.5 billion Ecus over a decade to bring information superhighways to Britain.

BT aims to replace its backbone network with optical fibre and bring fibre technology to the home if the cost of the necessary electronics continue to fall. Currently, most of BT's local network consist of copper while its long distance network is already made of optical fibre.

However, BT's large-scale investments are unlikely to start for at least three years.

MARKET

The creation of a big French multimedia group capable of competing at world level is under way after the resignation of one of

the main opponent to this trend, ANDRE ROUSSELET, from his positions of member of the board of Havas, the leading French communication group, and president of France's cable TV Canal+ in the first half of February.

ROUSSELET, who opposed the convergence between cable and telecoms, resigned from the board of Havas just a few days before Havas and France Telecom, France's national telecoms company, concluded seven months of talks to set up an alliance.

Havas, which is already active in print media, publishing and advertising, will now benefit from the technological expertise of France Telecom to compete with foreign telecoms operators in the global market.

In addition to joining forces with France Telecom, Havas has agreed with France's Compagnie Générale des Eaux (CGE) and Société Générale to create a company to manage in common their shares of Canal+, which amount to a total of 48%, a decision that prompted ROUSSELET to quit his position with Canal+.

Havas said it is also planning to find an American partner to reinforce the international dimension of the group.

According to a study by Europe's satellite consortia Arianespace, the world satellite market will stabilise in 1994 and start falling sharply towards the end of the century.

Between 1994 and 1996, an average of 25 civilian satellites a year will be launched compared to an average of 19 between 1997 and the year 2000.

At the beginning of next century, this average will fall to 17 units a year.

The study, however, says that the market could be revitalised by the latest developments in the communications sector, in particular the passage from the analog to the digital technology as well as big projects such as Iridium.

NORTH AMERICA

INFRASTRUCTURES

Time Warner Cable, the second American cable operator, said it will invest \$5 billion in upgrading its network to carry interactive multimedia digitised information and plans to have its first information superhighways operational by the end of 1995 or early 1996.

The company said it will start a pilot experiment in Orlando, Florida this Spring to study users' needs and validate its technological choices.

Time Warner's infrastructure will be an ATM broadband network (a technology that allows the rapid and simultaneous transmission of text, sound and image) using optical communication equipment produced by AT&T. Technically, the Orlando project will combine the use of optical fibre for the backbone cable and coaxial cable to connect households.

The \$5 billion investment will have the support of Time Warner's financial partners, the American regional telecoms company US West as well as Japan's Toshiba and C-Itoh.

Ameritech, an American regional telecoms company, announced it will invest \$29 billion over the next 15 years to upgrade its network and build information superhighways.

MARKET

Microsoft, a leading American software producer, has spent \$130 million to take over Softimage, a Canadian producer of two and tri-dimensional animation software.

Hence, Microsoft, which already dominates the world market for professional personal computer software, pursues its strategy to play a leading role in the multimedia software market.

In early January, Microsoft already had joined force with Japan's video game giant Sega to develop in common a video game workstation in the hope to dominate the entertainment software market.

The software producer, which plans to spend \$100 million a year on information superhighways opportunities said it intends to further expand its operations.

TECHNOLOGY

Microsoft has presented a prototype programme called Tiger that could deliver computerised video and multimedia programming for one-tenth of the cost of rival video-server technologies by using personal computer hardware.

Other companies, such as International Business Machines Corp. (IBM), Digital Equipment Corp., Hewlett Packard Co. (HP) and Silicon Graphics Corp. instead use mainframes or super-computers.

While several competitors ridiculed the idea that PC hardware has sufficient communications and processing power to perform interactive multimedia functions, Microsoft and a few other software companies such as America's Novell Inc. argue that PC hardware has the capacity to play a major role in small, low-cost video servers.

If this technology would be inappropriate for big companies with huge and complex needs, they say it would meet the needs of SMEs and public institution, and eventually private users.

Microsoft said that Tiger is likely to be used in market trials as early as this year.

America's Cellularvision Technologies and Telecommunications (CTT) and the Netherlands' Philips Electronics are developing in common a new audio-visual technology for interactive cellular television which aims to compete with cable as the generic technology for developing information superhighways.

Called Cellularvision, this new technology broadcasts image, voice and data over the higher frequencies of the radio spectrum.

All it requires is an antenna of the size of a small box on the TV set.

CTT and Philips argue that the technology is far less expensive than optic fibre cables and that its wide-spread use could rule out the expensive cost of wiring up entire cities.

ASIA

TECHNOLOGY

The Japanese Ministry of Posts and Telecommunications (MPT) announced its intention to abandon by the summer the development of the national analog high-definition television technology MUSE and reorient its efforts towards digital HDTV.

The move follows a similar decision by the Europeans in 1993 to drop their own analog standard and join force with the Americans to develop digital HDTV technology.

Japanese companies, which have invested around 7.5 billion Ecus in MUSE were outraged by the MPT move. However, the European-American alliance forces Japan to renounce to MUSE in order to rule out falling behind its competitors in the global market.

In fact, the quality of the manufacturing equipment created to produce analog HDTV and of the work already achieved in developing MUSE should help Japanese manufacturers switch to digital HDTV.

The MPT decision also confirms Japan's commitment to develop digital multimedia activities.

MARKET

Singapore has unveiled plans to wire up almost all of its 752,000 households for interactive cable TV within four years, thus securing its role as Asia's leading information technology centre.

The national company Singapore Telecom will provide the optical fibre network at a projected cost of \$2,000 per household.

The government hopes to make available to its 2.8 million citizens a wide range of multimedia services such as video on

demand and home shopping.

One of Singapore's most ambitious multimedia project called Library 2000 aims to digitise and make available to users simultaneously some 10,000 documentaries, language lessons and other video tapes.

Foreign companies such as America's Digital Equipment, AT&T, IBM and France's Alcatel hope that Singapore will soon become a market for their video servers and sophisticated software packages.

According to the People's Daily, China will boost its investments in the telecoms sector by 34% in 1994, thus bringing the total investment to \$6.16 billion..

The newspaper said the Chinese government aims to install 12 million new lines this year to reach a total of 52 million lines.

The objective is to have 100 million lines installed by the year 2000, which would correspond to an average of 5 telephones for 100 Chinese.

The market for portable phones is expected to skyrocket in 1994 with a yearly growth of 300%.

Japan came under heavy fire of US trade representative MICKEY KANTOR who threatened Tokyo with retaliatory measures for allegedly having closed its market to Motorola Inc., the American leader in cellular phones.

The US Administration claims that the Motorola case is representative of Japan's policy towards foreign businesses who manufacture better and cheaper products: close the Japanese market until domestic companies make up their technological and competitive gap.

According to KANTOR, this policy explains for a good part Tokyo's \$60 billion trade surplus with the United States. Motorola

considers that it loses \$250 to \$300 million a year as a result of the Japan's trade practices.

INFRASTRUCTURES

The Japanese Ministry of Posts and Telecommunications (MPT) said it will support the development of optical-fibre

networks across the country starting from 1994.

Telecoms companies in Japan plan to invest around 660 million Ecus in 1994 to replace the present copper wire networks with

optical fibre.

The content of the press review doesn't necessarily reflect the European Commission's views.