

EDITORIAL

Japan lags in multimedia but is committed to catch up

For Japanese industrialists, stepping into multimedia increasingly means collaborating with American companies, which have taken the lead in the convergence of the computers, telecoms and audiovisual.

Illustrations of Japan's technological lagging include the decision by Fujitsu, Toshiba and Nippon Telegraph & Telephone (NTT) to invest in America's software company General Magic as well as the recent decision by the Japanese government to drop the national analogue high-definition TV standard MUSE and reorient its efforts towards digital HDTV already developed in the United States and Europe.

For part, this situation is a result of an over-regulated environment that has impeded the growth of communication services. Cable TV, for instance, barely exists in Japan.

Another factor is Japan's traditional weakness in software, which has enabled US companies such as Microsoft and Apple to define the way computer, communication and video technologies will merge.

As a result, it is America, and to a lesser extent Europe, that have become the hotbeds for experimenting new telematic services.

Of course, the picture isn't all that bleak. Japanese firms are strong in hardware, which allow them to build products designed by US corporations. For example, Sharp manufactures the Newton, Apple's a personal assistant.

Japanese companies also excel in components, which sales grow as multimedia develops, as well as in high-capacity telecoms switches and CD-Rom players.

But hardware alone cannot become a long-term niche since Japan has to face the increasing competitive pressure of other Asian countries such as Taiwan and South Korea, which benefit from low wages.

Japan is also leading in game software with Sega and Nintendo . But even here, Sega has recently joined forces with Microsoft to produce the next generation of game workstations. NTT as well as has just set up a multimedia alliance with Microsoft.

Well aware of the importance of multimedia activities for its long-term economic growth and competitiveness, Japan has

recently launched a counter-attack.

The Ministry of Posts and Telecommunications has announced plans to support the development of a national information infrastructure and new telematic services. The government has also recently relaxed restrictions on the cable TV industry.

On the industry front, things are moving as well. NTT and Kokusai Denshin Denwa (KDD), for instance, have announced plans to build information superhighways.

The recent collapse of the planned TCI-Bell Atlantic giant merger has shown that the electronic superhighway is still paved with obstacles and that its advent may not happen as soon as was previously thought. This could provide Japan with enough time to catch up.

EUROPE

Trends: The week was very calm in Europe with no big announcements or venture. However, the course towards the development of information superhighways and the launch of new interactive services remained steady. So did the undergoing privatisation of Europe's telecoms companies.

INFRASTRUCTURES

France Télécom, the French national telecoms company, will invest 3 to 3.8 billion Ecus a year until the end of the millennium to modernise and expand its network so that it can carry digitised interactive multimedia information and services.

By the year 2000, all big and medium-sized cities will be wired up with optical fibre and corporate users will have access to broadband networks.

TV Cabo Portugal (TVCP), a cable TV company owned by two of Portugal's state-owned telecoms operator, will invest 385 million Ecus in providing 30 TV channels to 2 million households over a optical fibre network that will eventually carry interactive multimedia information and services.

TVCP is negotiating with the Netherlands' Philips, Germany's Siemens, Italy's SIRTI and Spain's Intelcis for a network supply contract to be concluded in April.

TVCP will be opened to private investment after the privatisation of Portugal's telecoms sector due to take place by mid-1995.

APPLICATIONS

France Télécom has announced the creation of a subsidiary specialised in the study and co-ordination of multimedia projects, France Télécom Multimédia .

The French national telecoms company will also set up a multimedia orientation Committee, chaired by its president Marcel ROULET, to draw strategic orientations and build up partnerships in France and abroad.

These two steps follow the entry of France Télécom as third shareholder in the capital of France's media giant Havas . France Télécom said the alliance with Havas "is a way to play an important role in multimedia and be strengthened in programming".

Olivetti, an Italian computers group, and Redgate, an American communication company, have set up a joint venture, Redgate Olivetti Communications (ROC), to provide interactive multimedia services in Europe, a market which is expected to be worth 9 billion Ecus in 1996.

LEGISLATION

The Danish government has launched the sale of 48.3% of the state-owned national telecoms company Tele Danmark, which are expected to be worth 2.4 billion Ecus.

The net proceeds will go to the company, not to the government, which is likely to make the offer more attractive.

The Danish state will retain 51% of Tele Danmark's capital, but the company will have full operational independence.

Tele Danmark runs one of the most advanced telecoms network in Europe.

The Dutch government will probably launch next June the privatisation of 20 to 30% of the national telecoms company KPN

NORTH AMERICA

Trends: After the collapse of the TCI-Bell Atlantic merger and other business and legislative events that cast a shadow over the future of multimedia in America, the development of information superhighways rebounded this week with Al Gore's speech in Buenos Aires as well as the Gates-McCaw visionary plan for a cosmic superhighway. It remains to be seen whether these ambitious goals are more than just pie in the sky.

INFRASTRUCTURE

US vice-president Al GORE urged countries around the world to build a Global Information Infrastructure (GII) that would foster global economic growth.

"We now can at least create a planetary information network that transmits messages and images with the speed of light from the largest city to the smallest village on every continent," Mr. Gore told a UN-sponsored conference on telecoms development in Buenos Aires.

Mr. Gore believes the development of the GII will boost worldwide economic growth by hundreds of billions of dollars.

He stressed that privatisation and an open competitive environment will help create the GII. In particular, Mr. Gore said, selling off national telecoms companies will give developing countries a chance to catch up with more advanced nations in the information age.

Mr. Bill GATES and Mr. Craig McCaw, respectively chairmen of Microsoft Corp. and McCaw Cellular Communications, have unveiled plans to create by the year 2001 a \$9 billion worth satellite network providing worldwide interactive multimedia communication.

The two leading American high-tech entrepreneurs have created a joint venture, Teledesic, to manage the project and raise money. In particular, Teledesic will try to creating a broad alliance grouping manufacturers, telecoms companies and governments.

The system envisioned would consist on a fleet of 840 low-orbit satellites using very high frequency transmissions to send and receive digital multimedia signals from small receivers and antennas installed in homes and businesses.

According to Russell DAGGATT, the president of Teledesic, "The real promise of the system is to bring access for rural and remote areas of the world to the health and education services that you get in major urban centres".

Mr. McCaw is the chairman of Teledesic while Mr. Gates does not hold an executive position. He and McCaw Cellular will each own 30% of Teledesic.

While Microsoft itself is not involved in the project, the eventual sell off of McCaw Cellular to AT&T will provide the leading US long-distance operator with a major say in the venture.

APPLICATIONS

Novell, the world's leading supplier of software for PC networks, and AT&T, the largest US long distance operator, have announced the launch next in April of a new telephone-computer service, NetWare Telephony.

NetWare will enable PC users to access telephone services via their computer, thus rendering them user-friendlier. The service will also facilitate PC to PC connections, for instance for videophony.

Pacific Bell, a US regional telecoms operator, will test in California a direct digital movie distribution system using a technology developed by France's Alcatel Networks Systems, with the aim of equipping 100 cinemas by the end of the year.

Rather than making thousands of movie copies and deliver them all over the USA at a cost of \$500 million a year, the new system will allow distributors to send a digitised copy over an optical fibre network, thus allowing them to save 25% in dissemination cost.

MARKET

Novell said it will spend \$1.4 billion on buying Wordperfect Corp., the world's leader in data processing.

The deal will turn Novell into the second software company with annual revenues of \$2 billion after Microsoft, which has revenues of \$3.75 billion.

ASIA

Trends: The alliance between NTT and Microsoft is a further illustration of the Japanese reliance on US companies discussed in the Editorial. It also, once again, illustrates the striking health of Microsoft, which, through a multitude of alliances, is quickly spreading its web all over the globe.

APPLICATIONS

Nippon Telegraph and Telephone (NTT), the world's largest telecoms company, and Microsoft, the world's leading software producer, have unveiled an alliance to jointly develop multimedia services.

Their first project consists in developing distribution software on CD-Rom that will allow PC users to directly buy, retrieve and store computer programmes over NTT's network.

This on-line PC-shopping service will provide enhanced copyright protection but at the same time threaten the very survival of software retailers.

NTT and Microsoft both said they may expand their collaboration in the future. The partnership certainly gives Microsoft a strong foothold in Japan's communication sector.

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