

EDITORIAL

Death on the Hill might delay but not impede US telecoms deregulation

Legislation to overhaul America's communications legislation and adapt it to the information age will not be adopted by the end of the year as was expected, after the US Senate killed its draft bill - the Hollings Bill.

The reform aims at allowing cable operators and the local telecoms operators - the Baby Bells - to get into each other's business, Baby Bells to supply long distance services and manufacture telecoms equipment, and long distance operators to offer local services.

While the US House passed its own two bills in June, the Senate's bill collapsed mid-September, forcing the new Congress to restart the process next year.

The bill largely died from differences of view amongst involved parties regarding the conditions under which Baby Bells could provide long distance and video services as well as political posturing of the Republicans who supported the Baby Bells' objections.

With a changed Congress, the content of the legislation could be altered further and political haggling may make progress more difficult. As a result, advances may be increasingly sought at the level of the states or the Federal District Courts.

Three of the seven Baby Bells, BellSouth, Bell Atlantic and US West, have already won court appeals giving them the right to offer video services inside their territory, and a few states, including California, New York, Maryland and Oregon, have broken the Baby Bells' monopoly over local telecoms services. The death of the Senate bill could encourage other courts and states to act similarly.

Long distance operators too are trying to diversify their activities. AT&T got a foothold into the local telecoms market with the purchase of the leading mobile operator McCaw Cellular - now AT&T Wireless Service - and MCI is seeking permission with district courts to supply local telecoms services in five American states to expand its Metro business network linking up 20 major cities to the consumer market.

This American setback doesn't provide Europe with more time to adjust its own legislative framework. This is no time for complacency. Not only is the failure of the US communications reform likely to have a limited impact, but others are moving ahead, as was demonstrated by the recent overhaul of Canada's legal communications framework.

From this point of view, the September 28 meeting of the joint Telecoms-Industry Council was rather encouraging, even though several Member States want to first examine the Commission's most-awaited Green Paper on the liberalisation of infrastructures - the first part of which is due on November 1- before taking any further step.

By envisaging to agree as early as November on the principles and calendar of the liberalisation of infrastructures, the Council sent a clear message that it is committed to maintain the momentum of the on-going liberalisation process.

EUROPE

Trends: In the last two weeks in Europe, there have mostly been a number of developments in the television business and in relation to applications.

APPLICATIONS

At the beginning of 1995, the American computer manufacturer Apple will launch in France a personal computer videoconference system, Meet-Me, in partnership with the national telecoms operator France Télécom and SAT, a subsidiary of the French telecoms manufacturer Sagem. It will cost 3,000 Ecus to equip a PowerMac PC.

The Japanese electronics group Sony is developing in partnership with France Télécom and the French telecoms manufacturer Matra Communications a system allowing PC users to retrieve video game software over France's cable TV networks.

France Télécom, has unveiled a new version of its Minitel which is eight times faster and allows for the transmission of photographs. It will be available at the end of 1995.

Towards the end of 1994, France Télécom will also start experimenting access via the Minitel to PC services available on networks such as CompuServe or Internet.

LEGISLATION

The Italian government has said that the national telecoms company STET will be privatised before the end of June 1995.

MARKET

Canal+, a French subscription television company, has acquired for free a 25% stake in Vox, a German satellite TV channel which went into liquidation on April 1, 1994.

The Australian-American press magnate Rupert Murdoch has a 50% stake in Vox and another 25% is controlled by the German media giant Bertelsmann, with which Canal+ has signed a 30-year partnership accord to develop pay-TV in Europe.

Separately, Bertelsmann said it favours a 10% participation of Canal+ in Media Service (MSG), a multimedia joint venture it owns together with the German television group Kirch and the German telecoms operator Deutsche Telekom.

Before the end of the year, the British media group Mirror Group Newspaper (MGN) will launch Live TV, a cable channel, in cooperation with two US cable operators, Comcast and TCI, and three American Baby Bells, Southwestern, Nynex and US West. Live TV will devote its programming to current British affairs.

The US leading long distance operator and telecoms manufacturer AT&T has won a contract worth 165 million Ecus to modernise Moscow's ageing telecoms infrastructure.

The European pay-television group Filmnet, which has 700,000 subscribers in Northern Europe and Scandinavia, has launched two pay-channels in Greece and Poland.

The Italian computer group Olivetti has announced the setting up of a subsidiary, Olivetti Telemedia, to develop its multimedia activities.

TECHNOLOGY

The Digital Video Broadcast (DVB) which groups 145 European industrialists, television channels and satellite operators, has agreed on a common encryption code and a two-year code of good conduct starting in 1995 for future digital TV broadcasting.

The decision aims at ensuring that digital TV subscribers will be able to receive any encrypted digital channel with a single decoding device. However, four of the largest TV companies, TF1, the CLT, the BBC and ITV, have refused to endorse the agreement.

DVB previously agreed on a common standard for digital compression.

NORTH AMERICA

Trends: The bulk of North American news is legislative with a major liberalisation breakthrough in Canada, an investigation into the take-over of QVC by Comcast and TCI, and new security problems on the Internet. Also interesting is Microsoft's participation for the first time in an V-O-D trial only a few months after Bill Gates stated that consumer services have no future. Finally, AT&T and Sony become the first companies to launch products based on General Magic's so-called "electronic agents".

APPLICATIONS

Microsoft, the world's leading computer software manufacturer, Southwestern Bell, a US regional telecoms operator, and Lockheed, a Pentagon defence contractor, have agreed to jointly launch an interactive television trial in Richardson, Texas.

The experiment will start towards the end of 1995 with 3,000 test users and be eventually expanded to 47,000 households. Services will include video-on-demand and home-shopping. Commercial services are due to start in 1996.

LEGISLATION

In a move to adapt Canada's communications regulation to the information age, the Canadian Radio-Television and Telecoms Commission (CRTC) has taken considerable steps towards liberalisation.

Under the CRTC's ruling, cable TV operators will be allowed to provide local phone services in competition with regional telecoms monopolies, which in return will be authorised to diversify their activities, either as carriers or content providers.

The CRTC has yet to consider whether to award broadcasting licenses to phone companies. In the meantime, they will be able to take part in video-on-demand trials.

To promote a rebalancing of tariffs, the CRTC has agreed to let established phone companies raise their local rates by C\$2 a month over three years. The increase must be compensated by lower long-distance tariffs, which are often used to subsidise local rates.

The US Federal Communications Commission has authorised ACC Global, a US telecoms company, to lease private phone lines and connect them to public networks.

So far, only the internal communications of multinational companies could be carried over cheaper private leased telecoms lines instead of normal public telecoms lines. This move could open the way for an estimated 30% tariff cut over the next 12 to 18 months.

The US Federal Trade Commission (FTC) has started investigating the take-over of QVC Network, a leading US home-shopping company, by Comcast and Liberty Media, respectively a US cable operator and a subsidiary of the largest US cable operator TCI.

It is unclear whether the FTC will challenge the deal, under which Comcast and Liberty would own respectively 53% and 47% of QVC, but its concerns could be twofold.

A first possible problem could result from the fact that TCI already controls Home Shopping Network (HSN), another TV shopping company, and that QVC and HSN together control 98% of the home-shopping market.

A second possible concern is that as a result of the purchase of QVC, two of the leading US cable companies would control half of the home-shopping business.

RC4, a software formula which has become the de facto encryption standard for some of the most popular software programmes, including Microsoft Windows, Macintosh operating system and Lotus Notes, has been anonymously disseminated over the Internet.

The disclosure of the formula could compromise the effectiveness of the coding system produced by RSA Data Security, a small US firm that sells encryption software to major software and computer companies, including Apple, IBM, Lotus, Microsoft and Sun.

MARKET

MTV, the musical channel owned by the US media giant Viacom, has launched "The Goods," experimental home-shopping spots broadcasted alongside conventional programming aimed at selling young Americans a variety of products ranging from CDs and videos to fashion and lifestyle items.

INFORMATION SOCIETY

AT&T, the US leading long distance operator, has launched PersonaLink, a nationwide data network on which so-called electronic agents will take over many time-consuming tasks such as sorting E-mail, scheduling appointments or booking tickets.

PersonaLink is the first network to use Telescript, a software developed by the US software consortium General Magic, which enables electronic agents to move around a computer web until they have successfully completed a given task, for instance searching for a particular product or data, or an addressee only known by name. To programme the agent, one must use Magic Cap , another piece of software developed by General Magic.

In parallel, Japan's electronics group Sony has launched Magic Link, an access device to network based on General Magic's software. Magic Link is in fact a second-generation hand-held personal communicator, a device combining communications and PC functions .

Japan's Matsushita, America's Motorola and Apple , and the Netherlands' Philips are also expected to soon market second-generation personal communicators. These four companies, AT&T and Sony all invest in General Magic alongside France Télécom, Fujitsu, NEC, Nippon Telegraph & Telecom (NTT) and Toshiba.

The American regional telecoms operator US West has signed agreements with seven Hollywood studios and the credit card consortium Visa to launch GOtv, an interactive movie information and booking cable channel, in Orlando this Spring.

GOtv will allow customers to display on-screen listings of films shown at local theatres and buy tickets. The seven movie studios, Columbia, 20th Century Fox, Paramount, MCA , MGM/United Artists, TriStar and Warner Bros., will supply film previews and interviews with movie stars, while Visa will advertise its products.

Customers will also be able to get a listing of local restaurants and make reservations on-line. US West is already testing interactive TV services with 4,000 test users in Orlando in cooperation with Time Warner, the second largest US cable operator.

ASIA AND PACIFIC

TECHNOLOGY

The Japanese electronics group Matsushita has unveiled a new computer data storage system which it hopes will replace current CD-ROM systems.

The system uses optical disks whose storage capacity of 650 megabytes is comparable to CD-ROMs but which, unlike CD-ROMs, can be recorded and erased. Its reading speed is also four times superior. Matsushita will start marketing its new

system in the Spring.

WORLD-WIDE

Trends: Developing nations' fear of seeing the gap between them and the most advanced nations widening in the information age contrast sharply with US vice-president Al Gore's confidence that the GII will foster balanced economic progress. This fear will have to be addressed if the information society is really to be global.

INFRASTRUCTURE

Developing countries voiced concern of being left behind in the information age at a gathering of 49 telecoms ministers devoted to the global information society in Kyoto.

While the United States insisted on the importance of setting up of a global information infrastructure (GII) to advance development, less-advanced nations replied that their immediate concern was to provide basic voice telephony to their people.

An African minister in particular stressed that the city of Tokyo has more phone lines than the whole of Africa, and called for aid to suppress North-South telecoms imbalances.

Ministers finally adopted a declaration stating that the GII would favour a balanced economic development and calling for enhanced cooperation amongst all nations.

The content of the press review does not necessarily reflect the European Commission's views.