

## EDITORIAL

### Alliance frenzy ahead of US mobile war

American telecoms and cable companies are building up huge alliances ahead of a titanic battle over "personal communications services" (PCS) when the Federal Communications Commission (FCC) auctions 100 cellular licenses in 47 regional markets on December 5. Another 2,000 smaller licenses will be sold in 1995.

Two new cellular poles have emerged: on one side the regional telecoms operators US West, Bell Atlantic, Nynex and Pacific Telesis' cellular spin off AirTouch have teamed up; on the other, the third largest long distance operator Sprint has joined forces with TCI, Comcast and Cox, respectively the first, fourth and sixth largest cable operators.

Both alliances were announced only days before the October 28 deadline for filling applications with the FCC for the auction and are the result of frantic negotiations.

While the Baby Bells' alliance is limited in scope to setting up a wireless network, and providing and marketing PCS services under the same brand name, the alliance between Sprint and the three cable operators is a lot more ambitious. It also aims at providing local telephony under the Sprint brand name over cable networks and develop interactive video services. Sprint will own 40% of the venture, TCI 30% and the two others 15% each.

Teaming up was made necessary by the cost of bidding as the auction could raise as much as \$16 billion. In addition, 20% of the cost of licenses must be paid immediately and the remaining 80% within five days of the reception of the licenses.

An other reason for joining forces is to acquire a critical mass to compete with the powerful cellular leader, McCaw Cellular, which will also bid. McCaw has been recently purchased for \$11.5 billion by the leading US long distance operator AT&T.

The stakes of the auction are high since mobile communications is the fastest-growing telecoms market in America. The amount of US mobile subscribers increased by 32% between 1992 and 1993, from 11 to 16 million. In comparison, Western Europe had 9 million subscribers in 1993 and Japan only 2 million.

A possible loser could be MCI, the second largest long distance operator, which was caught without a partner by the October

28 deadline. It had held talks with Bell Atlantic and Nynex, but the two companies finally teamed up with US West and AirTouch. MCI still has the possibility of building up a partnership during or after the auction. So could Time Warner, the second largest cable operator.

Overall, the FCC has received 74 applications for FCS licenses. Surprise registrants included Electronic Data Systems (EDS), General Motor's data-processing unit, and the billionaire Craig McCaw, the former owner of McCaw Cellular.

## EUROPE

Trends: The bulk of the news in the two last weeks has been legislative with substantial liberalisation of the EU's satellite sector, a Commission's investigation in a planned venture between Siemens and STET, and the liberalisation by Britain of transatlantic voice telephony. Meanwhile, Deutsche Telekom and Microsoft agreed to team up multimedia. In France, steps have been taken to boost TV channels investment in audiovisual production, while Disney decided to rescue French and European cinema.

## INFRASTRUCTURE

British Telecoms and four North American companies have set up AtlanticVision, a joint venture specialising in the transatlantic transmission of video pictures over fibre-optic for broadcasters and production houses. AtlanticVision, which will be operational early next year, will compete with companies transmitting video over satellite links.

## LEGISLATION

The European Commission has adopted a Directive requiring Member States of the European Union to liberalise by mid-1995 certain satellite equipment and services, including VSATs (very small aperture satellite terminals) and larger satellite dishes.

The Commission said the move would result in a ten-fold increase in the volume of satellite communications before the end of the century. It added that the new rules would not apply to private voice telephony nor to direct television links.

The British government has decided to liberalise voice telephony between the UK and the USA, a move that is expected to substantially reduce communication prices.

The so called "International Simple Resale" (ISR) agreement will allow telecoms companies on both sides of the Atlantic to offer

their services using the network of the British long distance operators British Telecoms and Mercury at a discount price. Similar ISR accords have already been signed with Australia, Canada and Sweden.

The European Commission has opened a full-scale investigation into a planned venture between the Italian subsidiary of the German telecoms equipment manufacturer Siemens, and Italtel, the manufacturing arm of the Italian state-controlled telecoms company STET, on the grounds that it could impede competition in Italy.

The Commission explained that the joint venture would control about 50% of the Italian market for telecoms equipment and that STET also controls the national telecoms operator, Telecom Italia. The investigation will examine whether the operation would have a negative impact on the implementation of public procurement rules and the progressive opening up of national markets to competition in the European Union.

French television channels will raise more money for audiovisual production following an agreement between the French government and the private pay channel Canal+ and between the Union Syndicale de Production Audiovisuelle (USPA), France's producers organisation, and the public channels France2 and France3 (France Television).

Canal+ will increase its investment in audiovisual production from 1.8% of its income up to 2.5% in 1995 and 4.5% in 1999. Public channels will increase their contribution from 15% of their income to 16% in 1996 and 17% in 1997. The private channels TF1 and M6 are expected to accept the accord between the USPA and France Television.

Separately, the USPA has set up TV France International, a body devoted to the promotion of French audiovisual products abroad. The USPA said the creation of numerous new channels in Asia, Latin America, Eastern Europe and even cable channels in the USA offers a new market for French products.

## MARKET

Microsoft, the world's leading PC software producer, and Deutsche Telekom, the German national telecoms operator, have agreed to jointly develop multimedia products.

The two companies will first concentrate on incorporating Microsoft's popular Windows software into a multimedia business PC developed by Telekom and America's Intel for use on ISDN networks. Germany has the world's largest ISDN network.

Microsoft and Telekom, which already cooperate on various on-line services, also intend to work on new information services such as teleworking, videoconferencing or multimedia databases.

The Hollywood studio Walt Disney will promote French cinema in the USA and support the production of European movies via its French subsidiary Miramax in what could be a move to accommodate French authorities following the GATT

negotiations.

On the assertion that French movies sell badly in America (a symbolic 1.5% market share) because they are not dubbed, Disney said it will dub four French movies by 1996 and subtitle three French movies a year. It has also bought the distribution rights of several classic French movies and said it will employ more French actors in its US movies.

Miramax will also produce five European movies a year and coproduce more.

Lyonnaise Communications, a French cable operator, said it will supply data services over its network, including access to the Minitel and the Internet. Lyonnaise, which already offers financial services such as Chronobourse and Reuters, will also launch in a few months a thematic channel devoted to women and a tele-shopping channel.

Vodafone, Britain's largest mobile operator, has launched the UK's first nationwide mobile data communication service over its GSM network.

## NORTH AMERICA

Trends: In America, the FCC has agreed to let six consortia launch LEO services while the US Administration took steps to ensure that less Americans are left behind in the information age. On the audiovisual front, a new Hollywood studio has been created.

## LEGISLATION

The US Federal Communications Commission (FCC) has approved rules that would allow as many as six companies to share the radio spectrum for low-earth orbit (LEO) satellite services, including voice and data transmission, paging services, environmental and weather monitoring and tracking systems for trucks and ships.

It is a victory for the six US groups that have applied for LEO systems (Iridium, Loral-Qualcomm, Mobile Communications, Constellation Communications, TRW and American Mobile Satellite). Each will have to submit a revised application by mid-November. The FCC's final decision will be issued by the end of January 1995.

The US third-largest long distance Sprint, France Télécom and Deutsch Telekom have submitted their plans for the setting up of a global partnership to the FCC.

## MARKET

For the first time in 59 years, a new Hollywood studio has been created. This eighth studio, which has yet to be named and that will be operational at the beginning of 1995, will be set up by three movie monsters: film maker Steven SPIELBERG, former Disney chief Jeffrey KATZENBERG and the billionaire David GEFFEN.

The studio will have five priorities: producing motion pictures, animated films, television programmes, records and multimedia products.

## SOCIAL, SOCIETAL, CULTURAL

The US Administration has announced the award of 92 grants worth \$24.4 million in 1994 to promote new public interest information services in poor communities. In 1995, the Administration will hand out \$64 million, a large increase but still well below demand.

This year, applicants raised \$800 million from private sources for new information projects and requested \$560 million in grants. Only one out of 10 bids was accepted.

The black community in Harlem received one of the largest grant (\$450,000) for a \$1.1 million project to provide six colleges with an on-line environmental learning programme.

A \$156,000 grant went to a project worth \$300,000 to link up 500 Indian tribes and provide them with tele-medicine, distance learning and culture preservation programmes.

New digital image-editing techniques that allow to alter photographs in a way that is almost impossible to spot could turn the information age into the age of forgery.

Western Pro Imaging Labs, a Canadian photographic lab, has launched DivorceX, a picture-editing service that allows divorced people to cut their ex-spouses out of family pictures and replace them with their new partner.

The US computer manufacturer Digital Equipment is using the Internet to test its Alpha computer by enabling users to use the Alpha's hardware through their own software. Over 7,500 users have logged into Digital's Alpha.

## ASIA AND PACIFIC

## LEGISLATION

Japan's national telecoms operator Nippon Telegraph & Telephone (NTT) has agreed to allow long-distance carriers connect to its domestic lines to provide a new type of high-speed data transmission services following the filing of a complaint with the Ministry of Posts and Telecoms (MPT) by the long distance operator Japan Telecom.

Japan Telecom and two other long distance operators, DDI and Teleway Japan, spent two year unsuccessfully negotiating with NTT to provide so called "frame-relay services" for corporate users over its network. In July, NTT itself applied to offer such services.

The MPT said it would investigate the matter within one or two months.

## MARKET

An alliance led by the Japanese electronics group NEC and including America's computer and software manufacturers Sun Microsystems, Hewlett-Packard, Compaq, Novell, Lotus and Oracle has won a public bid to supply a complete PC network system to the Japanese Ministry of International Trade and Industry (MITI).

## WORLD-WIDE

### MARKET

According to the International Telecoms Union (ITU), the overall growth of the telecoms sector in 1993 was the slowest since 1984. Telecoms revenues increased only by 1.8% in 1993 compared with 8.2% in 1992, up to \$575 billion from \$535 billion.

Equipment revenues remained stable at \$120 billion while they grew by 9% in 1992, and services went up 2.2% to \$455 billion while they grew by 8% the previous year. Services made up 79% of the market. The fastest growing sector was mobile telephony with a surge of 47% in subscribers, compared with a 5% growth of fixed lines subscribers.

The Asian-Pacific region continued to be the fastest-growing market with an average fixed lines growth rate of 11%, followed by Latin America (10%) and Africa (7.5%). Western Europe only had a 3.6% increase. A dozen countries, including Indonesia, Thailand, Pakistan, the Philippines, Jamaica, Guyana, Iran and Morocco had a growth rate of more 20%. China alone represented almost a fifth of the world's new main lines.

Europeans were the biggest international communications consumers with 48% of the traffic, followed by North Americans (27%) and Asiatics (16%).

NTT remained the leading carrier, followed by AT&T , Deutsche Telekom, France Télécom and BT. The leading equipment manufacturers were Alcatel , Siemens, AT&T, Motorolaand NEC . Employment in the telecoms sector dropped by 1.7% to 1.9 million.

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