

EDITORIAL

Germany's telecoms enter zone of turbulence

Deutsche Telekom, Germany's national telecoms operator, will have to boost its competitiveness if it is to avoid suffering major setbacks after the 1998 liberalisation of European telecoms, according to a report of Deutsche Bank, a leading German bank.

The report stresses that the company's operational costs are amongst the highest in Europe, which would give its competitors an immediate advantage in 1998.

It adds that Deutsche Telekom is burdened by a debt worth 60 billion Ecus as well as excessive manpower. In fact, the company has already announced plans to reduce its workforce to 200,000 by 1998 from 230,000 today, including 6,000 jobs in 1995.

The report foresees that Deutsche Telekom would lose big corporate clients in two waves: immediately in 1998 and after its competitors have consolidated their networks.

It states that Deutsche Telekom would only retain around 70% of the German telecoms market by the year 2000, thus casting a major shadow over the positive outcome of the privatisation of the company due to start in 1996.

Amongst Deutsche Telekom's fiercest emerging German competitors would be consortium between the German energy-based conglomerate Veba and the national train company Deutsche Bahn, a joint venture between the mobile operator Mannesmann and the electricity utility RWE, and the steel group Thyssen. These firms are all newcomers in telecoms willing to seize the opportunity opened by the 1998 liberalisation.

But stiff competition is also lurking abroad, as was just demonstrated by the announcement of two major ventures between German and foreign groups. In fact, it is no surprise that the German telecoms market - the world's third-largest and Europe's largest motivates national as well as foreign appetites.

The first move came from Britain with a decision by British Telecoms (BT) to take a 37.5% stake worth 80 million Ecus in Viag InterKom, the telecoms unit of the industrial group Viag, which owns Germany's largest private optic fibre network.

The second event is the decision by the Canadian telecoms group Northern Telecom and Deutsche Aerospace (Dasa), the aeronautic arm of Daimler Benz, to set up a joint venture in which each will have a 50% share.

These trends and events certainly announce tough times ahead for Deutsche Telekom. All the same, they may contribute to a greater offer of new services and lower price which, at the end of the day, will benefit all German consumers.

EUROPE

Trends: The first fortnight of the year 1995 has been marked by a intensification of telecoms competition in Europe, in particular in Germany, the Netherlands, Spain and the UK. A second important trend has been the consolidation of the operations of North American telecoms and media groups in Europe, in particular AT&T and Disney in Britain, BellSouth in the Netherlands and AirTouch in Spain and Belgium.

APPLICATIONS

British Airways and Singapore Airlines will launch in 1995 in-flight on-line information services via satellite which will enable passengers to shop from electronic catalogues, make hotel reservations and tap financial services.

Satellite links, which will be supplied by the international organisation Inmarsat, will also improve flight safety by allowing to use more sophisticated satellite navigation and air traffic management systems, so called "automatic dependent surveillance" (ADS).

LEGISLATION

The British government has granted public telecoms operator licenses to AT&T, the leading US long distance operator, and Concert, a joint venture between British Telecoms (BT) and the second largest US long distance operator MCI .

The move will intensify competition in the British telecoms market as AT&T is set to offer a full range of telecoms services over existing networks through partnerships with cable operators and is prepared to eventually build up its own network.

The Spanish government has agreed to start awarding cable concessions to private cable operators towards the end of 1995. Companies will have to provide a minimum service consisting of the two public and the three private Spanish TV channels as well as the regional channel of the concerned region at a price fixed by the government.

Non-European Union companies will only be able to have a 25% stake in the group controlling a given concession unless the government decides otherwise.

The European Commission has approved the creation of a new satellite telecoms group, International Private Satellite Partners (IPSP), that comprises nine European, North American and Japanese companies. IPSP will operate two satellites providing transatlantic communications to corporations.

MARKET

The US cellular operator AirTouch Communications has agreed to buy a 25% stake in Belgacom Mobile, the cellular subsidiary of the Belgian national telecoms operator Belgacom, thus reinforcing its position in the European mobile market. It also leading Airtel, a consortium which has won Spain's second GSM cellular phone network.

Schlumberger, a Franco-American petroleum service company, and Cable & Wireless (C&W), a British telecoms group, have set up Omnes, a joint venture specialising in worldwide corporate communications in which they have an equal stake.

In a move to expand its movie production operations, PolyGram, a London-based entertainment group owned 75% by the Netherlands' Philips, has acquired the US film production company Island Pictures. Island also has a film library of 120 titles.

The French cable operator Lyonnaise Communications said it will launch in 1995 on-line services over its cable network. In January, a first service set up in cooperation with Japan's Sony and France Télécom will allow PC users to retrieve video games software.

The British satellite television company British Sky Broadcasting (BSkyB) and the US movie and animation studio Walt Disney have agreed to launch in the UK next autumn a new family entertainment TV channel, The Disney Channel. It will be based on Disney programming and be on air 16 hours a day. Its format will be similar to Super RTL's, a German-language channel run by Disney and the European broadcaster CLT.

Enertel, a grouping of the Dutch national railway company and 11 energy utilities, and BellSouth, a US regional telecoms company, will set up a joint venture temporarily called Telecom 2, to provide corporate telecoms services in the Netherlands. In 1998 it will start offering voice services with a view to capture 20% of the market by 2005. It will be owned 20% by BellSouth, 20% by the railway company and 60% by the energy groups.

NORTH AMERICA

Trends: The United States has again been the scene of an explosion of new interactive products, especially those developed by AT&T and Motorola, not to mention the consolidation of the Microsoft Network and the launch of two new broadcast networks. The anti-climax was the launch - at last - of Time Warner's Orlando experiment but on a ridiculously small scale...

APPLICATIONS

Motorola, the world's leader in cellular telephony, has unveiled two new models of wireless pocket-sized personal communicators, the Envoy and the Marco, allowing to exchange messages, retrieve data or receive on-line information without having to connect their communication device to a phone line.

Envoy is based on the technology developed by the US software consortium General Magic and will cost \$1,000-1,500 while Marco is based on the technology developed by US computer manufacturer Apple for its own personal communicator, the Newton, and will cost \$900-1,400. Both are usable over Motorola's Ardis wireless network.

AT&T, the leading US long distance operator, has unveiled an advanced answering machine that connects to a TV set and allows to display a listing of phone messages and provides access to on-line services including news headlines and traffic conditions.

On December 14, Time Warner, the second largest US cable operator, has effectively launched its Orlando interactive TV experiment with an eight-month delay and five test households instead of the announced 4,000. Users are being supplied with thousands of on-line services ranging from video-on demand to distance learning and car retailers. The remaining 3,995 selected test homes will be connected in the course of 1995.

MARKET

TCI, the largest US cable operator, will join forces with Microsoft, the world's leader in PC software, for the launch of the Microsoft Network, a new worldwide PC network. TCI will take a 20% stake in Microsoft On-Line Service Partnership (MOSP), the company controlling the network, while Microsoft will retain the remaining 80%.

Access to the Microsoft Network will be available in 20 languages via a new version of Microsoft's popular Windows programme: Windows 95. But Microsoft said the release of Windows 95, which was originally due in the Spring, will be delayed until August 1995.

Time Warner, the second largest US cable operator, and the US media giant Viacom, have decided to launch TV networks: WB and United Paramount Network (UPN).

WB's broadcasting, which started on January 11, is limited to four programmes on Wednesday nights. UPN, will broadcast on Monday and Tuesday evenings starting from January 16. But with already four networks - ABC, CBS, NBC and Fox -, many analysts believe that the market is crowded and that there is no more room for new networks.

In February 1995, the British Broadcasting Corporation(BBC) will launch a 24-hour cable TV information programme in the USA that will be entirely financed by advertising. The move will follow the launch in January of a similar service for Europe.

Siecor Corporation, a US cable manufacturer controlled by the German telecoms manufacturer Siemens and the American cable manufacturer Corning, has purchased the cable manufacturing operations of the Canadian telecoms group Northern Telecom .

TECHNOLOGY

Yielding to consumer pressure, Intel, the world's leader in microprocessors, has agreed to freely replace the flawed Pentium chip. So far, about 5 million-Pentium equipped PCs have been shipped but Intel has no clue how many customers will ask for replacement. Meanwhile, Microsoft said it is preparing software that avoids Pentium-related errors.

ASIA AND PACIFIC

Trends: In Japan, government - whether at national or local level - appears once again to be the driving force of the information age. Meanwhile, China seems to adopt a more tolerant stance toward the incoming flow of foreign information.

INFRASTRUCTURE

Over 200 local governments have asked the Japanese Ministry of Posts and Telecoms (MPT) to provide them with interest-free loans to back up the development of local fibre optic networks. A majority of requests came from prefectural centres and towns already involved in the MPT-sponsored Teletopia project promoting regional telecoms networks.

LEGISLATION

The MPT has ordered the country's national telecoms operator Nippon Telegraph & Telephone (NTT) to provide competitors with access to its local network. The move follows a two-year row between NTT and the long distance operators

Japan Telecom , DDI and Teleway Japan to provide high-speed data transmission services so called "frame-relay services" for corporate users over NTT's network.

The Japanese Ministry of International Trade and Industry(MITI) has chosen the technology developed by the US software manufacturer Lotus as a standards for its communication software.

SOCIAL, SOCIETAL AND CULTURAL

In January, the Chinese government will launch China's first commercial link to the Internet. The service will be jointly operated by the Ministry of Posts and Telecoms and Sprint , the third largest US long distance operator, and will allow anybody equipped with a PC and a modem to tap into the full range of Internet services.

The move is a far cry from China's decision last year to ban the use of satellite dishes to stop the flow of "subversive" Western audiovisual material. Meanwhile, computer freaks around China had already managed to connect to the Internet. By running themselves the connection, Chinese authorities may not control its use, but at least make a profit out of it.

WORLD-WIDE

TECHNOLOGY

Philips and Sony, the Dutch and Japanese electronics giants, have presented a new generation of digital video compact discs which they hope will become the industry standard and replace audio compact disks and eventually video tapes.

The video disc, which cannot yet be recorded, has a capacity of 135 minutes and the same size then the traditional audio CD Philips and Sony managed to impose in 1982.

Yet the two companies face stiff competition of Japan's Toshiba which has developed a rival prototype with a capacity of 270 minutes that will be presented in January. America's Time Warner and Japan's Pioneer Electronics support Toshiba's technology.

Winning the support of the entertainment and computer industry will be critical in determining the winner of the battle ahead over digital audiovisual CD standards. What is at stake here are the royalties of licensing the technology to other companies.

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