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EDITORIAL

Concentration of US cable sector speeds up

The American cable industry is in the midst of a rapid concentration process leading to the emergence of giant players holding an ever increasing market share in their hands. The recipe for growing quickly is always the same: gobbling smaller competitors!

Until recently unrivalled, TCI is now neck to neck with Time Warner, and both claim to be America's number one cable operator with around 11 million customers.

In fact, since September 1994, Time Warner went on a shopping spree which has sent his clientele skyrocketing, with as many as 4.6 million new customers. Overall, Time Warner spent $8.5 billion on doubling its subscription basis and catching up with TCI.

Time Warner took over the cable operations of four companies: Summit, Newhouse, Houston Industries and Cablevision Industries.

Other emerging big cable players are Comcast, Continental Cablevision, Cox Communications and Cablevision Systems. But with a subscription basis of three to four million customers, they do not play in the same league than TCI and Time Warner.

These sudden appetites are driven by the prospects of two juicy markets, one already existing -- traditional telephony -- and the other prospective -- new interactive services.

In these markets, cable companies have to compete with new foes: telecoms companies, whether regional (the Baby Bells) or long-distance. They also face the prospect of being challenged on their own territory by telecoms groups.

While the telecoms and cable markets increasingly blend, thus increasing competition, cable operators have to join forces amongst themselves and/or with telecoms groups.

This is the case for TCI, Cox and Comcast who teamed up with Sprint, the third largest long distance operator, to rival both the powerful Baby Bells and the leading long distance operator AT&T, and between Time Warner and the Baby Bell US West.

Anticipating the convergence of cable and telecoms, US lawmakers are drafting new legislation to be passed in 1995 to remove obstacles to cable and telecoms competition.

Competition will doubtless benefit customers, who may be offered telecoms, video and new information services packages at a lower price by a single company. But it will be essential to introduce legislative safeguards to avoid excessive concentration that could foster control over information by a few and be detrimental to consumer choice.

EUROPE

Trends: More than ever, Deutsche Telekom faces the prospect of seeing its market nibbled away by leading German and foreign groups who try to secure a piece of the huge German telecoms pie ahead of the 1998 liberalisation of voice telephony and infrastructures. On the alliance front, the level of activity remains steady: after Viag-BT and Veba-C&W, the spotlight is now on DASA-Northern Telecom and Thyssen-BellSouth. But Telekom seems willing to counter-attack through a international cellular deal with GTE and by reviving talks on a pay-TV alliance in Germany.

MARKET

Deutsche Aerospace (DASA), the aeronautic arm of the German automobile group Daimler Benz, has signed a letter of intention with the Canadian telecoms group Northern Telecom, to set up a joint venture in which each will have a 50% share.

The new company would offer telecoms services in Germany as well as Eastern and Central Europe, including the development of new multimedia applications.

Deutsche Telekom Mobilfunk (DeTeMobil), the cellular arm of the German telecoms operator Deutsche Telekom, has signed a partnership accord with the American operator GTE, to launch GlobalRoam, a worldwide mobile phone service.

The new service will be launched in the Summer and will provide cellular communications between Europe and North America. It will eventually be extended to other countries worldwide.

Deutsche Telekom, Germany's national telecoms operator, said it is holding new talks on a pay-TV venture with the German media giant Bertelsmann and the private TV group Kirch Gruppe, as well as Canal+, France's largest pay-TV broadcaster.

With the prospect of stiff competition in the telecoms sector after the 1998 liberalisation, Telekom has a clear interest in expanding into pay-TV and interactive TV. Its cable network reaching almost 15 million German homes would give it a head start.

In November 1994, the European Commission had blocked the creation of Media Service Group (MSG) between the three German groups, on ground that it would have created a dominant position in the provision of pay-TV in the German-language market.

The German steel company Thyssen and the US regional telecoms operator BellSouth have agreed to set up a joint venture to bid for a terrestrial public phone license after the 1998 liberalisation. The new company will be owned 60% by Thyssen and 40% by BellSouth. The two groups said they would invest 1.6 billion Ecus until 2000.

Thyssen and BellSouth already jointly operate Germany's third cellular license together with the German industrial conglomerate Veba.

The British telecoms operator Cable & Wireless (C&W) has launched Faxplus, Germany's first private international fax service. C&W expects a profit of 5 million Ecus the first year and promises its customers savings of up to 29% for faxes sent in Europe, 48% in the USA and 66% in Asia compared with the tariffs of Deutsche Telekom.

France's public television, France Télévision , has signed a broad cooperation accord on three fronts with Time Warner, the world's largest communication group.

Time Warner's Hollywood studio Warner Bros. will participate with France Télévision in the co-production of TV films as well as fiction and animation series, a majority of which will have to be French and/or European.

The agreement also include a purchasing plan over several years for France Television of the programming distributed by Time Warner.

Finally, the two partners will collaborate on the launch of cable and/or satellite thematic TV channels and the development of multimedia projects.

After the recent deal between UGC and 20th Century Fox , this is already the second French-American audiovisual distribution and co-production agreement in 1995..

NORTH AMERICA

Trends: The main event in America has certainly been the catching up by Time Warner of its arch-rival TCI. Also important is the unfolding cooperation between two giants, Microsoft and Sony, to jointly develop new information products.

APPLICATIONS

The US computer manufacturer Apple has launched a new version of its Newton pocked-sized personal communicator. The new MessagePad 120 has improved handwriting recognition and electronic planning functions, and a greater storage capacity.

One of its main feature are specialised functions -- so called vertical applications -- for workers in specific fields such as hospitals, schools, financial services or phone repair.

Unlike the rival personal communicators of Motorola, the world's leader in cellular telephony, the Newton has no in-built modem and must be connected to a modem or a cellular phone for wireless communications. Yet, the Newton can be used over any telecoms network while its rivals rely on Motorola's Ardis wireless network.

There is also a serious price difference: $600 to $700 for a Newton -- depending on the version -- compared to $900 to $1400 for Motorola's Envoy and Marco. Analysts believe a mass market won't develop until prices drop below $500.

Silicon Graphics, the world's leader in virtual imaging, in collaboration with Medialab, a subsidiary of the French pay-TV Canal+, has decided to broadcast live three-dimensional motion pictures of the sailing competition American Cup.

To accurately transmit the virtual images of the race, each boat has been linked to the Global Positioning System (GPS), a worldwide satellite positioning system.

Cybersource, a US software distributor, has become the first company to distribute other companies' software over the Internet with already 20 titles available. So, there had been individual attempts to market a single software over the Internet.

Customers are allowed to download a programme for a 30-day trial period. After this period, the programme automatically deletes itself if the customer has not called to pay.

Cybersource has already signed up the US software producer Symantec and is holding talks with the US computer manufacturer Apple .

MARKET

Time Warner, the second largest US cable operator, has caught up with TCI, the leading US cable operator, following two deals with the US cable operators Houston Industries and Cablevision Industries. Both now have around 11 million subscribers.

Time Warner spent $2.2 billion on buying from Houston Industries, the Texan electricity, the 50% share it owned in Paragon Communications , a cable company jointly set up in 1986, as well as its cable in Texas, Minnesota, Oregon and California. Overall, the purchase brings Time Warner 1.3 million new customers. Time Warner also bought Cable Industries, worth $2.7 billion, which had 1.3 subscribers.

Microsoft, the world's leading software manufacturer, has announced that it would cooperate with the Japanese electronics group Sony on the development of new products for the information superhighway. Neither company would speculate on future products.

The American regional telecoms company SBC Communicationshas bought a 40% stake worth $316 million in VTR Inversiones , a Chilean telecoms group, in what is one of the most significant move of a US telecoms firm to enter the South American market.

The purchase illustrates US telecoms groups' strategy to grab a slice of the promising Latin American telecoms market. Bell Atlantic and SouthBell, two other US regional telecoms companies are already active in Chile and SBC -- formerly SouthWestern Bell -- already owns a 10% stake in Telmex, the Mexican private telecoms monopoly.

VTR's majority owner is the large Chilean conglomerate Grupo Luksic with 51%, while Siemens of Germany owns the remaining 9%.

Sun Microsystems, the world's leader in corporate networking has unveiled a new software package to counter its main rival, America's Hewlett-Packard. The stakes are high, as the market was worth $139 million in 1994, up 32% from 105 million in 1993.

Sun still dominates the market, but is declining: it had a 29% market share in 1994, down from 30% in 1993 and 38% in 1992. H-P instead is on the rise and is close to catching up with Sun with almost 29% in 1994, up from 25% in 1993 and 20% in 1992.

ASIA AND PACIFIC

SOCIAL, SOCIETAL AND CULTURAL

China's state television, China Central Television (CCTV), is getting set to launch in early 1996 the first worldwide TV service in Mandarin. CCTV's new 24-hour TV service will be available to over 40 million overseas Chinese living in Europe, Africa and America.

The new service will be based on the US-based satellite service provider PanAmSat. CCTV already broadcasts an Asian TV service in Chinese via a PanAmSat satellite.

WORLD-WIDE

INFRASTRUCTURE

Three leading computer and electronics groups, IBM of America, Hitachi of Japan and Olivetti of Italy, have agreed on six principles for achieving the quick deployment of a global information superhighway which, they hope, will be taken into account by a G-7 Ministerial Conference on the Information Society in Brussels on February 26-27.

They include: Interoperability thanks to common standards agreed upon by the industry; privacy and security based on cryptography; the protection of intellectual property rights as agreed during the Uruguay Round; universal accessachieved through widespread availability; international cooperation , in particular through access to government research and development programmes; and open market access.

TECHNOLOGY

Philips and Sony, the Dutch and Japanese electronics giants, have decided to open discussions with their Japanese rival Toshiba following the endorsement by leading electronics and entertainment firms of Toshiba's standard for digital video disks (DVD), which will replace audio-CDs, video tapes and even possibly CD-ROMs..

The move dealt a major blow to the DVD Philips and Sony hoped to impose as the worldwide industry standard. They are now expected to try to agree with Toshiba on a common line for developing DVDs which would satisfy all three.

One option would be to incorporate part of the technology developed by Philips and Sony into Toshiba's DVD. But that may prove technically difficult. In addition, considering its strong negotiating position, Toshiba could refuse such concession.

A more likely solution would be for Philips and Sony to negotiate favourable terms to abandon their own format, in particular as regards to royalties.

But if the two partners fail to secure acceptable terms, they could still unleash a worldwide format war which Toshiba is not certain to win since the computer industry still has to reveal its choice. Indeed, the unfolding cooperation between Sony and Microsoft, the world's software leader, could be a favourable omen for Philips and Sony.