

EUROPE

Trends: Liberalisation is moving ahead again in Europe with a French government decision to grant access right to private networks and further privatisation steps in Italy, Portugal and Spain. On the market side, important new ventures are in the making, whether trans-European or trans-Atlantic, both in the telecoms (CGE-RWE) and audiovisual markets (Canal Plus UFA-Solomon, RAI-France Télévision and RAI-BBC). Meanwhile, a multimedia alliance between Bell Atlantic and STET is on the eve of collapsing because of growing alliance incompatibilities between the two partners.

LEGISLATION AND POLICY

The European Commission has warned Global European Network (GEN), a joint venture of nine European telecoms operators specialising in data transmission, that its approval of the venture will depend on whether it charges clients fair prices.

The Commission is concerned that GEN could charge independent data suppliers five to ten times more than the nine operators that have a share in it. Hence, GEN, who comprises BT and the Belgian, Dutch, French, German, Italian, Portuguese, Spanish and Swiss national telecoms operators, could abuse its dominant position to prevent competitors from entering the lucrative European data transmission market.

The French national telecoms operator France Télécom has called on the new French right-wing government to quickly carry out a partial privatisation of its capital in order to seal its alliance with the German national telecoms operator Deutsche Telekom. The two partners intend to swap 20% of their capital.

The French government has authorised the French national railway company SNCF to lease transmission capacity on its private network to mobile phone operators.

It is the first time in France that mobile operators are granted the right to access a private network. Other companies could follow suit, in particular the French national electricity utility EDF as well as highway operators.

The Portuguese government has launched the privatisation of 28% of the national telecoms operator Portugal Telecom. Investors have until May 26 to indicate how much stock they intend to purchase.

The second phase of the privatisation is due to take place after the national election of October 1995. Portugal Telecom is due to set up a strategic alliance in corporate services with a leading telecoms operator. The European operators BT, Deutsche Telekom and France Télécom and the US operator Ameritech have already voiced interest.

The Spanish government has given the green light to the privatisation of 12% of the national telecoms operator Telefonica

de Espana in which it currently has a 32% share.

The Italian national telecoms operator Telecom Italia said its mobile operations will become an autonomous entity named Telecom Italia Mobile (Tim) on July 14, 1995 and be privatised on July 17.

Separately, Italian authorities confirmed that Telecom Italia's parent company, the public holding STET, would be privatised in the Autumn of 1995.

The European Commission has cleared TBT Communications, a joint venture between the British, Danish and Norwegian telecoms operators BT, Tele Danmark and Telenor, that will offer domestic and international voice and data services in Sweden.

The Commission said the venture would not hinder competition in the Swedish market, one of Europe's most liberalised market. It said the new company would face strong competition from existing operators, including the national telecoms operator Telia, who has 90% of the voice market and 70% of the data transmission market.

MARKET

The French water, cable TV and mobile phone group Compagnie Générale des Eaux (CGE) and the German energy-based conglomerate RWE said they are forming a telecoms alliance ahead of the 1998 liberalisation of telecoms services and infrastructures to compete with the French and German national telecoms operators.

In April, CGE agreed to set up Iris, a joint venture specialising in corporate services, with the European telecoms group Unisource and the leading US long distance operator AT&T. In January, RWE formed an alliance with the German mobile operator Mannesmann and is planning an international telecoms alliance, possibly with AT&T.

The British media group Pearson has agreed to spend 230 million Ecus on buying the Australian TV producer Grundy Worldwide in a move to boost its global operations.

Grundy, which specialises in producing local versions of soaps and game shows, is particularly strong in Australia, Europe and Asia. Pearson, who controls Britain's Thames TV and Financial Times TV, has already signed a strategic alliance with the British Broadcasting Corporation (BBC) to launch cable and satellite TV channels worldwide.

The US television producer Solomon International Enterprises has agreed to join forces with Canal Plus UFA, a joint venture recently set up by the French pay channel Canal+ and the German media giant Bertelsmann's film and TV offspring UFA.

Following the accord, Canal Plus UFA will be responsible for handling programme distribution in Europe while Solomon will be in charge of the Latin American market and the rest of the world. The United States is not covered by the venture.

The three partners also plan to jointly move into co-production with series and animation producers from around the world in exchange for global distribution rights.

The Italian state television RAI has completed accords with its French and British counterparts, France Télévision and the BBC, as well as with Arab Radio TV, to boost ambitious plans to become a leading global TV player.

The RAI and France Télévision have set up a European Group of Economic Interests to purchase distribution rights, co-produce dramas and documentaries and collaborate on new forms of communications. Separately, the RAI and the BBC will study the possibility to jointly launch thematic channels and investigate future co-productions.

Finally, the RAI will launch in 1996 Italian-language pay channels in the USA, Australia and Latin America via the Arab-sat satellite run by Arab Radio TV.

The US regional telecoms company Bell Atlantic said it would drop plans to buy a 49% stake in Stream, the multimedia subsidiary of the Italian telecoms holding STET.

The move reflects the growing divergence between Bell Atlantic and STET since they announced the deal one year ago. However, the two companies said they would continue working together on the technical aspects of developing new multimedia services in Italy.

On the alliance side, Bell Atlantic is forging close links with the Italian computer giant Olivetti while STET is holding talks with the US computer giant IBM. Furthermore, Bell Atlantic has a stake in Omnitel Pronto, STET's rival mobile operator.

The British telecoms group Cable & Wireless (C&W) has bought a 7% stake worth over 80 million Ecus in Bezeq, Israel's 76%-state owned national telecoms operator.

The move seems to come in anticipation of the liberalisation of the Israeli telecoms market and a further privatisation, later this year, of 25% of Bezeq.

Viag Interkom, a German telecoms group in which the British telecoms operator BT and the German industrial group Viag both have a 37.5% stake, said it will invest over 2 billion Ecus over 10 years in supplying a full range of telecoms services in Germany and targets a 45 million Ecus-turnover. The remaining 25% will be sold to German investors.

TECHNOLOGY

The French national telecoms operator France Télécom and the US regional telecoms company US West have sealed a partnership in the field of multimedia technology.

The two partners said they will spend 1.6 million Ecus on optimising network architecture, defining standards for servers, developing an on-screen navigation system and studying customer behaviours.

SOCIAL, SOCIETAL AND CULTURAL

The British telecoms operator BT is to cut its work force by 12,000 over the next 18 months as part of its drive to reduce redundancies. By the time the reduction is completed, BT will have slimmed down its staff to 120,000 from 244,000 in 1989.

NORTH AMERICA

Trends: Multimedia tops the news in the USA with the birth of a new multimedia satellite infrastructure project is born under a most promising name - CyberStar - and the launch of an on-line global children playground. At the same time, Bell Atlantic is delaying its plans for developing video-on-demand, but it remains unclear whether it is a setback or a strategic move. On the alliance side, a major deal has been completed between MCI and News Corporation.

INFRASTRUCTURE

The US aerospace and communications company Loral has said it will launch CyberStar, an interactive high-speed multimedia satellite network worth \$400 to \$500 million that would rival Teledesic, a system proposed by Microsoft co-founder Bill Gates and McCaw Cellular founder Graig O. McCaw, as well as a similar project sponsored by Hughes Aircraft, the aerospace arm of General Motors.

Loral has applied for a license with the US Federal Communications Commission (FCC) to start the service in the United States in 1998. It would allow for low-cost transmission of information such as medical images or videoconferencing.

Loral argues that its proposed system would be simple and cheap compared to the rival projects which cost is estimated at \$9 billion for Teledesic and \$3.2 billion for Hughes' system. It must be stressed however that the cost of the two other projects corresponds to a worldwide coverage. The FCC has yet to grant licenses to any of the projects.

APPLICATIONS

The US media, entertainment and cable giant Time Warner said it will launch an on-line personal computer service that will

offer customers news and information services as well as access to the Internet. The services will mainly be designed by Time Inc., the publisher of several leading magazines such as Time.

LEGISLATION AND POLICY

The US regional telecoms company Bell Atlantic has asked the US Federal Communications Commission (FCC) to temporarily suspend the consideration of two applications it has filled to be allowed to build interactive video networks. It argued that technological developments have occurred which have caused it to re-evaluate its plans.

While some analysts question Bell Atlantic's commitment to launching new multimedia services, the company said it remained committed to providing video services over its phone network. Yet other analysts suggest that it is putting pressure on US authorities to lift a ban on telecoms groups controlling the video programming they transmit.

The US Federal Communications Commission (FCC) has authorised the Spanish national telecoms company Telefonica de Espana to enter the US telecoms market via its Puerto Rican long distance subsidiary TLD in which it has a 79% stake.

Telefonica has been trying hard for two years to be granted such right. TLD will start its business in June 1995 in New York, where it hopes to grab a 12% share of the long distance market, mainly through customers of Latin American origin.

MARKET

The US leading long-distance operator AT&T, the world's leading micro-processor manufacturer Intel and the US software developer Lotus have agreed to join forces to propose technical solutions that will allow telecoms and cable companies to supply interactive high-speed data transmission over personal computers.

MCI, the US second largest long distance operator, and News Corporations, the group of the Australian-American media mogul Rupert Murdoch, have agreed to set up a joint venture, currently known as WWJV, that will provide new information services worldwide. MCI has also agreed to a 13.5% stake worth \$2 billion in News Corporation.

WWJV, in which each partner will invest \$200 million, will build on News Corporations' global media resources, including print, film and television, and on MCI's capacity to disseminate information through the entire world. According to Mr. Murdoch, the new venture will benefit from four key building blocks: programming, network intelligence, distribution and merchandising at a global scale.

SOCIAL, SOCIETAL AND CULTURAL

Four leading US companies, the network specialist UB Networks, the chip manufacturer Intel, the long distance operator

Sprint and the multimedia game and educational software producer Worlds -- formerly Knowledge Adventure Worlds -- have agreed to join forces to develop a global virtual playground for hospitalised children.

The four partners plan to build a broadband network connecting paediatric hospitals in the USA and eventually worldwide. It will enable children to play interactive games, communicate amongst each other via videoconferencing, and explore virtual worlds from their hospital bed.

According to findings of the Wireless Technology Group, a scientific advisory group sponsored by the US cellular industry, the next generation of digital cellular phones may interfere with cardiac pacemakers if they are placed too close to a user's chest. About 2 million pacemakers are in use worldwide and another 130,000 is implanted each year.

The US regional telecoms company SBC -- formerly BellSouth -- said it plans to axe 9,000 to 11,000 jobs over the next two years to meet competition.

ASIA AND PACIFIC

LEGISLATION AND POLICY

The Telecoms Authority of Singapore has granted two licenses for cellular telephony and three for paging services in a move to breaking up the monopoly of the national telecoms operator Singapore telecoms.

MARKET

Following a decision by the Japanese Ministry of Posts and Telecoms (MPT) to ease from April 1995 the entry of foreign operators into Japan's corporate telecoms services sector, the German national telecoms operator Deutsche Telekom has decided to launch an international corporate phone service between Germany and Japan.

Telekom, who has to apply for a license with the MPT, would offer the service at a price 10% lower than that of leasing lines from Japanese operators. If the license is granted, Telekom would become the first overseas operator time to enter this market.

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