

## EUROPE

Trends: New steps towards telecoms liberalisation and privatisation in Europe have been taken in Belgium, Italy and the Czech Republik, while a EU-Eastern European dialogue on the information society has been launched. On the company front, France Télécom, Deutsche Telekom and Sprint on one side, and Telefonica and Unisource on the other, have finalised their alliance. Meanwhile, Olivetti has joined forces with Bell Atlantic and Telecom Italia is set to follow suit with IBM.

## APPLICATIONS

The British telecoms group BT has announced the launch in July of an interactive television trial with 2,500 consumers in the Ipswich area in England. The experiment will test new multimedia services such as video-on-demand and home-shopping.

In July, the French national telecoms operator France Télécom and the French cable TV group Lyonnaise Communications have launched Multicâble, a interactive service experiment involving 200 Parisian households equipped with a PC and a modem. Multicâble will supply services such as on-line shopping, banking, newspapers and games.

## LEGISLATION AND POLICIES

Four bidders will compete for the purchase of at least 25% of the Belgian telecoms operator Belgacom which are to be sold off by the Belgian government later this year.

Two companies are bidding individually: Italy's STET and America's Ameritech. Britain's BT and the US group Bell Atlantic have teamed up, and so have the Swiss and Dutch national telecoms companies, Swiss Telecom and Koninklijke PTT Nederland.

Telsource, a consortium grouping the Dutch and Swiss national telecoms operators, has won the bid for a 27% stake in SPT, the Czech national telecoms operator.

Telsource, which will pay over 1 billion Ecus for the stake, said it wishes to increase its participation in SPT in the future. In 1994, 30% of SPT was already privatised.

The Italian government said it would liberalise cable TV infrastructures by the end of 1995, in a move to boost the development of cable, as yet almost non-existent in Italy.

The national telecoms operator Telecom Italia currently has an exclusive cable TV concession which runs until 2012. In May, Telecom Italia said it would bring forward by two years its plans to spend 6.5 billion Ecus by 2000 to wire up 10 million Italian homes with a fibre optic network capable of delivering multimedia information.

The European Union Council of Ministers has approved the MEDIA II programme, whose aim is to improve training in the European audiovisual sector and support the realisation and distribution of European movies. MEDIA II, which will be launched on January 1, 1996 will have a budget worth 310 million Ecus until the year 2000.

The Belgian government said that Belgian cable TV operators will be authorised to supply telecoms and interactive multimedia services (with the exception of voice telephony) starting from 1996. Belgium is one of Europe's most highly cabled countries.

On June 23, the European Commission held a Forum to launch a permanent dialogue on the information society with the 10 Eastern and Central European countries that have signed association agreements with the European Union (Bulgaria, Hungary, Poland, The Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia).

All participants agreed on the necessity to apply common regulatory and competition principles across Europe, particularly in order to attract foreign investment.

Four working parties comprising the Commission, Central and Eastern European countries and the industry were established in the fields of standardisation, research and development, regulation, and infrastructure and financing. They will present a report at the Forum's next plenary session, which is to be held in the first half of 1996.

## MARKET AND COMPANIES

The French and German national telecoms operators have finalised the terms of their alliance with Sprint, the third largest US long distance operators.

France Télécom and Deutsche Telekom have agreed to spend between 2.9 and 3.4 billion Ecus for a 20% stake in Sprint. The three partners will also set up a joint venture, Phoenix, who would employ 2,100 and have a turnover of 1.8 billion Ecus the first year.

Phoenix will specialise in providing global communications services to multinational companies. It will also supply network capacity to other carriers and develop consumer applications. Phoenix must now be cleared by US and European competition

authorities.

The Spanish national telecoms operator Telefonica de Espana has agreed on the terms of its participation to Unisource, a telecoms consortium owned by the Dutch, Swedish and Swiss national telecoms operators which specialises in global corporate services.

Telefonica will spend an estimated 100 million Ecus for a 25% stake in the international operations of Unisource. But the Spanish operator has dropped plans to merge its national data communications business with Unisource's.

The Dutch electronics giant Philips has set up a new subsidiary, KeyMedia, based in Los Angeles, which will specialise in producing, distributing and marketing interactive CD programmes, as well as buying reproduction rights in Europe and the USA.

The British telecoms group Cable and wireless (C&W) and the German industrial conglomerate Veba have disclosed the details of their telecoms alliance of January 1995.

C&W will pay 1 billion Ecus for a 45% stake in Vebacom, the telecoms arm of Veba, which will operate in Germany. In January, Veba agreed to buy a 10.5% stake of C&W worth 1.1 billion Ecus. The partners will also establish a joint venture, Cable and Wireless Europe, that will be active in the rest of the European Union and Switzerland.

The Italian computer giant Olivetti and the US regional telecoms company Bell Atlantic have agreed to set up Infostrade, a telecoms joint venture worth over 80 million Ecus, in which they will respectively own 67% and 33%. The two companies added that they intend to bring a third non-Italian partner into the venture.

The Italian national telecoms operator Telecom Italia has said that it is close to signing a "global" industrial agreement with the US computer giant IBM.

## TECHNOLOGY

Leading German and European TV, media and telecoms groups have signed a Memorandum of Understanding to jointly develop TV set top boxes for the development of interactive television services in Germany.

On the German side, the alliance would comprise the national telecoms operator Deutsche Telekom with 35%, the media giant Bertelsmann with 15%, the state TV channels ARD and ZDF with 7.5% each, and the private TV channel RTL with 7.5%. Other partners would be the European media group CLT with 15% and the French pay-TV channel Canal + with 7.5%. Another 5% would be opened to smaller participants.

The German TV group Kirch Gruppe, who in 1994 joined forces with Deutsche Telekom and Bertelsmann in the interactive TV venture Media Service (MSG) -- which was later rejected by the European Commission because it would have distorted competition in the German market -- will develop its own set top box technology.

## NORTH AMERICA

Trends: The focus is on legislation with the approval of the US Senate's new communications' bill, and the overturning of Judge Sporkin's rejection of the accord between Microsoft and the US Administration. On the application side, Visa and MasterCard have joined forces to boost secure on-line payments.

## APPLICATIONS

Two credit card giants, America's Visa and MasterCard, have sealed an alliance to jointly develop a system that would guarantee the security of on-line payments.

The two companies, which had until recently been working on rival systems, hope to develop a safe electronic payment system by September 1995. This could give a boost to the development of home-shopping on the Internet and commercial on-line services.

DreamWorks SKG, a recently-created Hollywood studio, has chosen the US computer giant IBM to develop the technology required to set up a digital film library.

The move follows DreamWorks' recent accord with the US software developer Silicon Graphics, who will conceive and realise a digital studio worth \$50 million for the production of cartoons, cinema and TV movies, and other audiovisual programming.

IBM's digital library will allow for the instant storage, protection and retrieval of all material produced or mixed in Silicon Graphic's digital studio.

## LEGISLATION AND POLICIES

The US Senate has massively passed by a 81 to 18 vote a bill overhauling the US communications sector that would allow cable operators, local telecoms companies and long distance operators to enter each other's business with almost no restrictions.

The draft bill would also scrap most rate restrictions for cable TV operators and lift several restrictions to media ownership. To

become law, the Senate bill must be merged with a similar bill of the US House. But the adoption of the House's bill could be help up until the end of the year because of opposition of cable TV and long distance operators.

Microsoft, the world's leader in PC software, has won an important legal battle with the decision of a US Appeal Court to overturn the ruling of US District Judge Sporkin that rejected an accord between the US Department of Justice and Microsoft.

The US Department of Justice had accused Microsoft of unfair practices regarding its sale under license to PC manufacturers of its MS-DOS exploitation software. Both parties had settled the row in July 1994, but the accord was rejected by Judge Sporkin.

Despite this victory, Microsoft remains under scrutiny of the US antitrust authorities, in particular concerning the launch of its on-line service, the Microsoft Network.

## SOCIAL, SOCIETAL AND CULTURAL

According to a survey of NDP, a US marketing study institute, five million American households (5.1% of US homes) have subscribed to an on-line service. The trend, which corresponds to a 11% increase over three months (since March 95), includes a 50% increase for the World Wide Web alone, with 2 million connected homes.

## ASIA AND PACIFIC

Trends: Telecoms liberalisation is booming in Asia with new steps taken by South Korea, Vietnam and Hong Kong. Change can also be foreseen in Japan. Competition too could be boosted with the launch of a new pan-Asian mobile project. Separately, a Softbank-Microsoft alliance could radically transform the global video game market.

## INFRASTRUCTURE

PT Asia Cellular Satellite System, a consortium of Asian telecoms companies, is preparing the launch in 1998 of AceS, A pan-Asian cellular mobile satellite phone system.

Asia Cellular Satellite System is planning to sign a contract worth 500 million Ecus to build a two-satellite system with the US aerospace group Lockheed Martin .

The Swedish telecoms equipment manufacturer Ericsson would be awarded a contract worth 185 million Ecus to develop and

supply mobile telephone handsets that can communicate directly with the satellites or with ground-based cellular relay stations.

Participants in the venture include Indonesia's PT Pacifik Nusantara, Thailand's Jasmine International and the Philippine Long Distance Telephone Company.

AceS is expected to face stiff competition from the rival Asian mobile projects of Imarsat-P, the Afro-Asian satellite communications system and Singapore Telecom.

## LEGISLATION ANDS POLICIES

The Vietnamese government has decided to scrap the monopoly of the national telecoms company Vietnam Posts and Telecoms (VNPT) and has consequently awarded a nationwide license to the Military Electronics Telecoms Corporation.

Under the license, Military Electronics Telecoms will be authorised to set up and run any type of phone system, whether fixed or mobile. Both companies are already holding talks with foreign telecoms companies to help them develop phone networks.

The Japanese Ministry of Posts and Telecoms (MPT) has released an interim report on the convergence of the communications and broadcasting sectors that calls for a drastic overhaul of the legislation regulating both sectors, as they are likely to merge by the turn of the century. It is the first time an MPT study group issues such clear call for the reshaping of Japan's communications laws. A final report is expected in June 1996.

As from July, Hong Kong will break up the monopoly of the telecoms group HongKong Telecom, which is controlled by the British telecoms company Cable and Wireless, over the domestic fixed-line market.

Three domestic companies, Hutchinson Communications, New T&T Hong Kong and New World Telephone, have been awarded licenses. All three have also applied for mobile phone licenses, which are to be awarded in August.

Liberalisation remains however limited since HongKong Telecom will retain its monopoly over international calls -- which represent 60% of the market -- until 2006.

The South Korean government has unveiled plans to allow new telecoms entrants to compete by 1997 with the former state monopoly -- now partially-privatised -- Korea Telecom and the private international phone operator Dacom.

A third company would be granted a license to supply international, domestic long distance and cellular phone services, and another four to five companies licenses for other telecoms services such as wireless data transmission and personal communications.

Telecoms liberalisation in South Korea started in the early nineties with the sell off of 20% of Korea Telecom. A further 51% of Korea Telecom will be privatised in 1996 while Dacom will soon be authorised to start supplying domestic long distance services.

## MARKET AND COMPANIES

Softbank, a Japanese software producer, and Microsoft, the world's leader in PC software, have agreed to set up Gamebank, a joint venture in which they will respectively have a 40% and 60% stake, that will buy video game rights to use them on PCs.

Gamebank will pay royalties under license agreements to use game software currently available only on game stations developed by Japan's Sega, Nintendo, Sony and SNK.

The video games would be converted to be used on PCs running Microsoft's Windows 95 via a technology of America's Kinesoft Development, in which Softbank owns 41%.

Several software developers, including Sega, Bandai, Namco and Capcom, have already agreed to make their game software available. Thus, Gamebank is confident it will offer 30 games in the first year of operation and 100 within three years.

Many analysts believe that the move could eventually kill video game stations and that game specialists would progressively concentrate on developing software.

## SOCIAL, SOCIETAL AND CULTURAL

Following its 1994 decision to ban satellite dishes to stop the flow of subversive Western TV programmes, the Chinese government said it will restrict access to certain information on the Internet. The move follows the anniversary of the Tiananmen, on which day the "Goddess of Democracy" was displayed on PCs connected to the Internet.

Early this year, China said it would allow the 5,000 people who currently use the Internet to tap into the full range of services. But Telecoms Minister Wu Jichuan recently said that free access to the Internet doesn't mean free access to all information.

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