

EUROPE

Trends: The French government's decision to postpone the partial privatisation of France Télécom has attracted much media attention. While many newspapers see it as a setback for liberalisation in Europe, one should not forget that EU legislation doesn't require member states to privatise their public operators. Nor is public ownership an obstacle to liberalisation and competition. Also of major importance was the unveiling of two EU Directives preparing the ground for the 1998 liberalisation.

LEGISLATION AND POLICIES

The European Commission has adopted two draft Directives which aim to shape the European Union's new telecoms landscape after the 1998 liberalisation.

The first Directive calls on Member States to take the necessary steps to meet the January 1, 1998 deadline to liberalise telecoms services as well as telecoms infrastructures and cable TV networks (except for the five countries who enjoy a temporary derogation).

The Directive would also liberalise alternative infrastructures, such as the private telecoms networks of public utilities, by January 1, 1996 for all liberalised services.

Following a period of public consultation, the Directive will be definitely approved by the Commission before the end of the year under article 90 of the EU Treaty.

The second Directive would set up an harmonised framework for interconnection in the framework of the Open Network Provision (ONP), with the aim of ensuring universal service and interoperability of services throughout the European Union.

It would enable new telecoms entrants in the liberalised European telecoms market to interconnect their facilities with those of incumbent telecoms operators.

The Directive will have to be approved by the Council of Ministers and the European Parliament, and should be implemented before 1998.

The French government has decided to drop its plans to partially privatise the national telecoms operator France Télécom and concentrate instead on the internal reorganisation of the group to prepare it for the 1998 liberalisation of telecoms in Europe.

The government said that privatisation should follow the completion of the structural reform rather than precede it. Last May, 60% of the work force went on a one-day strike to oppose the planned privatisation. It is believed that the government's backtracking seeks to avoid the outburst of a new wave of strikes after the Summer.

According to a report on "Telecoms: Employment and Growth" published by the Irish Telecommunications Industry Task Force, a study group set up by the Irish government, telecoms are critical to Irish businesses given their peripheral location.

The report says that the Irish telecoms sector could create 9,000 jobs over five years, provided that industry and government combine their efforts to promote the sector.

It proposes in particular to set up an Industry Forum to boost cooperation amongst Irish-based telecoms companies and their investment in research and development.

MARKET AND COMPANIES

According to the French study institute IDATE, the audiovisual trade imbalance between the Europe Union and the USA has deteriorated by a further 10% between 1992 and 1993. Since 1988, the deficit has almost doubled from 1,700 to 3,050 million Ecus.

The 1993 figure corresponds to over 3,300 million Ecus of US exports, including 800 for movies (565 in 1988), 1,275 for TV (600 in 1988) and 925 for video (700 in 1988).

As for European exports, they were worth 280 million Ecus in 1993, including 210 for films and video (55 in 1988) and 75 for TV (115 in 1988).

IDATE believes this discrepancy is largely due to a "systematic reliance on US fictional programming by new European TV channels".

The Italian media mogul and former Prime Minister Silvio Berlusconi has agreed to sell off 45% of its media group Fininvest, according to financial sources.

A 25% stake will go to a group of investors comprising the Saudi billionaire Prince Walid ibn Talal ibn Abdulaziz, the German TV group Kirch Gruppe and the South-African TV company Richemont. Another 20% will go to a consortium of

Italian banks.

The move will leave Mr. Berlusconi with a 30% majority stake in Fininvest.

The Italian film producer Vittorio Cecchi Gori has said he intends to launch in September a new Italian TV network that would challenge the national television RAI and the private TV group Fininvest, who jointly control 99% of the Italian TV market.

Cecchi Gori, who owns a catalogue of several hundred films, has recently bought the Italian music channel Videomusic and the private channel Telemontecarlo Italy. He has also sealed a movie co-production and distribution agreement with leading film studios, including Warner Bros., Miramax and New Line.

The Anglo-Dutch publishing group Reed Elsevier has sold its Dutch and British newspapers interests amounting to 19% of its operations for an estimated 1,100 to 1,475 million Ecus. Reed Elsevier said it will invest the money and an additional 350 million Ecus in stepping into new electronic media and on-line information services.

The Dutch electronics giant Philips and the US cable TV operator United International Holdings have agreed to merge their European cable TV operations into a joint venture, United & Philips Communications, that will be worth 1 billion Ecus.

United & Philips, which will have a 2 million subscription basis, will also offer technical support to cable TV operators in 14 European countries and Israel for the development of new interactive services such as video-on-demand and home shopping.

The French aerospace group Aérospatiale, in association with its German, Italian and US counterparts DASA, Alenia and Loral Space Systems, has won the lion share of a 800 million Ecus worth order for five communications satellite by Eutelsat, the pan-European satellite telecoms organisation. Aérospatiale and its partners will build three out of the five satellites. The fourth satellite will be manufactured by the Russian consortium NPO-PM and the fifth by the Franco-British group Matra-Marconi Space.

The German national railway company, Deutsche Bahn (DB), said it intends to set up a telecoms subsidiary, DB Telekom, that would offer telecoms services over its private network, which spans the entire German territory. DB indicated that this would be a first step towards expanding its network and finding a strong partner.

The French pay-TV channel Canal + has set up a multimedia subsidiary and unveiled plans to pour several millions Ecus in the creation of multimedia products, including video games and cultural products, targeting the global market.

The US regional telecoms company US West and the leading US cable operator Time Warner will take part in the

development and management of an pilot optical fibre network in the Spanish city of Barcelona which will cost about 15.5 million Ecus.

The two US companies will be the technological partners of Cable y Television de Cataluna (CTC), a consortium controlled by the city and the bank Banco de Santander.

TECHNOLOGY

European airlines have started to offer in-flight mobile phone services on European routes based on the Terrestrial Flight Telephone System (TFTS), a cellular radio technology developed by Jetphone, a joint venture of the French national telecoms operator France Télécom and the British telecoms operator BT.

TFTS is based on cellular links relayed by ground stations located every 300 km. Regular mobile phones cannot be used in-flight as they could interfere with navigation instruments. The TFTS system already covers most of Western Europe and will cover all of it as well as the Middle East by 1996.

NORTH AMERICA

Trends: The most significant North American news item was the US Justice Department's decision to clear Phoenix. But this is only a first step on a long road towards Phoenix being approved by competition authorities in Europe and in the USA.

LEGISLATION AND POLICIES

The US Department of Justice has cleared Phoenix, a proposed alliance specialising in global communications for multinational companies between Sprint, the third largest US long distance operators, and the French and German national telecoms operators.

The decision lifts a first hurdle to France Télécom and Deutsche Telekom spending about \$4 billion to take a 10% stake each in Sprint. Phoenix must now be approved by the US Federal Communications Commission (FCC) and the European Commission.

Yet the Department of Justice only approved the venture following an agreement with the three companies on a consent decree setting several restrictions to Phoenix' operations until the 1998 liberalisation of telecoms in the European Union.

The US Federal Communications Commission (FCC) has settled a dispute over radio frequencies between CellularVision, a US cellular operator, and Teledesic and Spaceway, two satellite ventures intending to supply global multimedia communications.

CellularVision, which offers telecoms services in New York on the basis of the Local Multipoint Distribution Service (LMDS) technology, was stopped from expanding its service because it uses the same part of the radio spectrum than future satellite systems. The FCC has decided to share out the disputed frequencies amongst the three parties.

The Canadian government has authorised Expressvu, a Canadian consortium which includes the telecoms operator Bell Canada, to launch in September Canada's first satellite digital television service. It will allow homes equipped with a satellite dish and a decoder to receive 100 Canadian and US TV channels via the Telesat Canada satellite.

Canadian authorities have said that they intend to liberalise satellite digital broadcasting and authorise cellular transmission over foreign satellites. Another Canadian group, Power DirecTV, could soon be authorised to launch its own TV service.

MARKET AND COMPANIES

LG Electronics, a US subsidiary of the South Korean electronics group Goldstar, has agreed to spend \$350 million for a 57% stake in Zenith Electronics, the last independent US television manufacturer. All other US TV manufacturers are already being controlled by foreign companies, including France's Thomson, America's leader in TV sets.

TECHNOLOGY

Motorola, the world's leader in cellular phones, has unveiled a new wireless modem, Personal Messenger 100D, incorporated in a so called PCMIA card -- which can be connected to most laptops and electronic personal assistants --, that can be used to transmit and receive voice and data communications.

Motorola hopes that the new device combined with the upgrading of its Ardis wireless network will allow to double Ardis' subscription basis before the end of the year.

ASIA AND PACIFIC

Trends: In Japan, five leading groups have agreed to launch a new ambitious interactive multimedia experiment. Also in Japan, a new video game venture has been set up by Pioneer and Sierra. It demonstrates Pioneer's growing commitment to

developing multimedia equipment following the launch in February of a line of multimedia PCs. Finally, Rupert Murdoch's audiovisual operations in Asia are gaining momentum with his decision to take full control of Star TV.

APPLICATIONS

Five Japanese companies have agreed to launch in the Autumn an on-line multimedia trial that will supply video news reports and related articles, video travel information, and information on new products to business areas in Tokyo, Osaka and Nagoya.

The service will be provided over a broadband optical fibre network and will target corporate users mainly seeking up-to-date information on business products.

The experiment will be run by the electronics group Fujitsu, Japan's leading business newspaper Nihon Business Publications, the Japan Travel Bureau, the national broadcaster NHK and the national telecoms operator NTT.

LEGISLATION AND POLICIES

The Chinese government has reaffirmed that it will encourage foreign telecoms groups to invest billions of Ecus in China's telecoms networks but will bar them from exploiting networks. The same restriction would apply to domestic private operators.

Leading foreign companies such as Alcatel Bell, NEC and Siemens have already set up joint ventures and invested about 5 billion Ecus in China. As a result, the number of available phone lines has increased from 4 million in 1978 to 35 million today.

MARKET AND COMPANIES

The Japanese electronics group Pioneer and the US computer video game producer Sierra On-Line have agreed to set up a joint venture, Sierra Pioneer, to convert Sierra's products for use in Japan, as well as produce and market video games in Japan and Asia.

Sierra Pioneer, which operation will start in August, will be worth 9 million Ecus and be owned 51% by Sierra and 49% by Pioneer.

News Corporation, the group of the Australian-American media magnate Rupert Murdoch, will spend 285 million Ecus on purchasing a 26% stake in the pan-Asian Star TV channel from the Hong Kong business conglomerate Hutchinson Whampoa.

News Corp., which two years ago bought a 64% stake worth 430 million Ecus in Hong Kong-based Star TV, will now assume full control of the TV channel. The move would facilitate synergies with News Corp.'s other TV operations, in particular the

Fox Network in the United States and Sky Television in the UK.

MIDDLE EAST AND AFRICA

LEGISLATION AND POLICIES

The South African government has ruled out privatising the national telecoms operator, Telkom, and opening its telecoms market to competition in the near future.

It said that narrowing the access gap to basic telephony between white and black people was a prerequisite to liberalisation and added that Telkom would have to be seriously revamped before it can face external competition. About 15% of the population has access to a phone. But as a result of residential racial segregation, there are 60 phone lines per 100 Whites and only one per 100 Blacks. Africa's average is 1.6 per 100 people.

Telkom plans to install 5 million lines in the poorer areas by the year 2000 at a estimated cost of 800 million Ecus and has invited foreign telecoms companies to bid.

MARKET AND COMPANIES

AT&T, the US telecoms giant, has won a 655 million Ecus worth contract to supply Saudi Arabia with 300,000 GSM mobile phones. Last year, AT&T already won a 3.4 billion Ecus worth contract to double the capacity of Saudi Arabia's ground network and complete a GSM network by 1996. Saudi Arabia has currently 10 phones per 100 people.

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