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EDITORIAL

European broadcasters get set for digital satellite battle

The imminent launch of digital satellite broadcasting (DSB), a technology that allows to transmit 10 TV channels over the capacity currently required for one analogue channel, is likely to radically transform Europe's TV landscape through a proliferation of channels.

Broadcasters are already preparing the launch of bouquets of channels specialising in news, movies, culture or sports, as well as new services such as near video-on-demand (the same movie starts at close intervals on a succession of channels) and home-shopping.

But digital transmission will not revolutionise Europe's TV landscape and viewing habits overnight: even though DSB will start in 1996, it could take a decade before it becomes profitable, until in fact enough people get equipped with dishes and decoders.

Despite the absence of short-term profits and the important required investments, the battle for leadership in the DSB era is already raging amongst broadcasters.

Europe's TV giants have formed two alliances around rival digital decoders, (Bertelsmann, Canal+ and CLT on one side; Kirch, Nethold and Berlusconi on the other), forcing others broadcasters to settle for one of the two decoding technologies.

But broadcasters' alliances over decoders do not necessarily lead to partnerships for the joint launch of digital bouquets. Canal+ for instance, which plans to launch a French bouquet and collaborates with Bertelsmann on a German bouquet, is likely to face competition from its decoder partner CLT in both markets.

The digital bouquet of a given broadcaster could also compete with its own non-satellite channels. To prevent such problem, companies such as Canal+ intend to clearly differentiate the programming of their satellite and classical channels. Others, like Telepiu, intend instead to entirely switch to digital TV in a short time.

Telepiu will be in fact the first broadcaster to go digital with the launch in January 1996 of an experimental Italian bouquet of three channels, which would progressively be expanded to 20 channels, including America's MTV, CNN, TNT, Cartoon or Playboy.

The launch of new satellites by the two rival European satellite groups, Eutelsat and its Hot Birds, and Société Européenne des Satellites (SES) and its Astra fleet, will progressively give broadcasters a transmission capacity of up to 100 digital channels.

This multiplication of TV channels raises one key question: who is in a position today to supply enough programming to fill in all this air time?

The example of Telepiu and the already strong presence of US groups in analogue satellite TV suggest that American TV channels and audiovisual powerhouses may well take the lion share of the profits generated by DSB in Europe. But then again, that only reflects the already dominant position worldwide of the US audiovisual industry.

EUROPE

Trends: The spotlight is largely on European railway companies which are multiplying initiatives to become telecoms players in view of the 1998 liberalisation. At the legislative level, new steps have been taken by the EU to complete the setting up of the post-1998 telecoms environment, while France has announced that a decision on the partial privatisation of France Télécom would be reached in early 1996.

MULTIMEDIA APPLICATIONS AND PRODUCTS

The German national telecoms operator Deutsche Telekom has signed a memorandum of understanding with the German media giant Bertelsmann and its US on-line partner America OnLine (AOL) to invest in each other's commercial on-line PC service.

The move, which came shortly before the launch by Bertelsmann and AOL in December of AOL-Germany, would deflect a confrontation between rival services.

Telekom would take 5% of AOL, 30% of AOL-Germany and stakes in AOL's other European operations, while Bertelsmann-AOL would take 30% of Telekom's T-OnLine.

AOL-Germany and T-OnLine would also specialise in different market segments: professional services for T-OnLine and the residential market for AOL-Germany.

Separately, the German publisher Axel Springer, which recently dropped plans to buy a share in rival Europe OnLine, said it would buy 5% of T-OnLine and AOL-Germany .

LEGISLATION AND POLICIES

The European Union's Council of Ministers has adopted a directive applying the principles of the Open Network Provision (ONP) to voice telephony, thus giving users a right to access a basic telephone service at an affordable price, including directory services and special tariff schemes for certain social groups. It also guarantees that users are given clear information about their rights as regards to connection delay and service quality.

The European Commission has submitted to the Council of Ministers and the European Parliament two draft directives aiming at completing the setting up of a new telecoms environment in view of the 1998 liberalisation of services and infrastructures.

The first directive would set up a common framework for the attribution by Member States of authorisations or licenses for the provision of telecoms services. These would aim at securing that public interest requirements such as universal service are met and that licences are granted on the basis of open, transparent and non-discriminatory procedures.

The second directive is concerned with the harmonisation of conditions for the access to and use of public telecoms networks and services. It would in fact update the existing Open Network Provision (ONP) framework Directive and a directive applying the ONP principle to leased lines, thus adapting them to the new post-1998 telecoms environment.

The French government has said that it will reach a decision in early 1996 on the scale (20% to 49%) and timetable (possibly before the end of 1996) of the partial privatisation of the French national telecoms operator France Télécom.

The German government has granted Vebacom, a telecoms joint venture between the German energy-based group Veba and the British telecoms firm Cable & Wireless, a license to build and operate a new alternative network using the Synchronous Digital Hierarchy (SDH) technology to transmit programming for the public TV channel ARD.

The move followed a European Commission decision to open a legal procedure on the basis of a complaint by Veba against Germany's refusal to grant it the license.

Considering the planned liberalisation of alternative infrastructures in 1996 and the fact that the national telecoms operator Deutsche Telekom doesn't operate SDH networks, the Commission took the preliminary view that Veba's complaint was justified.

The Russian government has decided to sell the Italian national telecoms company STET a 25% stake in Svyazinvest, a leading Russian telecoms company that controls 51% of each of the country's local phone operators and has been granted rights to offer long distance and international services. STET will pay 500 million Ecus for the stake and has agreed to invest 580 million Ecus in Russia over the next two years.

The Polish government has announced plans to privatise 25% of the state-owned national telecoms operator Telekomunikacja Polska in the course of 1997.

MARKET AND COMPANIES

Leading German companies with telecoms assets have bid for a 49% stake in DBKom, the telecoms subsidiary of the German national railway company Deutsche Bahn (DB).

DB, which owns Germany's second largest telecoms network after the national operator Deutsche Telekom, set up DBKom at the end of September with a view to grabbing a slice of the country's telecoms pie after the 1998 liberalisation. DB also said it would be seeking a strategic partner with expertise in telecoms.

Bidders include the energy-based conglomerate Veba, the industrial group Viag, and the electricity utility RWE. The steel maker Thyssen and the US regional telecoms group BellSouth, which have set up a telecoms venture owned 60%-40%, have bid together.

The French national railway company SNCF has set up a telecoms subsidiary, Télécom Développement, which will lease lines to other telecoms operators and develop its own offer of telecoms services in collaboration with partners which have still to be found.

Télécom Développement has already signed a contract with SFR, the mobile phone subsidiary of the water utility CGE, for the supply of network capacity. It also intend to invest between 150 and 300 million Ecus over three or four years to offer a complete national network coverage. To finance the investment, it will sell off 30% of its capital.

NS Telecom, the telecoms arm of the Dutch national railway company Nederlandse Spoorwegen (NS), has agreed to join forces with the British telecoms operator BT to apply for a national telecoms license with the Dutch government.

If they are awarded a license, the two partners would set up Telecom 2, a joint venture specialising in corporate voice, data and video communications. After Europe's 1998 telecoms liberalisation, Telecom 2 would expand into the residential market .

Canal+, a French pay-TV group, Générale d'Images, the media arm of the French water utility CGE, and TCI, the leading US cable TV operator, have agreed to set up Multithematiques, a joint venture specialising in supplying TV programming worldwide.

Each partner would have a one-third stake in Multithematiques.

NORTH AMERICA

Trends: The key event in the United States was the adoption by the FCC of new foreign ownership rules which mix up openness and restriction. While the possibility for a foreign company to buy 100% of a US telecoms firm represents real progress, the FCC still retains the discretionary power to block almost any deal. That especially applies to the FCC's interpretation of the concept of "reciprocity" in market access. Only practice will tell whether the new rules really mean an improvement for foreign firms trying to enter the US market which so far remains largely closed.

MULTIMEDIA APPLICATIONS AND PRODUCTS

America's three leading cable TV operators, TCI, Time Warner and Comcast, have decided to rival telecoms company in offering their customers access to the Internet.

Hence, the three firms have ordered 500,000 modems which they intend to rent for $10 to $15 a month and which, they say, are 1,000 times faster than telecoms modems.

LEGISLATION AND POLICIES

The US Federal Communications Commission (FCC) has adopted new rules for foreign ownership of US telecoms groups which will allow foreign companies to own up to 100% of a US telecoms firm. Ownership had so far been limited to a maximum of 25%.

However, the purchase of more than 25% of a US telecoms firm will automatically trigger an FCC review aiming at determining whether the foreign company's home telecoms market is sufficiently open to US companies. If not, the venture will be banned.

Such review will also be triggered by a foreign company's request to operate telecoms services in or from the USA. The FCC can also decide to launch a review for ventures involving a large amount of money or raising competition concerns.

Furthermore, the FCC can clear a deal, provided it serves the US public interest, even if a foreign market doesn't comply. All the same, the FCC can decide to block a deal for foreign policy or national security reasons, even if a home market complies.

A US Federal Communications Commission (FCC) advisory panel has recommended the adoption of a nationwide technical standard for future high-definition television (HDTV) broadcasting or so called "advanced television service".

The standard was originally proposed by the Grand Alliance, a group of leading firms including AT&T, General Instruments, Philips, Thomson and Zenith Electronics as well as academia, for instance the Massachusetts Institute of Technology (MIT).

TECHNOLOGY

The US computer giants IBM and Apple have agreed to close down in January 1996 Kaleida Labs, a 50-50 owned joint venture set up in 1991 to develop a multimedia programming language, ScriptX, which they hoped would become an industry standard.

Kaleida has completed the development of ScriptX, which will be used by the two partners. Yet it looks unlikely that it will become the multimedia industry's standard.

LATIN AMERICA

LEGISLATION AND POLICIES

The Brazilian government has unveiled plans to liberalise telecoms, prepare the national telecoms operator Telebras for privatisation and upgrade phone services.

The government, which has submitted a draft bill to Congress to open up mobile cellular and satellite services to competition, said it would also present Congress with legislation to create a new liberalised environment for the rest of the telecoms sector.

The government also presented a 38 billion Ecus worth nine-year plan to modernise the country's phone system, including the tripling to 40 million of the number of fixed lines.

As for Telebras, it would eventually be split into five or six smaller companies.

MARKET AND COMPANIES

Four leading television production and distribution groups, America's News Corp. and TCI, Brazil's Globo and Mexico's Grupo Televisa, have agreed to jointly offer direct-to-home satellite television services to the whole of Latin America.

The system would rely on two satellite groups, PanAmSat and Intelsat, and could be launched in May 1996. It would ultimately offer a roster of about 150 channels.

News Corp., Globo and Televisa would each own 30% of the venture while TCI, America's leading cable operator, would own the remaining 10%.

News Corp., the TV empire of the Australian-American media magnate Rupert Murdoch, would bring its experience in satellite TV through Asia's Star TV and Britain's BSkyB, as well as programming, including that of its US TV network Fox. The Latin American system would in fact allow it to have a truly worldwide TV coverage.

Televisa, Mexico's leading media group and the world's largest Spanish-language content producer, and Globo, Brazil's largest media firm, would contribute programming.

WORLD-WIDE

LEGISLATION AND POLICIES

The World Radio Conference (WRC) has agreed at its biennial meeting to award frequencies to a number of Low Earth Orbit (LEO) satellite global communications systems, including the voice and data projects Iridium, Globalstar and Odyssey, and Teledesic, a multimedia satellite system that would be based on 840 LEO satellites.

The case of Teledesic however could raise serious competition concerns as it would be the world's only satellite system providing interactive global voice, data and video services. Its main sponsors are Microsoft, the world's leader in PC software, former cellular entrepreneur Greg McCaw and the US telecoms giant AT&T.