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EDITORIAL

## Washington makes great leap forward

On February 8, US President Bill Clinton signed legislation radically overhauling the US communications regulatory landscape by introducing all-out competition.

The 1996 Telecoms Act was passed by US Congress on February 1 and received overwhelming support in both Chambers (414-16 in the House; 91-5 in the Senate).

In the new US regulatory environment, long distance operators, regional telecoms operators and cable TV operators will be entitled to enter each other's business with only limited restrictions. As for media ownership rules, they will be relaxed.

Broadcasters in particular will be allowed to reach a national audience of 35% instead of 25% and to own as many as five to eight TV stations in a single market depending on its size. As regards the cap on cable TV prices, it will be lifted in April 1999.

The bill defines universal service as an evolving roster of telecoms services revised periodically by the US Federal Communications Commission (FCC). All carriers will contribute to its financing on an equitable and non-discriminatory basis.

To protect children against pornography and violence, the bill requires TV sets to include V-chips, a device that allows parents to ban pre-selected programmes. It also bans the transmission of indecent material to minors on the Internet and on-line services.

Foreign investment provisions were left out of the bill because lawmakers were unable to agree on the issue, thus leaving the FCC in charge. Conditions for the attribution of digital TV licenses were also left out because lawmakers failed to agree on whether they should be granted for free or auctioned. The issue would be addressed in a separate bill.

The scope of the US reform is comparable to the setting up by 1998 of a new telecoms regulatory framework in Europe but contrasts sharply with Japan's cautious approach.

On January 25, the Japanese Ministry of Posts and Telecoms released an "Interim Report" advocating limited telecoms liberalisation measures, which sets deadlines only for the liberalisation of local leased lines in 1996 and international leased lines in 1997.

Other significant liberalisation measures would include a relaxation of foreign ownership rules, albeit conditional to an agreement on telecoms services (GATS) within the World Trade Organisation, and ending the market segmentation amongst local, long distance and international carriers. But the latter would be a lengthy and complex process.

While liberalisation in the USA and Europe is expected to have a positive impact on the offer of services, prices and, in the longer run, employment, the fact that a leading economic power such as Japan is lagging behind could raise competition worries.

## EUROPE

Trends: The consolidation of Germany's effervescent telecoms industry made further progress with a venture between BT, RWE and Viag. In the audiovisual sector, a digital TV alliance between Canal+, Bertelsmann and CLT collapsed, opening the way for a venture between CLT and News Corp.

### MULTIMEDIA APPLICATIONS AND PRODUCTS

Symah Vision, an advertising subsidiary of France's Groupe Lagardère, has launched the commercial exploitation of Epsis, a system that allows advertisers to adapt TV adds to specific markets by inserting different versions of a virtual add in a TV broadcast.

The system is being currently used for sports programmes for which it is particularly well suited since all channels use the same live footage. For instance, an add for a given product can be sent in different languages to match national or regional markets. Adds for different products can also be simultaneously broadcasted on several TV channels.

Based on a missile guiding system, Epsis identifies billboards, insert the virtual add and tracks the billboard through camera moves to adjust the virtual add so it looks real.

### LEGISLATION AND POLICIES

The European Commission has cleared the acquisition by the US telecoms giant AT&T of TRT and PKI, two public telecoms equipment units of the Dutch electronics giant Philips on grounds that it wouldn't impede competition in Europe.

The Polish government has awarded two GSM cellular mobile licenses to two foreign-led consortia and announced that it will sell-off 49% of the national telecoms operator Telekomunikacja Polska (TPSA) over the next two years.

The winners of the GSM licenses are respectively led by America's Air Touch and Denmark's Tele Danmark, and by America's US West and Germany's Deutsche Telekom. Overall, the two consortia will pay 520 million Ecus for the licenses.

MARKET AND COMPANIES

The German electricity utility RWE, the German industrial group Viag and the British telecoms operator BT have agreed to set up a joint venture to offer telecoms services in Germany and to invest 1.6 to 2.1 million Ecus in building a telecoms network.

The move would create the most serious challenger to the incumbent operator Deutsche Telekom after the 1998 liberalisation of telecoms in Europe.

Viag and BT are already partners in a joint venture, Viag Interkom, while RWE has agreed to interconnect its network with the networks of smaller electricity utilities.

The European broadcaster CLT and the US media giant News Corp. have agreed in principle to set up a 60-40 owned joint venture to launch digital satellite TV in Germany.

The accord follows the collapse of negotiations between CLT and the Franco-German media tandem formed by Canal+ and Bertelsmann. But the deal could still be opposed by the French publisher Havas, which has an important stake in both CLT and Canal+.

SOCIAL, SOCIETAL AND CULTURAL

A High-Level Group of experts set up by the European Commission in May 1995 to address the social and societal impact of the information society has unveiled a first Reflection Report which calls for a European model of info-society based on solidarity.

The report, whose final version is to be adopted by May 1996, aims at triggering a wide debate. It emphasises in particular that the information society must be a learning society offering all citizens life-long education and training both at home and in the office to give them the ability to handle information and turn it into a usable knowledge.

Along the same lines, the Commission has launched the "1996 European Year of life-long education and learning," which aims at fostering debate on the role of education and training and help finding ways to bring life-long learning to Europeans.

In this context, the Commission will also provide 8 million Ecus worth financial support to local and national actions. Over 150 projects have already been selected.

The Commission has also proposed to include "multimedia educational software" into the five new domains that will benefit from a 700 million Ecus worth reserve under the European Union's Fourth Research and Development Framework Programme.

## NORTH AMERICA

Trends: A major trend in America is the rapid consolidation of the PC industry. Following Apple's restructuring plan, Digital has decided to quit the business, while Bull is merging its PC subsidiary Zenith with Packard Bell. Meanwhile, MCI is unfolding a new on-line strategy which could raise some questions since it builds on on-line rivals News Corp. and Microsoft. Separately, Corel is stepping out as a new fierce rival for Microsoft. As for AT&T, it aims at becoming the world's leader in Internet access.

### MULTIMEDIA APPLICATIONS AND PRODUCTS

The Canadian regional telecoms operator Bell Canada said it would launch by the end of the year a two-year interactive TV trial service worth $80 million in two cities. The trial would offer 3,500 homes services such as video-on-demand and Internet access.

The US car maker General Motors (GM) has opened a virtual showroom on the World Wide Web which allows potential buyers to take a ride in GM's cars and trucks or identify the car of their dreams by combining options and features.

### MARKET AND COMPANIES

A $682 million worth joint bid by MCI, the second largest US long distance operator, and the US media giant News Corp., won a US government auction for the last available Direct Broadcast Satellite (DSB) license to offer direct-to-the-home satellite TV services.

The two partners plan to invest another $1 billion in launching the satellite system in 1997. The venture would offer News Corp. a new outlet to market its TV channels. As for MCI, it sees DSB as a way to quickly offer high-speed multimedia transmission.

But MCI's window of opportunity may only last until rival cable TV and telecoms operators have developed two-way broadband networks. Furthermore, MCI would only be second in the market. Indeed, arch-rival AT&T has joined forces with DirecTV, the US leader in DSB TV, by buying a 2.5% stake worth $140 million.

MCI, the second largest US long distance operator, and Microsoft, the world's leader in PC software, have agreed to join forces to develop and market on-line products.

MCI would distribute and market the on-line service Microsoft Network (MSN) and endorse Microsoft's Internet navigator, Explorer. As for Microsoft, it would market MCI's services, for instance videoconferencing and high-speed ISDN transmission.

But the deal is likely to interfere with MCI's on-line alliance with the US media giant News Corp., in particular as regards the on-line service Delphi, which rivals MSN.

In 1995, MCI agreed to buy a 13.5% stake worth $2 billion in News Corp. and the two partners decided to merge their on-line business into a 50-50 owned joint venture.

But MCI recently has decided to reduce its stake in the joint venture to 20%.

Corel, a Canadian manufacturer of graphics software, has agreed to spend an estimated $120 million on buying WordPerfect, a US developer of word processing software, from the US software company Novell, which bought it in 1994 for $1.4 billion.

The move is part of Corel's strategy to challenge Microsoft, the world's leader in PC software, in the office applications market. It plans to integrate its graphics software CorelDraw and desktop publishing software Ventura with WordPerfect's products to develop a new line office applications, PerfectOffice 7. By capitalising on WordPerfect's 20 million users base, Corel believes it could erode Microsoft's 90% market share.

The US telecoms giant AT&T has unveiled plans to become the world's leading provider of Internet access for corporate and residential customers by developing its own Internet-dedicated network, AT&T Worldnet, with access points around the world.

Local access would be achieved via interconnection accords with domestic carriers. Worldnet, which should be fully operational by 1998, would also offer its own roster of services and allow subscribers to get on-line anywhere in the world. AT&T hopes to attract 60% of new Internet users and have one million US subscribers by year end.

The French computer group Bull has agreed to merge its 100%-owned American PC subsidiary Zenith Data Systems (ZCS), which it bought seven years ago, with the US computer manufacturer Packard Bell, in which it has a 20% stake. In return, Bull will get preferential shares in Packard Bell with an option to increase its stake.

The move will create a new US computer giant ranking fourth behind America's Compaq, IBM and Apple and ahead of Japan's NEC. Packard Bell is already America's PC leader with a 13% market, including 44% for the residential market. NEC, which owns 17% of Bull and 20% of Packard Bell, would injecting $238 million in the venture.

The US computer manufacturer Digital Equipment said it would withdraw from the PC market and concentrate entirely on the corporate market.

## TECHNOLOGY

Netscape, the world's leader in Internet navigators, has sealed an alliance with America's Verifone, a specialist in electronic payment systems, to jointly develop a system providing security for on-line payments and transactions on the Internet.

The US credit card giants Visa and MasterCard have agreed on the specifications of a security system for on-line payments, Secure Electronic Transactions (SET).

The two partners had agreed to collaborate on the issue in the summer of 1995. Leading US high-tech firms such as GTE, IBM, Microsoft or Netscape took part in the development of the system. Tests would start on the Internet in the second half of 1996.

## ASIA AND PACIFIC

Trends: While Tokyo is showing extreme caution towards instilling some competition in its telecoms market, rising doubts also surround its willingness to split up NTT.

## LEGISLATION AND POLICIES

Lately, Tokyo has sent contradictory signals regarding the possible split up of the national telecoms operator Nippon Telegraph and Telephone (NTT).

In December, Trade Minister Ryutaro Hashimoto, which has since become Prime Minister, advocated a merger between NTT and Japan's leading overseas carrier KDD.

On January 12, Telecoms Minister Ichiro Hino suggested the government might be unable to meet its self-imposed March 1996 deadline for deciding upon the break-up.

But on January 18, the Telecoms Council, an advisory group to the Japanese Ministry of Posts and Telecoms (MPT), released an interim report calling for the split up of NTT into three companies, a long distance operator and two local operators.

Telecoms liberalisation in Sri Lanka is likely to be seriously slowed down after an unsuccessful bidder, The Maraja Organisation, obtained a court injunction suspending the award of two licenses to rival consortia led by Sweden's Telia and Bell Canada. Given the involved parties' right to appeal, it could take months or years to clear the case.

MARKET AND COMPANIES

Japanese cable TV operators are targeting the Internet access market with the launch of not less than 21 experiments to test high-speed cable modems which are capable of delivering data at a speed 300 times faster than usual 28.8 Kbit telephone modems.

LATIN AMERICA

MARKET AND COMPANIES

The Spanish telecoms operator Telefonica and the US PC software giant Microsoft would start negotiations in September on the launch of a joint strategy in Latin America.