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EDITORIAL

German Digital TV Manoeuvres prefigure Europe-wide Alliances

Germany is quickly emerging as the central battlefield for the launch of new digital TV services in Europe, i.e. interactive TV services delivered over broadband networks such as video-on-demand, and one-way satellite broadcasting of bouquets of TV channels.

In this context, two major developments have occurred lately in Germany which largely prefigure the shape of Europe-wide alliances amongst key players.

The first event is the decision by Vebacom, a telecoms joint venture between the German industrial group Veba and the British telecoms group Cable & Wireless (C&W), to step out of the European consortium Multimedia Betriebsgesellschaft (MMBG) and endorse instead the set-top box technology for interactive TV of rival Kirch Gruppe.

Vebacom has also agreed to form a 50-50 joint venture with the Swiss retailer Metro to offer interactive TV support services from September 96 in competition with MMBG.

Vebacom's move is a serious setback for MMBG. It comes only shortly after the German TV group Kirch also decided to withdraw from MMBG.

Yet MMBG, which promotes the technology jointly developed by the German media giant Bertelsmann and the French pay-TV group Canal+, has strong partners, including the German telecoms operator Deutsche Telekom, and the European media group CLT.

MMBG is also reportedly holding talks with other leading telecoms players, including Germany's RWE, Debis and Thyssen, Britain's BT and France's France Télécom.

The second event is the decision by the US media giant News Corp. to establish, via the UK TV channel BskyB in which it has a 40% stake, a joint venture with Havas, Canal+ and Bertelsmann to launch digital satellite broadcasting (DSB) in Germany .

The new company would be owned 10% by the French publisher Havas and 30% by each of the other partners and would launch a bouquet of digital satellite TV channels in the autumn of 1996 in Germany. It would later expand into other European countries.

The move came as a surprise as News Corp. had reportedly agreed to set up a DSB venture with CLT. But the deal was opposed by Havas, who has large shares in both CLT and Canal+. As a result, CLT is left without a DSB partner, at least for the time being.

Another strong European DSB pole revolves around Kirch and comprises the South African media group with European assets Nethold and Italy's media mogul Berlusconi.

Hence, in both market segments, the main players seems to the Bertelsmann-Canal+ couple and Kirch, both at a German and European level. Yet, Europe's digital TV landscape is likely to further evolve a lot as many other major players, whether in the telecoms, electronics or media sectors, are still vying for position.

EUROPE

Trends: Legislation tops the two last weeks' news with new Commission initiatives on liberalisation and universal service, the approval of the partial sell-off of Belgacom as well as the green light given to Hermes Hitrail. Meanwhile, Denmark is making progress towards deploying a nationwide information infrastructure. Finally, education remains at the top of the political agenda with new initiatives in Germany and Britain.

INFRASTRUCTURE

The Danish national telecoms operator Tele Danmark has inaugurated a nationwide 5,000-kilometre broadband infrastructure with connections to Sweden and Norway.

The move is part of the government's InfoSociety 2000 project launched in 1995 whose four priority areas of action are government, education, health care and research.

MULTIMEDIA SERVICES AND PRODUCTS

The Belgian national telecoms operator Belgacom has launched Tectris, an interactive TV trial with 50 homes in Woluwe-Saint-Pierre. Services include video-on-demand.

LEGISLATION AND POLICIES

The European Commission has adopted a Directive under article 90 of the Treaty that writes down into European law the political agreement amongst European Union telecoms ministers to liberalise telecoms services and infrastructures by January 1, 1998.

The Directive also defines the fundamental principles of the post-1998 telecoms regulatory framework, in particular as regards transparent and non-discriminatory rules for interconnection, interoperability, licensing, the use of scarce resources such as frequencies, and financing mechanisms for the provision of universal service.

Separately, the Directive fixes July 1, 1996 as the deadline for liberalising alternative infrastructures, i.e. the private networks of public water, railway and energy utilities.

The European Commission has adopted a Communication on universal service recalling its attachment to affordable access of all citizens to a set of telecoms services due to evolve over time and currently comprising voice telephony, fax and e-mail. It also announced several initiatives to strengthen universal service in the information society.

This will include making the affordability requirement in the voice telephony Directive more explicit, ensuring greater involvement of consumers in the definition of the future scope of universal service, providing better and faster access to computer networks to all citizens, especially the disabled ones, defining quality indicators to reduce regional access discrepancies, and the preparation by 1998 of a Monitoring Report on the future of universal service and the need for advanced services in areas such as education and health.

The European Commission has cleared the purchase by ADSB Telecoms, a consortium comprising Ameritech, Tele Danmark and Singapore Telecoms, of a 50% stake worth 1.9 billion Ecus in the Belgian national telecoms operator Belgacom on grounds that the venture doesn't pose a threat to competition in the telecoms market.

The European Commission has cleared Hermes Europe Railtel, a joint venture set up by Hitrail, which comprises 10 European railway companies, the US telecoms group Global Telesystems Group (GTS) and Britain's Racal-BRT, British Railways supplier of telecoms services, to deploy a pan-European fibre optic infrastructure, on grounds that it won't impede competition in the European telecoms market.

The European Union's Council of Ministers has adopted a Directive on the legal protection of databases which establishes an exclusive economic right for database creators and harmonises relevant parts of Member States' copyright legislation.

The European Commission has adopted a Green Paper on the legal protection of encrypted services such as pay-TV, interactive TV or tele-shopping, which aims at triggering a vast consultation on whether measures ought to be taken at European level.

The Turkish Constitutional Court has rejected essential parts of the country's privatisation law, thus stalling the planned sell-off of up to 39% of the national telecoms operator Turk Telecom. New legislation would be needed to proceed with privatisation.

MARKET AND COMPANIES

The US computer giant IBM and the German media giant Bertelsmann have agreed to collaborate on the development of software for new residential and corporate multimedia services by combining their respective strengths in computers and content.

The Italian computer giant Olivetti has agreed to sell off 10.5% of the British computer manufacturer Acorn to the US investment fund Chancellor Capital Management. The move would leave Olivetti with a 48.4 majority stake in Acorn.

SOCIAL, SOCIETAL AND CULTURAL

The German Ministry of Education and the national telecoms operator Deutsche Telekom have jointly launched a 18.5 million Ecus worth three-year programme to equip German schools with PCs and Internet connections and improve computer literacy.

Telekom has also launched an on-line education project, Comenius, which links up five schools equipped with 15 multimedia PCs each over a broadband network in Berlin. It is also negotiating with the federal government to offer schools preferential tariffs.

The UK Department for Education has launched a 3.4 million Ecus worth pilot scheme to equip up to 700 primary and secondary schools with portable multimedia PCs and facilities to get on-line. Two teachers in each school will receive a PC and training.

NORTH AMERICA

Trends: Two years after the FCC's decision to put a cap on cable TV rates torpedoed a $33 billion worth merger between Bell Atlantic and TCI, the convergence of telecoms and cable is back on the agenda. But the US West-Continental merger will benefit from the US telecoms deregulation, including the scrapping of the cap in March 1999.

MARKET AND COMPANIES

The US regional telecoms group US West has agreed to spend $5.3 billion on buying Continental Cablevision, the 4th largest US cable operator with 4.2 million subscribers.

The move marks the kick-off of US West's new strategy which focuses on cable TV networks for the delivery of packages of services comprising basic telephony, Internet access (through cable modems), conventional TV channels and interactive TV services.

The purchase of Continental would also allow US West to reach beyond its area towards important markets such as New England, California or Florida, and, combined with its own cable assets and its 25% stake in Time Warner, the second-largest US cable operator with 11.5 million subscribers, to reach over 16 million homes through cable.

The second largest US commercial on-line service, Compuserve, has agreed to use Navigator, the Internet browser of the world leader, America's Netscape.

The move is a setback for Microsoft, the world leader in PC software, who is trying to promote its own browser, especially since a similar accord is likely to be sealed soon between Netscape and America OnLine (AOL), the leading US on-line service.

The US telecoms giant AT&T said it would discontinue Network Notes, a service launched last August that allows users of Lotus Notes software to do collaborative work over AT&T's network, and concentrate instead on Internet-based services.

The move is a setback for the US computer giant IBM who spent $3.5 billion on buying Lotus Development, a leading US software manufacturer, in 1995.

The US telecoms equipment manufacturer Motorola and the US computer group Sun Microsystems said they had agreed to set up a partnership, Cyberspace Alliance, to offer cable TV companies services allowing them to supply their subscribers with high-speed data communications via cable modems, in particular fast Internet access.

ASIA AND PACIFIC

Trends: The NTT split-up saga continued with the release of the Telecoms Council's report. Meanwhile, after the USA, interactive TV now seems to be encountering problems in Hong Kong. Finally, new steps to control the dissemination of offensive material on the Internet have been taken by Singapore and ASEAN countries.

MULTIMEDIA SERVICES AND PRODUCTS

Hong Kong Telecoms has said the launch of its commercial interactive TV service, originally planned for July 1996, will be delayed until mid-1997. It dismissed reports of technical problems and said the delay would allow it to deploy more advanced technology.

The Japanese national telecoms operator Nippon Telegraph and Telephone (NTT) has said it would launch in April a one-year interactive TV experiment with 400 homes using technology developed by America's Microsoft, the world's leader in PC software.

It is already running two interactive TV trial using video servers respectively developed by itself and America's Silicon Graphics. Services include video and karaoke-on-demand.

LEGISLATION AND POLICIES

The Telecoms Council, an advisory group of the Japanese Ministry of Posts and Telecoms (MPT), has released a report calling for the split up of the national telecoms operator Nippon Telegraph and Telephone (NTT) into three separate carriers.

The report argues that the break-up combined with deregulation measures recently unveiled by the MPT would pave the way towards the information society in Japan.

A long distance firm, NTT LD, would comprise NTT's data and mobile business and would be able to step into international and regional communications as well as cable TV.

Two regional carriers, NTT East and NTT West, would be allowed to provide phone, cable TV and content services in each other's area, and, once competition is strong enough, in their own area together with long distance and overseas communications.

While the report calls for the reform to be completed by April 1999, Japan is deeply split on the issue. A government decision is due by the end of March 1996.

The US government has asked the Japanese government to investigate its public procurement rules for PCs on grounds that they allegedly exclude US manufacturers.

The demand follows reports that some Japanese ministries receive discount rates of up to 90% on rental prices and over 70% on retail prices from Japanese PC manufacturers

MARKET AND COMPANIES

The Japanese electronics and entertainment giant Sony has said it will establish on April 1 a new subsidiary, Global Rights, specialising in the development and purchase of media intellectual property rights of publications, digitised pictures and games.

TECHNOLOGY

The Japanese Information Centre for Science and Technology said it will launch in March an automated translation service on the Internet based on a software which is capable of translating scientific information from Japanese into English at a rate of 15,000 words per hour. The software would eventually be marketed in a CD-ROM format.

SOCIAL, SOCIETAL AND CULTURAL

The government of Singapore has announced rules to restrict access to Internet content that could endanger public morality, political stability and religious harmony.

The proposed legislation would require providers of Internet access and content to obtain a license from the Singapore Broadcasting Authority (SBA).

Service providers would have to remove content that breaches local laws and penalise users who disseminate offensive material. As for schools, libraries and cyber-cafés, they would be asked to install software that can identify and ban objectionable content.

Information ministers of the Association of South-East Asian Nations (ASEAN) have agreed to set up a consultative Forum comprising public officials and experts to learn about each other's methods to control the flow of offensive material on the Internet.

The ministers also agreed to use new communication technologies to promote their identity and values worldwide with the launch within two years of an ASEAN satellite TV channel and a better use of the Internet's potential for disseminating information.