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## EDITORIAL

### US telecoms liberalisation fosters yet more mega-mergers

They were seven Regional Bell Operating Companies or Baby Bells, now there will be only five: on April 1, 1996 the US regional telecoms operators SBC Communications and Pacific Telesis Group (PacTel) announced a \$17 billion worth merger, while on April 22, 1996 Nynex and Bell Atlantic unveiled a \$22 billion worth merger.

The company set up by Nynex and Bell Atlantic would be America's second largest telecoms group after the long distance operator AT&T, while the one set up by SBC and PacTel, which would be known as SBC Communications, would be the third largest.

Together, SBC and PacTel would weight over \$21 billion in annual revenues and have a 30 million subscribers base, including America's two most populous states, California and Texas. SBC is already the country's second largest cellular operator after AT&T.

As for Nynex and Bell Atlantic, they would jointly weight \$27 billion in annual revenues and over 29 million subscribers, in particular in the populous East Coast.

The ventures are the second and third large mergers since the adoption last February of the new US telecoms regulatory framework. The previous one, valued at \$10.8 billion, involved the Baby Bell US West and the cable operator Continental Cablevision.

The three mergers are largely the result of the competition unleashed by the 1996 Telecoms Act, which entitles long distance operators, Baby Bells and cable operators to enter each other's business with only few restrictions, and relaxes media ownership rules.

The combined pressure of competition and the requirement to get global is fostering a radical restructuring of key segments of the US communications industry, i.e. telecoms, cable TV and content, thus leading to the emergence of new colossuses.

The SBC-PacTel, Nynex-Bell Atlantic and US West-Continental mergers aim at reaching a critical size in order to compete with the three US long distance operators AT&T, MCI and Sprint and to offer integrated packages of communications services

ranging from voice telephony to television and new interactive multimedia services.

As regards content, the mergers could question existing alliances. Indeed, PacTel, Nynex and Bell Atlantic have set up Tele-TV Systems, a wireless TV subsidiary, while SBC has joined forces with the remaining Baby Bells GTE, Ameritech and BellSouth and the media giant Walt Disney to form an interactive TV venture, Americast.

The year 1995 had already been marked by huge mergers in the media industry in preparation for liberalisation, in particular between Disney and Capital Cities (\$19 billion) as well as between Time Warner and Turner Broadcasting System (\$8 billion).

But similar mergers amongst operators had not been on the agenda since the collapse in 1994 of a \$33 billion worth merger between Bell Atlantic and the largest US cable operator TCI and a \$5 billion worth merger between SBC and the cable operator Cox.

## EUROPE

Trends: The consolidation of Europe's TV industry is gaining momentum with three major alliances: at a European level, Bertelsmann is joining forces with CLT; in Germany, Kirch receives the support of Viacom; and in France, TF1, France Télévision, M6, Lyonnaise and CLT are getting set to jointly launch a digital bouquet. Yet these trends don't make the overall picture look any clearer, especially as regards the position of CLT and Bertelsmann. Indeed, the two companies have agreed to merge their broadcasting assets only weeks after CLT decided to quit the Bertelsmann-Canal+ interactive digital TV alliance and while CLT will compete with Bertelsmann's ally Canal+ in France's digital satellite TV market. Further blurring this complex picture is the fact that the French media group Havas has large stakes in both CLT and Canal+.

## LEGISLATION AND POLICIES

The Danish government has drafted a new telecoms bill that would liberalise the country's telecoms market in two stages: all services would be opened up to competition by July 1996 while infrastructures would be liberalised by January 1997.

The legislation would provide for non-discriminatory radio frequency allocation and access of new entrants to the networks of incumbent operators, in particular the national operator Tele Danmark, under the supervision of the state Telecoms Agency.

Finally, the bill would also liberalise the provision of television services.

## MARKET AND COMPANIES

The German media giant Bertelsmann and the European broadcaster CLT have signed a letter of intent for the setting up of a joint venture which would become a leading European TV group with TV channels assets in Germany (RTL, RTL2, Super RTL, Vox, Premiere), Holland (RTL 4 and 5), France (M6, TMC) and the UK (Channel 5).

Each partner would have a 50% stake in the new, as yet unnamed company. The venture would in particular focus on digital TV and the creation of programming.

The move would strengthen Bertelsmann's position towards its main German audiovisual foe, Kirch Gruppe, and would also settle a lasting dispute between Bertelsmann and CLT for the control of RTL, the leading German private TV channel.

The German TV group Kirch and the US media giant Viacom said they have agreed to seal a five-year programming alliance that would give Viacom a foothold in Germany, the largest European TV market, and strengthen Kirch's leadership in distribution rights.

Under the deal, Kirch, which already has the largest movie and TV programming library in Europe, would have exclusive rights for film and TV programming produced by Viacom's Hollywood studio Paramount in German speaking territories.

Kirch would also distribute some of Viacom's TV channels, including the music channel MTV, the German music channel VH-1 and the children channel Nickelodeon.

DeTeMobil, the mobile arm of the German national telecoms operator Deutsche Telekom, said it has bought a 49% stake in Russkaya Telefonnaya Kompaniya, a Russian GSM cellular mobile operator with operations in six large Russian cities.

Four French TV groups, France Television, TF1, M6 and Lyonnaise des Eaux, and the European broadcaster CLT have agreed to set up a joint venture, Télévision par Satellite (TPS) respectively owned 25%, 25%, 20%, 10% and 20%, which would launch a French language bouquet of digital satellite channels by the end of 1996.

TPS, which would invest 230 million Ecus over two years, would compete with Canalsatellite, the digital satellite subsidiary of the French pay-TV group Canal+, which will launch its bouquet on April 27. Canalsatellite and TPS will rely on one of Europe's two rival satellite groups, Société Européenne des Satellites (SES) and Eutelsat.

While Canal+ will use SECA, the decoding technology it has jointly developed with Germany's Bertelsmann, TPS hasn't made up its mind yet. The choice is between Irdeto, the system jointly developed by the South African TV group Nethold and the German TV group Kirch, and Viaccess, the technology of the French national telecoms operator France Télécom.

Viaccess has already been chosen by the French TV producer AB Productions, which is working on the launch of a third French bouquet.

## NORTH AMERICA

Trends: AT&T and MCI's rivalry over Internet access is now moving towards another highly promising Internet-related market: Intranets. The two companies are at the centre of major alliances comprising leading players, i.e.

AT&T-IBM-Netscape and MCI-Microsoft-Digital. These alliances reflect the US dominance of the Internet market. In Canada, cable operators have agreed to join forces within Vision.com to compete against the telecoms alliance Stentor in the fast expanding communications market.

## MULTIMEDIA SERVICES AND PRODUCTS

Compuserve, the world's second largest commercial on-line service, and the US media giant Time Warner have agreed to join forces to allow Compuserve's 4.7 million subscribers to create on-line tailor-made magazines based on the magazines published by Time Warner, for instance Time, People, Sports Illustrated, Fortune or Life.

Thanks to the use of software produced by America's Open Market, users will have direct access to the magazines instead of having to download them on their PC.

Two leading US PC makers, Compaq and Hewlett-Packard (HP), have unveiled the first PCs with built-in scanners respectively developed by Visioneer and Storm.

Compaq's Scanner Keyboard includes a black and white scanner for 22 by 76 centimetres documents. Scanned documents can be stored, annotated or re-edited once processed by optical character recognition (OCR) software.

HP's Pavilion 7130P scanning PC has an in-built PhotoDrive which allows to scan 13 by 18 centimetres colour photographs. Images can then be adjusted and enhanced.

## MARKET AND COMPANIES

AirTouch Communications, the cellular arm of the US regional telecoms operator Pacific Telesis, has agreed to spend \$1.65 billion on buying all of Cellular Communications, a US cellular operator in which already owns a 50% stake. The move would boost the number of AirTouch's US subscribers to 2.6 million.

The world's leader in PC software Microsoft, the second largest US long distance operator MCI and the US computer group Digital Equipment (DEC) said they have agreed to seal an alliance to jointly address the fast growing Intranet market.

The term "Intranet" refers to closed corporate data communications services based on the Internet such as e-mail, collaborative working or fast World Wide Web access.

The alliance would build on MCI's network, DEC's servers and Microsoft's software. Services would be marketed in the USA by MCI starting from next summer.

The partnership would rival a similar alliance between the leading US long distance operator AT&T, the US computer giant IBM through its software division Lotus Development and the world's leader in Internet browsers Netscape.

The Canadian Cable TV Association (CCTA), which comprises over 100 cable TV operators, said it would set up a new company, Vision.com, which would aim at giving its members a competitive edge in Internet access, interactive TV and local telephony.

Vision.com is the cable industry's response to Stentor, a consortium formed in the early 90s by Canada's regional telecoms firms, to compete in the future information market. It would in particular aim at developing standards for new multimedia products and services, for instance cable modems and set-top boxes for interactive digital TV.

Cable TV operators have also said they would invest between \$2.9 billion and 3.6 billion in upgrading their networks so they can support new interactive services.

Canada has the highest cable TV penetration in the world with 80% of households.

Microsoft, the world's leader in PC software, has launched Exchange Server, a new software specialising in on-line internal collaborative work for large companies.

The move is Microsoft's response to rival collaborative software, in particular Lotus Notes of the US software group Lotus Development, which was bought in 1995 by the US computer giant IBM for \$3.5 billion, and GroupWise of America's Novell.

## TECHNOLOGY

The World Wide Web Consortium (WWWC or W3C) is promoting the Platform for Internet Content Selection (PICS) as a technological alternative to legislative attempts aimed at controlling the flow of offensive material on the Internet.

The PICS, which was developed by the Massachusetts Institute of Technology (MIT), is a system which allows end users to filter on-line information or ban access to certain Internet addresses by choosing from a variety of rating systems established by government, churches or consumer groups, or by creating their own criteria.

The WWWC, which was formed by the MIT and comprises several dozens of leading US, European and Asian high-tech companies and research organisation, aims at promoting worldwide communication protocols and reference software for the WWW.

Marc Levoy, a professor at Stanford University, has unveiled a prototype tri-dimensional fax machine which allows to send a copy of an object over a network.

The 3-D fax, which has the size of a microwave oven, laserscans the object and creates a mathematical model whose coordinates are transmitted to the receiver. A copy is then realised by superposing tens of millimetre-thick layers of synthetic resin.

It took Levoy three hours to scan a Chinese sculpture, two hours to draw the coordinates and 10 hours to reproduce it. The current cost of the equipment includes \$5-10,000 for the scanner and \$60,000 for the receiver.

## ASIA AND PACIFIC

### MULTIMEDIA SERVICES AND PRODUCTS

Singapore's national telecoms operator Singapore Telecoms and the second largest US cable TV operator Time Warner have agreed to jointly launch an 18-month interactive TV experiment which will provide test users with video-on-demand services.

The two companies will also examine the possibility to establish a joint venture in about two years to start running a commercial interactive TV service.

### LEGISLATION AND POLICIES

The Japanese ruling coalition has decided to delay until 1997 a decision on a possible break up of the domestic telecoms operator Nippon Telegraph and Telephone (NTT). A final decision on the issue was originally due by the end of March 1996.

The Telecoms Council, the highest advisory group of the Japanese Ministry of Posts and Telecoms (MPT), has recently released a report calling for the split up of NTT into a long distance operator, NTT LD, and two regional carriers, NTT East and NTT West.

#### MARKET AND COMPANIES

Star TV, the Asian TV group of the US media mogul Rupert Murdoch, has launched a 24-hour channel in Japan and plans to launch another five TV channels within two years.

Star TV is the first foreign channel to enter the Japanese market. It is providing US and Asian programming dubbed or subtitled in Japanese as well as a Japanese shows.

The channel is offered by cable TV operators reaching an audience of 400,000 viewers and targets 1.3 million subscribers by year-end and 3.5 million by 2000. The five additional channels would specialise in learning, pay-movie, sports, animation and music.

#### MIDDLE EAST

#### MARKET AND COMPANIES

The South African TV group Nethold and the US media giant Viacom have agreed to provide access to their rival digital satellite TV bouquets for the Middle-East, respectively FirstNet and Showtime, through a single set top box technology, Irdeto, jointly developed by Nethold and the German TV group Kirch.

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