

## EUROPE

Trends: Telecoms competition is gaining further momentum with the award of licenses in Germany and the UK, and new corporate moves by Swiss Telecom, Alcatel and Portugal Telecom. As for Olivetti, it has finalised its plans to divest its PC business.

## INFRASTRUCTURE

The French national telecoms operator France Télécom has agreed to raise its stake to 100% from 40% in Keystone Communications, a leading US provider of professional audiovisual transmission services for broadcasters, corporations, cable operators with a 20% market share. France Télécom already operates a global audiovisual satellite infrastructure, Global Skylink, based on its global assets, including 100% of Maxat in Europe and 20% of Telepuerto Internacional de Buenos Aires (Tiba) in Latin America.

## LEGISLATION AND POLICIES

The British government has awarded 44 overseas telecoms licenses to all the 44 applicants, which include the Euro-American venture Global One and the US operators AT&T and MCI. They will be allowed to build and operate their own networks instead of having to lease lines from the British operators BT and Cable & Wireless.

The German government has awarded its first licenses to offer basic public telephone services by 1998 in competition with the incumbent operator Deutsche Telekom. The winners include Vebacom and Britain's Colt Telecom. Licenses to lease lines to other operators or corporations were also awarded, for instance to DBKom.

## MARKET AND COMPANIES

The Italian computer manufacturer Olivetti has agreed to sell its loss-making PC business to Piedmont International, a company formed for the deal by a group of mainly European investors, and concentrate on a new core business, telecoms.

The financial terms of the deal have yet to be finalised, but it is already known that Olivetti would initially have a 10% stake in Piedmont.

Separately, the US telecoms group Bell Atlantic has used its pre-emptive right to purchase from Olivetti a further 8% of the Italian mobile holding company Omnitel Sistemi Radiocellulari (OSR), thus raising its stake to 25%.

OSR owns 70% of the cellular operator Omnitel Pronto Italia (OPI). Olivetti, which will be left with 50% of OSR, was planning to sell the stake to the German telecoms group Mannesmann, which owns 20% of Pronto Italia (PI). PI controls 30% of OPI.

The Portuguese national telecoms operator Portugal Telecom and its Brazilian counterpart Telebras said they would create a 50-50 owned venture, Alliança Atlantica (AA), to jointly develop and manage their overseas telecoms investments.

The Swiss national telecoms operator Swiss Telecom and two South-east German energy utilities, Badenwerk and Energie-Versorgung Schwaben, have agreed to set up a German regional telecoms joint venture, Communications Network Services (CNS).

Swiss Telecom would own 50% of CNS and would contribute half of the 150 million Ecu worth investment the venture will make over five years to offer telecoms services.

CNS would build upon the two utilities' private optical fibre networks and benefit from Swiss Telecom's know-how and international reach.

The French telecoms manufacturer Alcatel has agreed to form a partnership with Ascend Communications, a US supplier of Internet access and remote corporate network equipment. The move is part of the two companies' strategy to offer end-to-end solutions for the fast growing market for corporate networks, including Intranets.

The German pay-TV channel Premiere said it would launch on February 15 a pilot digital TV service available via cable and satellite to 30,000 homes in Germany via the Mediabox, the TV decoding technology of the French pay-TV group Canal+.

The move could foster competition for the unrivalled German digital TV leader, Kirch, which in fact co-owns Premiere with Canal+ and the German media giant Bertelsmann. But Canal+ and Bertelsmann have a 37.5% stake each and Kirch only the remaining 25%.

United and Philips Communications (UPC), a cable TV operator owned 50-50 by the Dutch electronics group Philips and its US partner United International, has agreed to buy a 70% stake in Janco Kabel-TV, Norway's second largest cable TV operator.

The move, which follows UPC's recent purchase of Norway's third largest cable operator Norkabel, would turn UPC into the country's leading cable operator.

UPC, which has extensive operations in the Netherlands, also recently bought a 50% stake in Hungary's main cable operator and is expanding in France.

## SOCIAL, SOCIETAL AND CULTURAL

A group of European companies led by Xemplar, a joint venture of America's Apple and Britain's Acorn specialised in educational multimedia systems, have launched a European Education Partnership (EEP), which would serve as a forum for the launch of large-scale multimedia educational projects in Europe's classrooms.

The EEP, which comprises telecoms, publishing, TV and on-line groups, would ensure linkage between industry, local and European Union-led initiatives. Academics and educational institutions would be invited to participate as advisory members.

Sweden's Gratistelefon has launched a trial phone service whereby customers enjoy free calls but have their communications interrupted by commercials.

Callers first have to contact Gratistelefon via a toll-free number and give the number they wish to contact. They listen to a first add while they wait to be connected. Additional 10-second adds follow after the first minute and then every three minutes.

The Spanish national telecoms operator Telefonica has unveiled plans to axe 11,000 jobs in Spain by 2001, or 16% of its staff, in a move to remain competitive.

## NORTH AMERICA

Trends: The FCC tops the news with three important decision regarding digital TV standards, the award of a overseas license to C&W and a benchmarking scheme to compare overseas interconnection fees charged by US and foreign operators.

### LEGISLATION AND POLICIES

The US Federal Communications Commission (FCC) has adopted standards for the next generation of high-quality digital TV sets. The move ends a nine-year old quest and formalises a deal recently struck by broadcasting, computer and electronics groups.

But before digital broadcasting can be launched, the FCC has yet to make frequencies available and issue licenses. This is expected to be completed in 1998.

The technical specifications were developed by the Grand Alliance, a Euro-American consortium comprising General Instruments, Lucent Technologies, Philips, Thomson, Zenith and the Massachusetts Institute of Technology (MIT). The standards do not include requirements for scanning formats, aspect ratios or lines of resolution.

The US Federal Communications Commission (FCC) has proposed plans to modify the accounting rate system by creating a "benchmarking" system aimed at comparing settlement rates telecoms operators pay each others to complete international calls.

Under the system, which would make a distinction between liberalised markets, monopolistic markets and developing countries, foreign operators that fail to offer comparable rates than those of US carriers would face restrictions to enter the US market.

US operators argue that since there is far more traffic going out of the USA than coming in, they paid \$5 billion in 1995 to foreign carriers due to artificially high rates.

The US Federal Communications Commission (FCC) has awarded its first international telecoms license, or "214 license", to a foreign company, the UK operator Cable & Wireless (C&W). As a result, C&W will be allowed to sell services based on its own infrastructure on a number of international routes to and from the USA, including Britain. The move closely follows the decision of the British government to award similar licenses to the 44 operators that applied, including America's AT&T and MCI.

### MARKET AND COMPANIES

The US computer group Hewlett-Packard (HP) and Cisco Systems, the world's leading supplier of local area network (LAN) equipment, agreed to join forces in the corporate network markets. They would collaborate in technology development and endorse each other's products.

### TECHNOLOGY

Intel, the world's leader in PC microprocessors, has unveiled the MMX chip, an upgrade of its Pentium, which offers improved graphics and sound, 3-D imaging,

TV-quality video and communications capabilities.

#### SOCIAL, SOCIETAL AND CULTURAL

MCI, the US second largest long-distance operators, has unveiled plans to axe 1,200 jobs in the coming months or about 2% of its workforce of 55,000. The move follows a 10% increase in MCI's workforce in 1996.

#### ASIA AND PACIFIC

Trends: NTT tops the news again with its planned entry in the global market in 1997 and its decision to endorse GSM abroad. Also important are the MPT's plans to shortly lift restrictions on the foreign ownership of Japanese cable TV operators.

#### MULTIMEDIA SERVICES AND PRODUCTS

The Japanese bank Sumitomo plans to launch the country's first Internet-based banking service in February 1997. Another bank, Sakura, also has on-line banking plans.

#### LEGISLATION AND POLICIES

Following its recent decision to split up by 1999 the domestic telecoms operator Nippon Telegraph and Telephone (NTT) into two local and one long-distance and overseas operators, the Japanese Ministry of Posts and Telecoms (MPT) has decided to let NTT offer international telecoms services in 1997, ahead of the actual restructuring.

Wasting no time, NTT has already applied for telecoms licenses in Britain, France and Germany to provide corporate communications services and is planning to do the same in coming months in the USA and several Asian countries. But NTT said it has no plans to enter a global telecoms alliance with foreign partners.

Until legal constraints are lifted, possibly during the Japanese Diet session that started on January 20, NTT will only be allowed to offer data communications between foreign countries and construct networks abroad. But NTT already has plans to expand into voice and data services to and from Japan for both corporate and residential customers.

The Japanese Ministry of Posts and Telecoms (MPT) said it would remove by the end of March 1997 existing restrictions on the foreign ownership of Japanese cable TV operators, which is currently limited to one-third.

#### MARKET AND COMPANIES

The US media giant News Corp. and the Japanese software Softbank, have formally created JSkyB, a digital satellite broadcasting (DSB) venture which would launch 12 channels in Autumn 1997 and up to 150 channels by April 1998.

To provide content for their DSB platform, the two partners plan to take a 10% stake each in 12 Japanese programme producers. Last June, News Corp. and

Softbank agreed to buy a 43% majority stake in the Japanese broadcaster Asahi National Broadcasting.

JSkyB would compete with PerfectTV, a DSB service recently launched by the trading houses Mitsui, Itochu, Sumitomo and Nissho Iwai, and DirecTV Japan (DTVJ), a DSB service led by America's Hughes Communications to be launched in 1997.

#### TECHNOLOGY

The Japanese domestic telecoms operator Nippon Telegraph and Telephone (NTT) has said it would abandon its proprietary digital cellular standard, PDC, for its overseas mobile operations and adopt instead the European GSM standard.

The move comes in recognition of the failure of PDC to establish itself as a standard outside Japan and confirms NTT's ambitions abroad.

#### SOCIAL, SOCIETAL AND CULTURAL

The Japanese domestic telecoms operator Nippon Telegraph and Telephone (NTT) has unveiled Multimedia Wedding, a nationwide videoconferencing system based on the Internet that allows remote participation in wedding receptions. The service would be sold to hotels, wedding halls and other marriage-dedicated facilities.

### LATIN AMERICA

#### LEGISLATION AND POLICIES

A consortium led by Spain's national telecoms operator Telefonica has outbid a consortium led by Italy's national telecoms group STET for a 35% stake worth about 500 million Ecu in CRT, a Brazilian regional telecoms operator.

The move marks the start of the privatisation process of the Brazilian telecoms industry, which is expected to generate investment worth 80 billion Ecu over six years.

It coincides with the Brazilian government's submission to the country's Congress of draft legislation aimed at breaking up the public telecoms holding company Telebras.

In a move to gradually liberalise the telecoms market, Brazil is also due to award cellular mobile licenses to private companies in the first quarter of 1997 in competition with Telebras. Services are due to be launched in January 1998.

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