Information Society Trends

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EUROPE

Trends: On the infrastructure front, Alcatel is preparing the launch of the first European-led global multimedia satellite system, Skybridge, while Intel and SES are pioneering direct-to-PC transmissions in Europe. Meanwhile, convergence gained momentum in France with France Télécom's decision to step into multimedia publishing. At market level, the core events were the decision of BSkyB and Kirch to discontinue their DSB partnership and that of the SNCF to join forces with Cégétel.

INFRASTRUCTURE

Alcatel Espace, the satellite subsidiary of the French telecoms equipment giant Alcatel unveiled plans to launch by 2001 a $3.5 billion worth global interactive multimedia system, Skybridge, that would be based on 64 low-earth orbit (LEO) satellites.

Skybridge is the first ambitious plan by a European company to set up a high-speed global satellite infrastructure. It would compete with five similar US-sponsored systems, including Motorola's M-Star, Lockheed Martin's Astrolink, AT&T's Voicestar, Hughes's Spaceway and Bill Gates and Graig O. McCaw's Teledesic.

Intel, the world's leader in PC microprocessors, and Société Européenne des Satellites (SES), the private European satellite group, have agreed to set up a joint venture, European Satellite Multimedia (ESM), to provide direct-to-PC high-speed multimedia transmissions.

If provided at a reasonable cost, ESM's service could become a serious competitor for Europe's telecoms operators in the provision of high-speed Internet access. ESM would rely on SES' Astra fleet of six satellites covering the whole of Europe.

The US telecoms operator MFS-WorldCom has said it would invest 150 million Ecu in 1997 to interconnect its existing fibre optic networks in major European financial centres, including Amsterdam, Frankfurt, London and Paris.

MFS-WorldCom is a newly formed company resulting from the merger of WorldCom, the fourth largest US long distance operator, and MFS Communications, a provider of corporate telecoms services which owns fibre optic networks in US and European cities.

MULTIMEDIA SERVICES AND PRODUCTS

The French national operator France Télécom has set up a new subsidiary specialising in multimedia publishing, France Télécom Multimedia Edition, which will invest 3.8 million Ecu over four years in the co-production of CD-ROMs and on-line services.

LEGISLATION AND POLICIES

The Swiss government announced plans to sell-off 49% of the national telecoms operator Swiss Telecom in the second half of 1998.

Meanwhile, the upper and lower chambers of the Swiss Parliament have endorsed draft legislation aimed at fully liberalising the Swiss telecoms market in 1998. But the two chambers still have to iron out outstanding divergences before the legislation is passed.

The Belgian government has awarded a telecoms license to the Flemish telecoms operator Telenet for the provision all services except public voice telephony.

Telenet, which is 25%-owned by the US telecoms operator US West, said it would start offering private corporate services before the end of 1997.

The Austrian government has drafted legislation to break the monopoly of the national public radio and TV company ORF. It would award 55 licenses for local and regional radio stations before the end of the year and allow cable and satellite TV companies to compete with ORF's two TV stations, probably in the course of 1998.

Under the new legislation, foreign ownership would be limited to 49% for companies from the European Union and the European Economic Area, and 26% for the others.

MARKET AND COMPANIES

The UK pay-TV leader BSkyB and the German leader in digital satellite broadcasting (DSB) Kirch said they have agreed to terminate their DSB partnership. BSkyB will thus not finalise the purchase of a 49% stake in Kirch's DSB service DF1.

The move is bad news for both companies. For BSkyB, it highlights the company's failure to enter the German TV market. For Kirch, it means the loss of a much-needed partner. Kirch might now have to strike a deal with arch rival Bertelsmann, the German media giant, and its French partner, Europe's pay-TV leader Canal+.

Amongst the main reasons that can explain the divorce is the fact that BSkyB didn't manage to secure neither a 25% stake in Premiere, Germany's leading pay-TV channel, nor the inclusion of Premiere in the DF1 bouquet. Instead, Kirch, which owns 25% of Premiere, is locked into a row with its Premiere partners, Bertelsmann and Canal+.

Furthermore, BSkyB wanted DF1 to be offered over the cable TV network of the national telecoms operator Deutsche Telekom, which it also failed to secure.

Finally, DF1 has so far not been very successful. Kirch has only managed to sign up less to 30,000 subscribers compared with a planned 250,000.

The French national railway group SNCF has chosen Cégétel, the telecoms subsidiary of the French water utility CGE, as a partner to exploit its private telecoms network.

The SNCF would set up two companies, TD and TD Services (TDS), respectively in charge of network development and service provision. Cégétel, which has recently joined forces with the British and German telecoms groups BT and Mannesmann, would have a majority stake in TDS while the SNCF would have a majority stake in TD.

The move reinforces Cégétel as the most serious contender for the incumbent operator France Télécom in view of the 1998 liberalisation of the European telecoms market.

The Dutch electronics giant Philips said it would sell its 50% stake in the European cable TV company United & Philips Communications to its US partner United International Holdings, which owns the remaining 50%, for $425.2 million. United & Philips Communications operates Europe's largest private cable TV network.

SOCIAL, SOCIETAL AND CULTURAL

The French government said it would launch before the summer of 1997 a plan to increase the number of PCs in French schools and to connect them to the Internet. It would be financed with the support of partnerships between local authorities and industry.

NORTH AMERICA

Trends: AT&T is taking new steps to enter the local telecoms market with the development of a fixed wireless system allowing to bypass the Baby Bells' infrastructures. On the DSB front, News Corp. decided to merge its ASkyB service with EchoStar. As for 3Com, it agreed to purchase US Robotics.

INFRASTRUCTURE

The US telecoms giant AT&T has unveiled a fixed wireless system that would allow it to bypass the infrastructure of US regional telecoms operators to supply local services.

The system would consist of small devices mounted on the side of houses establishing links with AT&T's existing long-distance infrastructure over radio waves.

It would allow to provide at least two phone lines and data transmission capacity twice faster as that currently provided by the Baby Bells. The system would be tested starting from the end of 1997 with AT&T employees in the Chicago area before it is deployed.

Separately, AT&T said that its profits would falter by as much as 30% in 1997. This would be largely a result of the huge investments required to step into the local market and to upgrade its system to face mounting competition in the long-distance market.

LEGISLATION AND POLICIES

The US government has given its green light to Open Market, a US software developer, to export a powerful encryption technology. The move seems to be a departure from Washington's previous policy of tight export control for national security concerns.

MARKET AND COMPANIES

3Com, a leading US network equipment manufacturer, has agreed to merge with the US leading modem manufacturer US Robotics in an estimated $6 billion worth deal.

The move would strengthen 3Com's capacity to compete with America's Cisco System, the world's leader in network equipment. In 1995, 3Com already spent $775 million on purchasing Chipcom, a US producer of switching system for data networks.

The US media giant News Corp. said it has agreed to purchase 50% of the US digital satellite broadcasting (DSB) group EchoStar Communications in an estimated $1 billion worth deal and merge it with its DSB subsidiary American Sky

Broadcasting (ASkyB).

The merged company would be renamed Sky. Based on a seven-satellite system, it would launch a 500-channel DSB service in early 1998, and also offer Internet services as well as regional programming.

The move would give News Corp. and MCI, the US second largest long distance operator, which has a 13.5 stake in News Corp., access to 75% of US households. Indeed, despite the fact that EchoStar only has a small subscriber basis of 430,000, it enjoys the right to use a large portion of the scarce DSB frequency spectrum.

This would strengthen News Corp. against rival DSB groups, including DirecTV, a unit of General Motors, and Primestar, which is owned by a group of cable TV operators. But News Corp. said it main competitors are cable TV operators, which have 64 million subscribers in the USA compared to only 4.5 million for DSB suppliers.

TECHNOLOGY

The US computer giant IBM unveiled plans to establish a round the clock virtual laboratory linking teams of programmers from all over the world to develop Internet software components using Sun Microsystem's Java programming language.

The teams, based in Belarus, China, India and Latvia, would be coordinated by an IBM team based in Seattle, USA. IBM believes this new way of doing research will allow it to gain time and money.

ASIA AND PACIFIC

Trends: Telecoms competition is set to gain further momentum in Asia with the South Korean government's plans to license two new operators and with Japan Telecom's plans to merge with International Telecom Japan and to provide overseas services . Meanwhile, News Corp. had to sell its stake in Asahi, a move that casts a shadow over its Japanese TV ambitions.

LEGISLATION AND POLICIES

The South Korean government said it would award in June 1997 two new telecoms licenses, one for long-distance services and the other for local services.

The move would break up the monopoly of Korea Telecom (KT) over local services and the duopoly of KT and Dacom in the long-distance market.

It would follows the award in 1996 of 26 licenses to new Korean private operators in seven sectors, including mobile digital cellular services.

MARKET AND COMPANIES

The Japanese domestic long-distance operator Japan Telecom (JT) has unveiled plans to merge with the Japanese overseas carrier International Telecom Japan (ITJ).

The merger could be finalised in the autumn of 1997. Behind the venture are major Japanese companies, including the private railway company JR, which owns JT, and the trading houses Mitsubishi, Mitsui and Sumitomo, which are ITJ's major shareholders.

The announcement shortly follows JT's decision to offer overseas voice and data communications services to its Japanese customers starting from the spring of 1997 by leasing lines from Japan's leading overseas carrier KDD.

The planned JT-ITJ merger reflects a mounting level of activity in the sector in anticipation of further government steps to liberalise the country's telecoms market.

Other major recent moves in Japan's telecoms sector include plans by the national domestic operator Nippon Telegraph and Telephone (NTT) to get global and plans by KDD to get local in partnership with nine Japanese electricity utilities.

The US media giant News Corp. said it has agreed to sell a 21% stake in the Japanese broadcaster Asahi National Broadcasting it bought in June 1996 to the Japanese publisher Asahi Shimbun, which already owns 34% of Asahi, for 300 million Ecu.

The move illustrates News Corp.'s difficulties to firmly establish its presence in the Japanese TV market. It also serves as a test case for foreign media groups as News Corp. was the first to acquire a large share in a Japanese broadcaster.

The deal questions News Corp.'s content strategy development in Japan which was based on a partnership with the Japanese software Softbank, which also bought a 21% stake in Asahi in June 1996. The two partners were in fact planning to take a 10% stake each in 12 Japanese programme producers in order to feed JSkyB, a digital satellite broadcasting (DSB) venture which is due for launch in the autumn of 1997.

News Corp. and Softbank are also negotiating with the Japanese electronics giant Sony to let it take a 25% stake in JSkyB. This would be Sony's biggest step to date to move into broadcasting. A first step was the purchase of 5% of the rival DSB group

PerfecTV.

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