Information Society Trends

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EUROPE

Trends: The core European news are Telefonica's decision to team up with WorldCom-MCI and the emergence of a converged French industry pole around CGE.

MULTIMEDIA SERVICES AND PRODUCTS

The Finnish telecoms manufacturer Nokia said it has licensed the Mosaic Web browser of the US Internet start-up Spyglass to integrate it in its next-generation digital TV set-top boxes. This would cater for the provision of interactive TV services such as Internet access, e-mail, home shopping and banking, video-on-demand and pay-per-view.

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The German media and publishing giant Bertelsmann has launched a German-language on-line bookstore, Boulevard Online, with a catalogue of 290,000 titles.

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Aplio, a French Internet start-up, has unveiled the Aplio/Phone, a small appliance that allows to make Internet phone calls without a PC. The device is to be sold in France for about 285 Ecu or rented from Internet service providers.

LEGISLATION AND POLICIES

The European Commission has adopted a draft Decision on the coordinated introduction of the next generation of mobile and wireless communications, the Universal Mobile Telecoms System (UMTS), which would, in addition to mobile telephony, offer wireless access to the Internet and other multimedia services. The draft Decision aims to secure pan-European roaming based on an harmonised licensing environment and the coordinated allocation of frequencies and European standards, so that UMTS users can enjoy the same European Union-wide mobility as with GSM.

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The European Commission has launched an inquiry into interconnection tariffs applied between fixed and mobile telecoms operators. The investigation will also cover the issue of prices of calls made from fixed networks to mobile networks. The move is aimed at opening up mobile communications to a larger number of European citizens.

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The European Commission has adopted a report on the state of implementation of the European Union telecoms liberalisation regulatory package which concludes that most of it is in place and effectively applied at national level under the supervision of Member State telecoms regulatory authorities. Liberalisation measures are also producing their intended effects in terms of improvement in levels and quality of services and price reductions.

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The European Commission has adopted a monitoring report on universal service in the telecoms sector which highlights that the gap in phone penetration between European Union Member States has narrowed, that prices have fallen and that consumer protection has improved. The report says that at this early stage of full telecoms liberalisation there is no need to redefine the scope of universal service. As regards the issue of Internet access for schools, the Commission will request national telecoms regulatory authorities to encourage operators, including dominant ones, to offer special tariffs to schools (http://www.ispo.cec.be/infosoc/telecompolicy/en/comm-en.htm).

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The European Commission has opened a detailed inquiry into the planned merger between the US telecoms groups WorldCom and MCI. It is particularly concerned about the companies' combined market share in the supply of Internet backbone services.

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The Anglo-Dutch publishing firms Reed Elsevier and Wolters Kluwer have agreed to drop plans to merge in what would have been the world's largest professional and scientific publishing and information group with 42,000 workers and a 24.5 billion Ecu market capitalisation. The decision follows an in-depth inquiry from the European Commission that raised objections on competition grounds.

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The Greek public telecoms operator OTE has completed the purchase of a 90% stake worth about 125 million Ecu in the Armenian national telecoms operator ArmenTel.

MARKET AND COMPANIES

The incumbent Spanish telecoms operator Telefonica has agreed to team up with the US long distance operators MCI and WorldCom, which are due to complete a full merger by mid-1998. The three partners have announced the setting up of strategic business ventures covering the European, Latin American and Hispanic markets.

The move means the death of the partnership between Telefonica and the leading UK operator, BT, which had been put into question by MCI's decision, in November 1997, to merge with WorldCom instead of BT. The alliance also questions BT's ties with the Portuguese national operator, Portugal Telecom, which has agreed to open talks with Telefonica, MCI and WorldCom to possibly join their alliance.

In Europe, Telefonica would join as a distributor WorldCom's corporate service business, which it supplies over its own network in Belgium, Britain, Germany, France, Ireland, Italy, the Netherlands, Sweden and Switzerland. It would also have an option to take a 10% stake in a new company that would be set up to manage WorldCom's European operations as well as a 46% stake in a company that would be set up to manage WorldCom's Italian operations. WorldCom and Telefonica would also establish a joint venture owned respectively 51% and 49% to target Eastern and Southern Europe.

In Latin America, MCI would have an option to take at least a 10% stake in Telefonica's overseas arm, Tisa. The two firms already operate a joint venture, Telefonica-Panamericana MCI (TPAM), owned 51% by Telefonica and 49% by MCI. TPAM plans to build a digital network that would interconnect a dozen major leading business centres by the year 2001. MCI and Telefonica would also set up a joint venture owned respectively 70% and 30% and targeted at the US and global Hispanic markets.

Meanwhile, Telefonica has agreed that Portugal Telecom, in which it owns a 3.5% stake, could take a 5% stake in Tisa. The two companies would also set up a joint venture focusing on non-Spanish and non-Portuguese speaking countries.

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The French telecoms, building and water group Compagnie Générale des Eaux (CGE) has announced a full merger with the French media group Havas, in which it has a majority stake. The move would reinforce and integrate CGE's communications activities, thus resulting into the creation of France's first converged group. The merged company would weight 32 billion Ecu, including 7.3 billion Ecu for communications.

CGE's communication pole would be organised in three branches: Cégétel, France's leading private telecoms group, which is 44% owned by CGE, the rest being held by BT, Mannesmann and SBC; Havas, a 100%-owned subsidiary in charge of multimedia (Havas Interactive), press and publishing (Havas Publication Edition) and advertising (Havas

Advertising); audiovisual, with Havas' 34% in France's pay-TV giant Canal+, which will be directly managed by CGE. Other companies concerned are UGC, Bac Films and MK2, which operate in audiovisual production and distribution.

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The Swedish and Norwegian state-owned telecoms operators Telia and Telenor have dropped their full merger plans.

NORTH AMERICA

Trends: The US networking industry is undergoing further consolidation with new merger plans by Cisco. As regards multimedia, Kodak and Xerox too want to get on-line.

MULTIMEDIA SERVICES AND PRODUCTS

The US picture giant Eastam Kodak has agreed to take a 51% stake in America's PictureVision, the leading provider of digital imaging network services and solutions. Kodak would integrate its Kodak picture network with PictureVision's PhotoNet Internet-based imaging service. The service allows customers to download digitised pictures over the Internet, e-mail them and share them with other people.

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America's Xerox, the world's leader in document processing products and systems, has agreed to spent $415 on purchasing XLConnect Solutions, a company specialised in corporate network design and management, and its parent company, Intelligent Electronics. The move is aimed at boosting Xerox's networked document solutions, based on XLConnect's US-wide service capability and applications. It would allow to increase the integration of digital printers and copiers into corporate computer networks instead of having them as stand-alone office equipment.

LEGISLATION AND POLICIES

The US Federal Communications Commission (FCC) has adopted an Order that clarifies "Customer Proprietary Network Information" (CPNI) requirements under the 1996 US Telecoms Act. Under the order, carriers are able to use customer information without prior agreement only to market offerings related to local or wireless services, but not for long-distance services. For services outside the customer's existing service relationship, carriers must solicit and obtain customer approval.

MARKET AND COMPANIES

America's Cisco Systems, the world's leading networking company, has agreed to purchase NetSpeed and Precept Software for $3.7-4 billion and $84 million respectively. NetSpeed specialises in DSL technology, which allows for high-speed data transmission over regular phone lines for multimedia applications. As for Precept, it has developed a client/server application that allows to send digital video and audio over Internet Protocol (IP)-based networks. The move further amplifies the consolidation of the US networking industry, which was marked in 1997 by a 6 billion worth merger between 3Com and US Robotics and a $3.7 billion merger between Ascend of Cascade. The consolidation process, which is led by the fast growth of the Internet, started in 1996 with the purchase of StrataCom by Cisco for $4 billion.

ASIA AND PACIFIC

Trends: In Japan, the MPT has awarded its first type I license to a foreign carrier. Meanwhile, Hong Kong tends to confirm its role of front-runner in interactive TV.

LEGISLATION AND POLICIES

The Japanese Ministry of Post and Telecoms (MPT) has awarded its first "Type I" telecoms license to a foreign telecoms operator, America's WorldCom. It gives WorldCom the privileges of a public operator, including the right to build its own network. The UK operator BT has applied for a similar license.

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The Hong Kong government has awarded a video-on-demand (VOD) license to the telecoms operator Hong Kong Telecoms (HK Telecoms) and approved in principle a similar license for Star Interactive Television (Star iTV), a unit of the Internet and paging service provider Star Telecom International Holding. HK Telecoms would launch its interactive TV service, HK Telecom VOD, in March 1998 and provide services such as pay-per-view (PPW), music videos and home shopping. As for Star iTV, it intends to become operational by mid-1998. It would offer high-speed Internet access, home shopping and banking, as well as educational content.

MARKET AND COMPANIES

The Japanese digital satellite broadcasting (DSB) systems JSkyB and PerfecTV have agreed to an equal-footing merger into a new DSB service, SkyPerfect TV, that would start service on 1 May 1998. The five main shareholders with a 11.4% stake each are the US media giant News Corp. and Japan's Fuji TV Network, Itochu, Softbank and Sony. It would rival DirecTV Japan (DTVJ), a DSB service led by America's Hughes Communications. Further competitors would include Toei Channel, a DSB service which is expected to go on air in July 1998, and a new service to be launched in the year 2000 by

Japan’s national broadcaster NHK.

SOCIAL, SOCIETAL AND CULTURAL

The Telecoms Services Association of Japan has released a list of voluntary guidelines governing Internet access which aim in particular to protect children against offensive on-line material while preserving freedom of speech.

LATIN AMERICA

LEGISLATION AND POLICIES

The Guatemalan government has relaunched plans to sell-off 95% of the national telecoms operator Guatel. A first attempt to privatise Guatel was stalled at the end of 1997 when the government rejected the only offer it received. The bidder was the Mexican telecoms operator Telmex, which had offered around 460 million Ecu, well below the anticipated 600 million Ecu.

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