Information Society Trends

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EUROPE

Trends: The development of infrastructures triggered by liberalisation is gaining momentum, in particular with the project of a new comer, Global Crossing. Competition is also heating up in the on-line book selling market with an alliance between Bertelsmann and Barnes & Noble. News in the fixed-line market include the retreat of Bouygues in France and the entry of ONO in Spain. At regulatory level, the Commission cleared the acquisition of PolyGram by Seagram and adopted a draft Directive on the distance selling of financial services.

INFRASTRUCTURE

Global Crossing, a US company specialised in laying fibre-optic cables in the Atlantic and Pacific oceans, has said that it would invest 640 million Ecu in developing, by the end of 1999, a high-capacity network linking up 18 European cities to the USA, Asia and Latin America. It would then lease capacity to telecoms operators.

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The French and German incumbent operators France Télécom and Deutsche Telekom said they would jointly develop a state-of-the-art telecoms network linking Europe's main financial centres to offer corporate communication services. This would include 40 cities in 16 countries. The new network, to become fully operational by the year 2000, would be based upon the upgrading and interconnection of the existing networks of the two partners, and would build upon their Europe-wide assets.

MULTIMEDIA SERVICES AND PRODUCTS

The German media giant Bertelsmann said it has agreed to spend $200 million for a 50% stake in Barnes & Noble.com, the on-line bookstore of the largest US book retailer, Barnes & Noble. The two partners intend to invest an additional $100 million each in the joint venture. The move is aimed at striking back at Amazon.com, a US start-up which pioneered on-line book selling and has imposed itself as the world's leader. In parallel, Bertelsmann said it would launch in November its own European on-line bookstore, Books Online (BOL). BOL would initially target the German, UK, French, Spanish and Benelux markets. Barnes & Noble.com would of course build upon BOL to sell foreign language books in the USA. In what could be a response to the new alliance as well as a reflection of its overseas success, Amazon.com unveiled plans to open new Web sites targeting the UK and German on-line book selling markets.

MARKET AND COMPANIES

The incumbent German telecoms operator Deutsche Telekom said it has decided to spin-off its cable-TV business in January 1999 and divide into regional units. Stakes in the regional units would be sold to cable-TV operators and other companies.

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In a move to step out of the fixed-line telecoms business, the private French telecoms operator Bouygues Telecom announced that it intends to transfer control over its subsidiary 9 Télécom to its Italian partner Telecom Italia. In practice, Bouygues would reduce its stake in 9 Télécom from 51% down to 10% to 20% in favour of the incumbent Italian telecoms operator. Another partner in 9 Télécom is Germany's Veba.

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ONO, a Spanish telecoms operator controlled by the Spanish cable-TV operator Cableuropa, said it has started offering fixed-line services in Valencia, thus becoming the first company to rival the incumbent operator Telefonica in the local loop. Further competition is expected to come from Retevision, which is 60%-owned by the Italian national telecoms operator STET alongside the Spanish electricity utilities Endesa and Union Fenosa. ONO is also the first Spanish company to offer an integrated package of cable TV, telephone and Internet access services. It intends to further expand its service offer in the mobile sector through Lince, a consortium led by the French incumbent telecoms operator France Télécom with a 69% stake alongside the Spanish holding company Editel with 30%. Cableuropa owns 1% of Lince.

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The Belgian national railway company SNCB said it plans to start offering corporate telecoms services in 1999 based on its private telecoms network. The move would step up competition in the Belgian corporate markets, which is currently dominated by the incumbent operator Belgacom and its main competitor Mobistar.

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NetCom Systems, Sweden's second-largest telecoms group, said it has agreed to spend 50 million Ecu on buying a 48% stake in the Estonian mobile operator Ritabell.

LEGISLATION AND POLICIES

The European Commission has cleared the acquisition by the Canadian beverage and media group Seagram of PolyGram, a world leading music group owned 75% by the Dutch electronics giant Philips. Although both groups have overlapping activities in music and movies, the Commission said the venture does not raise serious doubts as to its compatibility with the Internal Market. While Seagram will integrate PolyGram's music business into its entertainment arm Universal Studios, it intends to dispose of PolyGram's movie arm, PolyGram Filmed Entertainment (PFE). The Commission therefore noted that it would assess PFE's sell-off on the basis of the buyer's identity.

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The European Commission has cleared WSI Webseek Inforservice, a German Internet joint venture aimed at providing free search and navigation services for German-language Internauts. The joint venture will be owned 25% by each of the four parent companies: DeTeOnline, the on-line unit of the German incumbent operator Deutsche Telekom, the German publishers Axel Springer and Georg von Hotzbrinck, and Infoseek, a US group specialised in Internet navigational tools.

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The European Commission has adopted a draft Directive aimed at establishing a clear regulatory framework for the marketing of financial services at a distance within the Internal Market. The Directive would ensure a high-level of protection for consumers of financial services such as insurance, banking and investment services marketed by mail, phone or electronic means such as the Internet. By encouraging consumer confidence and providing financial service suppliers with legal transparency, the proposal should support the development of innovative forms of trade in financial services.

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The Polish government has said it would sell-off an initial 20% to 25% of the national telecoms operator TPSA in late October-early November 1998. A further 15% would go to company employees at a later stage.

SOCIAL, SOCIETAL AND CULTURAL

Since September, the incumbent Spanish telecoms operator Telefonica has been faced by two Internet users strikes to protest against high local tariffs charged by the operator.

NORTH AMERICA

Trends: Infrastructure news are topped by Angel Technologies, which has demonstrated that the Internet in the sky doesn't need to rely on satellites but can also be airborne. At market level, the spotlight is on the partial dismantling of Stentor and on Tellabs' decision to drop plans to buy Ciena. At regulatory level, core news are the extension of NSI's contract with the US government, final clearance of the WorldCom-MCI merger and a new setback for Baby Bells trying to enter the long-distance market

INFRASTRUCTURE

Angel Technologies, a US company founded in 1996, has announced a successful real-life condition demonstration of its HALO broadband wireless network, featuring a transmission speed of 52 megabit per second. The High-Altitude Long-Operation (HALO) network is a new concept developed by Angel. It would provide high-speed communications services based on HALO aircrafts circling the sky above commercial airline traffic. The airborne communication equipment is being developed by the US commercial and defence electronics group Raytheon Company. Angel says the HALO network would offer a cheap alternative to the costly deployment of high-speed terrestrial networks for the supply of high-quality multimedia services in metropolitan areas. Residential and corporate customers would be equipped with small receiving antennas. Angel says the concept should be particularly appealing to developing nations.

MARKET AND COMPANIES

The US network equipment maker Tellabs said it has decided to abandon plans to purchase its US counterpart Ciena in a stock swap valued at $6.9 billion because shareholders approval of the venture was unlikely.

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Partners in Stentor, a consortium formed in the early 90s by 11 Canadian regional telecoms operators to face competition in the long-distance sector, said they have agreed to loosen their alliance because they need greater flexibility to adapt to Canada's rapidly changing telecoms market. As of January 1999, the 11 partners would regain control over product, services and technology development, regulatory affairs management and national sales support. Furthermore, the restructuring, which amounts to a partial dismantling of Stentor, would do away with the understanding that the 11 partners do not compete in each other's market. Stentor would continue to operate and manage Canada's national network comprised of the regional networks of the 11 members.

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The French telecoms equipment giant Alcatel said it has agreed to spend $315 million on purchasing Packet Engines, a US manufacturer of high-performance routers and Gigabit Ethernet solutions. The move is aimed at reinforcing Alcatel's strategy to enter the rapidly expanding high-speed data communications market, thus mending the gap with fast-growing networking companies such as Cisco Systems, 3Com or Ascend. It follows the purchase worth $4.4 billion in mid-1998 of the US network equipment manufacturer DSC Communications. Other leading equipment manufacturers such as Lucent Technologies and Northern Telecom (Nortel) are following a similar approach.

LEGISLATION AND POLICIES

The US Department of Commerce's (DoC) National Telecoms and Information Administration (NTIA) said it has agreed to extend by two years the monopoly of the US company Network Solutions (NSI) over the attribution and management of addresses regarding the Internet's most popular domain names, namely ".com", ".org", ".net" and ".edu". In parallel, the NTIA and NSI have agreed to a implement a phased transition towards a shared registration to be fully into place by 1 June 1999. Last June, the DoC released a policy statement on the Internet Domain Name System (DNS) which advocated the privatisation of the DNS in a way that would allow for the development of competition and facilitate global participation in the management of Internet names and addresses.

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The US Federal Communications Commission (FCC) said it has decided to block the business agreements by which the US regional telecoms operators (or Baby Bells) US West and Ameritech agreed to provide the long-distance services of America's Qwest Communications as part of their local services offer. The agreement was seen as a way to bypass the FCC's ban on Baby Bells offering long-distance as long as their home markets are insufficiently open to competition.

Separately, the FCC also rejected the second application by BellSouth, another Baby Bell, to enter the long-distance market in Louisiana. On this occasion, the FCC provided a detailed blueprint which should help Baby Bells complying with the market-opening measures outlined by the US Congress as a prerequisite for providing long-distance services to their local customers. The FCC concluded in particular that competition from broadband Personal Communications Services (PCS) providers could form the basis for a successful application. So far, no Baby Bell has been entitled by the FCC to enter the long-distance market in its home region.

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The US Federal Communications Commission (FCC) has given its green light to the $47 billion worth purchase by WorldCom, the fourth-largest US long-distance operator, of its counterpart MCI, the nation's second-largest long-distance company. The decision removed the last regulatory hurdle to the completion of the merger.

ASIA AND PACIFIC

Trends: Competition is heating up for NTT, both in the telecoms market, with plans by Global One to soon launch Type I services, and in the data communications market, where it is about to face joint competition from Sony, Toyota and IIJ. Meanwhile, high-speed Internet access over cable-TV networks is gaining additional momentum in Japan. As for BT, it is further expanding its presence in the Asia-Pacific region.

MULTIMEDIA SERVICES AND PRODUCTS

Two new initiatives to provide high-speed Internet access services over cable-TV networks in Japan have been unveiled respectively by the cable-TV operator Titus Communications and the Internet access provider J-Com Internet.

MARKET AND COMPANIES

Three Japanese companies, the Internet service provider Internet Initiative Japan (IIJ), the car giant Toyota and the electronics giant Sony, said they intend to set up Japan's first company specialised in corporate data communications services. The joint venture, which would become operational in April 1999, would charges prices about one-third of those charged by the incumbent telecoms operator Nippon Telegraph and Telephone (NTT). The venture, to be owned 40% by Internet Initiative and 30% each by Toyota and Sony, would lease capacity from the Japanese long-distance operator Teleway Japan, a subsidiary of Toyota. Teleway is to fully merge with the Japanese overseas telecoms operator Kokusai Denshin Denwa (KDD) by December 1998.

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The leading UK telecoms operator BT said it has agreed to spend around 160 million Ecu for a 23.5% stake in the South Korean mobile operator LG telecom (LGT). This follows the purchase worth 170 million Ecu of a 33% stake in the Malaysian fixed-line and mobile operator Binariang. BT is thus consolidating its presence in the Asia-Pacific region, which already includes strategic partnerships in Japan with BT-NIS, Singapore with StarHub, India with Bharti and New Zealand with Clear Communications. BT's expansion strategy is clearly benefiting from the Asian crisis, which has driven down the price of corporate assets in the region.

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Global One, a global telecoms joint venture set up by the French, German and US telecoms groups France Télécom, Deutsche Telekom and Sprint, said it would start offering "Type I" telecoms services in Japan using its own network. Type I licenses gives operators the privileges of a public operator, including the right to build their own network. Global One would become the third foreign operator to offer Type I services in Japan after America's MCI WorldCom and Britain's BT.

MIDDLE-EAST

MARKET AND COMPANIES

The US telecoms equipment manufacturer ADC Telecoms said it has agreed to spend 180 million Ecu on buying the Israeli networking equipment company Teledata Communication. The move amplifies the current wave of acquisition of small high-tech Israeli companies, mainly by US groups. Recent take-overs include the purchase for 100 million Ecu by the US telecoms equipment giant Lucent Technologies of another networking company, LanNet, and the acquisition for 248 million Ecu by America OnLine (AOL), the world's leading commercial on-line service, of the Internet start-up Mirabilis, which produces the popular ICQ ("I seek you") software.

WORLDWIDE

LEGISLATION AND POLICIES

According to the Organisation for Economic Co-operation and Development (OECD), elements of a shared vision for global electronic commerce emerged from the Ministerial Conference on electronic commerce held in Ottawa on 7-9 October. The meeting, which was also attended by representatives of other international organisations, businesses, as well as labour, consumer and public interest groups, agreed that national regulatory frameworks and safeguards may need to be adjusted to help ensuring continued confidence in the digital marketplace. Ministers from the OECD's 29 member countries adopted three Declarations, respectively on the protection of privacy, the protection of consumers, and authentication. They also agreed on a programme of future work in the areas of taxation, privacy, consumer protection, authentication, access to infrastructure and the socio-economic impact of electronic commerce.

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