

Information Society Trends

Issue number: 84 - (1.8.1998 - 15.9.1998)

EUROPE

Trends: The main news in Europe are the launch by BT of a new Internet access service and by Infostrada of Italy's second residential fixed-line service. At regulatory level, the European Commission has cleared a number of ventures, including AOL/CIS France, Symbia and Nortel-Bay Networks. Meanwhile, the French government has announced the partial sell-off of Thomson Multimedia.

MULTIMEDIA SERVICES AND PRODUCTS

The leading UK telecoms operator BT has announced the roll-out on September 15 of a new multimedia communication service, BT Highway, which would allow customers to make phone calls and surf the Internet over the same phone line simultaneously. BT Highway is targeted at residential users, teleworkers and SMEs. It is based on digital access technology allowing for fast data transmission of up to 128 Kbit/s supplied by Marconi Communications and Ericsson. The move seems aimed at striking back at British cable TV operators, which are preparing the launch of high-speed Internet access services over cable modems.

MARKET AND COMPANIES

The Italian private telecoms operator Infostrada, a joint venture between Germany's Mannesmann and the former Italian computer giant Olivetti, has announced the launch, two years ahead of schedule, of a fixed-line telephone service targeted at the residential market. It aims to attract 200,000 customers by the year 2000 and follows the launch of a corporate fixed-line service last June. Infostrada is the first new entrant to challenge the Italian incumbent operator Telecom Italia in the residential fixed-line market. Infostrada was also the first company to challenge Telecom Italia in the cellular market with the launch, three years ago, of its Omnitel subsidiary. Additional competition is expected to come in both the mobile and fixed-line market, possibly by the end of this year, from Wind, a joint venture set up by the French and German incumbent telecoms operators France Télécom, Deutsche Telekom, and the Italian electricity utility Enel.

LEGISLATION AND POLICIES

The European Commission has cleared the creation of a French joint venture, AOL/CIS France, specialised in the provision of residential interactive services. The venture involves the country's largest private telecoms operator, Cégétel, the French pay-TV giant Canal+, the world's largest commercial on-line service America OnLine (AOL), and the German media giant Bertelsmann. AOL/CIS' major rival is Wanadoo Oléane, a subsidiary of the incumbent telecoms operator France

Télécom.

The European Commission has approved the setting up of Symbian, a joint venture specialised in hand-held communications devices, by Britain's Psion, a leading manufacturer of hand-held computers, and two world leaders in mobile phones, Finland's Nokia and Sweden's Ericsson. Symbian would aim at promoting Psion's EPOC operating system as an industry standard for wireless computing over hand-held devices, in particular smartphones and personal communicators.

The European Commission has given its go-ahead to the acquisition by the Canadian telecoms equipment manufacturer Northern Telecom (Nortel) of the whole of Bay Networks, a leading US network equipment manufacturer.

The European Commission has cleared the acquisition of a 55% stake in the Lithuanian mobile operator UAB Omnitel by Amber Mobile Teleholding, a joint venture of the Swedish and Finnish incumbent telecoms operators Telia and Sonera (formerly Telecom Finland). Another 35% stake in UAB is owned by the US telecoms equipment maker Motorola, while the remaining 10% is owned by domestic investors.

The French government has said it would sell-off, before the end of 1998, 30% of the public-owned consumer electronics manufacturer Thomson Multimedia. The French telecoms equipment manufacturer Alcatel, the US PC software giant Microsoft, the US digital satellite broadcaster DirecTV and the Japanese electronics group NEC would get a 7.5% stake each. Thomson Multimedia has 40% of the installed base of TV sets in the USA through its US subsidiary RCA. This makes it a powerful ally for Microsoft in its attempt to impose its Windows CE operating system for use in personal communicators, palm-top computers and consumer appliances. As for NEC, it already cooperates with Thomson in the development of flat plasma screens for the next-generation TV sets.

SOCIAL, SOCIETAL AND CULTURAL

British police said it has coordinated a worldwide police operation that resulted in the arrest of about 100 people involved in paedophile activities on the Internet in 12 countries, including European countries, Australia and the USA. Police indicated that the operation demonstrated that the Internet is no longer a virtually un-policed area.

NORTH AMERICA

Trends: US-led global satellite networks are experiencing difficulties with Iridium's delayed service launch and Globastar's loss of 12 satellites. At market level, Ericsson is making its first Internet-related acquisition. Finally, legal pressure is mounting on Microsoft with new charges brought to the US government's suit.

INFRASTRUCTURE

Iridium LLC, a global voice and data satellite communications system led by the US telecoms equipment manufacturer Motorola, said it would delay full commercial roll-out of its global wireless phone service, originally scheduled for 23 September 1998, until 1 November 1998. It would instead offer a trial service to a limited number of users from September 23. Iridium is based on a 66 low-earth orbit (LEO) satellite constellation.

The global wireless phone system Globalstar has been dealt a serious blow by the failure of an Ukrainian-made Zenit rocket which resulted in the destruction of the first 12 Globalstar satellites to be put into orbit. Despite the fact that the loss concerns about a fifth of Globalstar's 48-satellite constellation, the company said it would still be able to roll-out service with fewer satellites in late 1999. It added that it would switch to the Russian-made Soyuz rocket, which can only carry four satellites, for the next launches. As a result of the loss, Globalstar shares plummeted by 36% and that of Loral Space & Communications, Globastar's main shareholder, by 29%.

MULTIMEDIA SERVICES AND PRODUCTS

Deutsche Telekom Canada, the Canadian subsidiary of the German incumbent telecoms operator, has launched an Internet-based overseas communication service, the T-NetCall Card, which undercuts standard fixed-line rates by up to a third. The service is based on the Internet Protocol (IP) phone technology of Israel's VocalTec.

MARKET AND COMPANIES

The Swedish telecoms equipment manufacturer Ericsson said it has agreed to spend \$285 million on purchasing Advanced Computer Communication (ACC), a US supplier of networking equipment, in particular routers and remote access technologies. This would include a 65% stake held by the Canadian data-networking group Newbridge Networks. The move, which would be Ericsson's first significant acquisition of an Internet-related company, is aimed at stepping into the fast-growing networking business.

Belgium's Lernout & Hauspie Speech Products (L&H), a world leader in speech and language technologies, products and services, has said it would acquire Globalink, a leading US supplier of translation software and services, in an all-stock deal. The move would give L&H access to new translation language pairs, electronic commerce products and global customers. Separately, L&H said it has agreed to spend 18 million Ecu on purchasing Kurzweil Educational Systems (KESI), a leading developer and supplier of educational software and systems for reading assistance for people with learning disabilities or vision impairments. The move is aimed at entering the educational market.

The leading UK telecoms operator BT said it would spend \$1 billion on buying back the 25% stake owned by the US long distance operator MCI in Concert. Concert, a joint venture set up two years ago by BT and MCI, is to be fully integrated in a new global venture to be formed by BT and the US telecoms giant AT&T.

LEGISLATION AND POLICIES

The US Department of Justice (DoJ), 20 US state Attorneys General and the District of Columbia have brought new charges in their antitrust suit against US PC software giant Microsoft. The suit focuses on anti-competitive and exclusionary practices aimed at maintaining Microsoft's monopoly in PC operating systems (OS) and to extend this monopoly to Internet browsers. New allegations include Microsoft's attempt to pressure other leading US high-tech firms such as Netscape, Intel and Apple to divide the market, steps aimed at making competing products work – or seem to work – less efficiently with Microsoft's Windows OS than Microsoft's own software, and attempts to eliminate the potential threat posed by Sun's Java programming language.

ASIA AND PACIFIC

Trends: The transformation of Japan's telecoms industry is continuing at a rapid pace with the announced merger of KDD and Teleway and the further privatisation of NTT.

MARKET AND COMPANIES

Japan's leading overseas telecoms operator Kokusai Denshin Denwa (KDD) and the Japanese long-distance operator Teleway, which is majority-owned by the Japanese car giant Toyota, said they have agreed to a full merger worth 250 million Ecu. The new KDD, which is to start operation in the year 2000, would expand into new markets, in particular next-generation wireless communications and high-speed data transmission, including residential Internet access over cable TV networks. The new group, which would have no cellular operations, could try to tie up with Japanese wireless operators, in particular IDO, another Toyota affiliate.

At international level, KDD said it is planning to set up a joint venture with Singapore Telecom to provide high-capacity communications in the Asia-Pacific region. This could help make KDD and Singapore Telecom attractive regional partners for the new global alliance to be set up by the US and UK telecoms giants AT&T and BT. Indeed, AT&T's decision to tie up with BT and dissolve its WorldPartners alliance by the end 1999 was a major setback for KDD and Singapore Telecom, which both belong to WorldPartners. KDD and Singapore Telecom said their joint venture would be open to the Australian telecoms operator Telstra, another member of WorldPartners, as well as Hong Kong Telecom, which is majority-owned by BT's UK rival Cable and Wireless (C&W). In fact, C&W could be an alternative partner to AT&T-BT.

But both at domestic and global level, the new KDD would continue to face stiff competition from the Japanese telecoms giant Nippon Telegraph and Telephone (NTT). Indeed, not only does NTT's domestic strength remain unchallenged, but it could prove a more attractive regional partners for foreign operators.

In a move to strengthen its China operations, the Japanese telecoms giant Nippon Telegraph and Telephone (NTT) said it has agreed with the Beijing Telecoms Administration (BTA) to set up a joint venture, Beijing Telecom NTT Engineering (BNTE), which would build and maintain telecoms networks for corporate clients in the Beijing area. NTT would have a 49% stake in BNTE. This follows the establishment in 1997 of Shanghai NTT Telecoms Engineering (SNTE), a joint venture set up with the Shanghai Posts and Telecoms Administration (SPT) in which NTT owns a 51% stake.

Furthermore, NTT said it has agreed with China Telecom to provide, by the end of the year, high-quality international communication services between Japan and almost all of China. NTT added that in the future, its cooperation with China Telecom would lead to a wider service offer, including Internet Protocol (IP) backbone services.

Belgium's Lernout & Hauspie Speech Products (L&H), a world leader in speech and language technologies, products and services, said it has agreed to spend 5 million Ecu on purchasing AILogic, a Japanese supplier of translation software specialised in English, Japanese and Chinese, which has a 20% market share in Japan. The move is aimed at strengthening L&H's operations in Asia. This would be complemented by the purchase of another Japanese machine translation company, NeocorTech, for 0.9 million Ecu, and the establishment of a Tokyo-based subsidiary, L&H Japan.

LEGISLATION AND POLICIES

The Japanese Ministry of Finance (MoF) has announced that it would sell-off a further stake in the incumbent telecoms operator, Nippon Telegraph and Telephone (NTT), in which it still owns 65%. The MoF expects to raise about 7 billion Ecu

by selling up to one million shares out of 15.9 million on the Japanese, US and British stock markets. The sale is to take place in December 1998. The announcement comes as NTT is preparing to sell-off 28.5% of its mobile unit, NTT Docomo, the world's largest cellular operator with over 20 million subscribers. The sale, which is expected to raise over 13 billion Ecu, follows a demand of the Japanese Fair Trade Commission (FTC), back in 1997, that NTT cuts its stake in Docomo to promote fairer competition.

LATIN AMERICA

LEGISLATION AND POLICIES

The Brazilian government has completed the privatisation of the country's telecoms monopoly Telebras through an auction that has raised 17 billion Ecu. Telebras has been split-up into 12 companies, including a long-distance operator, three regional fixed-line operators and eight cellular operators. The auction's main winner is the Spanish telecoms operator Telefonica, which led the consortia which won Telesp, the 4.4 billion Ecu worth Sao Paulo state fixed-lined operator – which alone represents Latin America's largest single privatisation – as well as the cellular companies in Rio de Janeiro and Espirito Santo. Other successful bidders include America's MCI for the long-distance operator Embratel, Portugal Telecom for the cellular operator in Sao Paulo and Telecom Italia for the fixed-line operator Tele Centre South.

MIDDLE-EAST

MARKET AND COMPANIES

Faced with the prospect of full telecoms competition from January 1999, the Israeli incumbent telecoms operator Bezeq said it would move into digital satellite broadcasting (DSB) to make up for the loss of revenue. Bezeq intends to take a 37.5% stake into an Israeli DSB group which is to start operation in 1999.

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