

Ministry Sets Development Objectives:

Telecommunications in Hungary

With only 10 telephones per 100 people, Hungary is keen to introduce telecommunications competition. The Hungarians, however, want to avoid the practice of "cream-skimming", where large foreign companies enter a market only to offer services to the more profitable business sector. Consequently, the Ministry for Transport, Communication and Water Management has built development objectives and quality-of-service targets into new licences. Even the national operator, the Hungarian Telecommunications Company (HTC), will not be exempt. The following are the Ministry's 1995 telecom development targets:

- Make basic telecom services more accessible to business—new business subscribers in Budapest must be able to get services within six months; businesses outside the capital within one year.
- Increase rural communications—all villages must have a public pay telephone that can receive calls and is connected to the international network by 1996.
- Modernize public networks—all public networks must be automated and all subscribers must have access to international and trunk services.
- Improve service to meet demand—by 1997, all existing demand for basic service must be met and 95 percent of new applications must be filled within six months. The average wait for service now stands at 12 years for service. After the year 2000, no subscriber will have to wait more than three months.

In order to achieve its goal of improving the quality of service throughout the country, the Ministry needs to maximize foreign capital investments in Hungary. The gov-

ernment has thus chosen to fragment the telecom market to attract as much new investment as possible from many sources, with a goal of US\$5-7 billion in capital investment projects by the year 2000.

New Telecommunications Law

Hungary will liberalize terminal equipment markets and open sectors such as cellular, paging and value-added networks (VANs) to limited competition, and data transmission will be fully competitive subject to licensing. The country's monopoly operator, the HTC, will be privatized by the end of 1993, with a limit of 30 percent foreign ownership. These changes will make way for three types of local service providers. The first includes HTC and its privatization partner, which will serve the majority of the 55 primary districts in Hungary, including Budapest. The second and third types involve 20 of Hungary's prime districts, which will be served by rural service providers with some HTC participation and independent service providers with no HTC participation. Minimum percentage of Hungarian ownership in the local telecom network will probably be set at 25 percent.

The Future

While Canadian telecommunications activities have been slow in gaining a foothold in Hungary, the future looks promising. During recent meetings, Hungarian authorities have expressed a great deal of interest in the features of Canadian cordless two-way telephony, CT2 Plus. CT2 technology's potential for rapid inexpensive deployment of telephone service in rural areas is particularly attractive.

Co-operation with Russian MPT

Following the signature of two Memoranda of Understanding (MOU) with the Ministry of Posts and Telecommunications (MPT) of the Russian Federation, last February (*ComExport* Vol. 1, No. 1), the Department of Communications (DOC) held its first bilateral meeting with the Russian MPT this June, in Moscow. The talks were successful in establishing a permanent working group that will plan and co-ordinate joint projects to promote Canadian telecommunications experience and expertise in Russia. The group will also be used to address various financing, regulatory and legal issues, as well as common problems experienced by Canadian telecom companies wanting to do business in Russia. Preparations for the first meeting of the permanent working group will begin this fall with a first round of Canadian government-industry consultations aimed at developing a co-ordinated "Canada Inc." approach to the Russian telecommunications market. Companies interested in further information should contact the International Telecommunications Division (see contacts box) at Industry Canada.

Making Contacts through R&D Alliances

One of the most potent ways of gaining exposure in foreign markets is to establish research and development alliances with local firms and laboratories. The International Trade Policy and Technology Co-operation Division of the Department of Industry has the experience to help Canadian firms find the right contacts and events that lead to successful partnerships. Here is how it happens.

R&D in Canada and final packaging on foreign soil are often closely linked. Applications development merges with manufacturing when a Canadian firm licenses another firm or makes a deal to be an original equipment manufacturer supplier to a foreign manufacturing plant. As well, Canadian alliances with foreign firms and governments during mega-projects helps facilitate the entry of Canadian products.

Technical missions between countries often form the basis for future R&D agreements. There have been numerous success stories that have their origins in such technical missions and contacts. These missions are initiated for the purpose of technical transfers or R&D

information exchanges, not immediate sales. However, in 1991 and 1992, Department of Communications-sponsored technical missions on distance education, training and courseware led to both R&D alliances and to immediate sales in Europe and in Latin America. Technical missions and seminars between Canadian and Japanese firms have also generated their share of R&D projects.

The success stories vary depending on the nature of the R&D alliance. One case involved the development of a few simple interface devices to overcome standards differences, thus making a Canadian product fully functional in European conditions. Another example consisted of writing source codes in order to adapt a Canadian communications conferencing system so that it would function on European telecommunications networks. A further success story involved OEM alliances with German and Finnish firms who embedded a Canadian device into their products. In yet another illustration, a Canadian computer-based training program for electronics and other subjects taught in technical schools has been so successfully adapted to foreign local conditions that it has become a standard part of the curriculum in many countries in Europe, as well as in the U.S.

Cable TV in the U.K.

At the Forefront of New Telephony Services

In the United Kingdom, cable TV dates back some 40 years to the days of narrowband relay systems and was very much a second-class citizen, compared to terrestrial television. By the late 70s, cable TV had declined rapidly as off-air terrestrial TV reception had improved markedly and offered almost blanket coverage of the whole U.K.

In 1983, the government decided to license a tranche of up to 12 new broadband cable TV franchises, which were also able to offer telephony services to their subscribers, under certain conditions. That same year, the government outlined its new competitive telecommunications policy, known as the "Duopoly Policy". This policy gave British Telecom (BT) and Mercury an exclusive licence to offer telephony services within the U.K. for a period

of seven years. New cable TV operators could only offer telephony services in partnership with either of these two companies.

The next major watershed was reached in 1991, when the promised review of the existing telecommunications "Duopoly" was undertaken and resulted in much more favourable terms for the fledgling cable telephony operators; the government allowed telephony services to be offered free of any ties to BT or Mercury.

Today

Investment in U.K. cable TV is now running at around \$500-\$700 million per year (C\$1-1.4 billion) according to the Cable TV Association. Much of the investment is fuelled by U.S. "Baby Bells", such as Nynex and US West and Canadian

companies such as Vidéotron and BCE, and is being directed at telephony infrastructure with, it is estimated, around 150,000 cable TV telephony lines installed by the end of March 1993. Industry sources suggest that BT is losing around 15,000 lines per month to cable telephony companies who offer low prices and advanced services, some of which BT is not yet offering. Cable companies typically undercut BT by 10-20 percent on call charges with other incentives including very low connection charges, monthly bills (BT only offers quarterly bills) and billing by the second rather than the unit (in the U.K. even local calls are billed by duration).

Cable companies have so far relied on Mercury (now 20 percent owned by Bell Canada Enterprises) to carry their long-distance calls. However, BT is now keen to enter this market, reasoning that part of

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