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**Telecommunication in transition - Political
and economic trends**

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Privatising in the Telecom Industries: Options for Trade
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1. Privatisation

I would like to start with the trend that causes the most heated discussions in the political debate and that utmost disturbs and concerns the trade unions of the telecommunication sector and which, therefore and rightly so, is the centre of our workshop - of course, I am talking about privatisation.

The term and the political concept of privatisation call for a variety of different measures. The binding factor, however, is the respective aim of pushing back government control in relevant economic sectors in favour of private market-economy control - privatisation is, therefore, a central element of neoliberal ideology and practice.

Three basic forms of privatisation can be roughly distinguished:

- First, the functional privatisation by "contracting out" government tasks to private companies - the tasks remain the responsibility of the government but are carried out by private companies.
- Second, the privatisation of the organisation and management by setting up civil-law partnerships. Also in this case, the task remains with the government but is fulfilled under civil law and according to commercial criteria.
- Third, the privatisation of the task and the capital by the partial or full sale of public property to private investors or by going public - in this case the government withdraws from its responsibility for an until-then-public task as well as from its position as proprietor.

In practice, of course, there are many mixed forms among these variants and often all three stages run simultaneously. First, public companies are dismantled and "made slim" and afterwards made marketable through transformation and rationalisation. In the third step they are sold.

Privatisation has been intensively discussed in the telecommunication sector since the end of the 70s. In the middle of the 80s, the first privatisation wave occurred - I remember the first partial sales of British Telecom in 1984 and of NTT in 1985. In the middle of the 90s, the privatisation trend in the telecommunication sector has become strongly dynamic - in many countries the third stage of privatisation, the sale of state property, is being tackled.

This new privatisation dynamism above all is caused mainly by four factors:

- Many governments appear to prefer the sale of state assets as a solution to their fiscal problems - at present in Europe the privatisation of telecommunication enterprises serves mainly the aim to achieve the difficult convergence criteria for the European Economic and Monetary Union in the area of public debt.
- Second, privatisation is often justified with the argument that government enterprises or administrations would not have a long-term chance in the harsh competition of the

telecommunication markets - only private companies could successfully compete with private companies. This perspective considers privatisation almost an inevitable result of liberalisation - a trend I will soon comment on in detail. In Europe, the date of 1/1/1998 has gained an almost magical importance in this context - this is the date the telecommunication markets in the EU will be totally liberalised.

- Third, privatisation is supposed to increase the international cooperation skills of telecommunication enterprises - a plausible aim considering the global phenomenon of "mergermania" which is especially distinct in this sector. Alliances and equity swaps are made easier or only become possible if partner companies are compatible concerning the new legal form. There are numerous examples for this: the latest should be the planned equity swap between France Telecom and the Deutsche Telekom AG, which will only be possible after the equity opening of France Telecom, which will occur in the next few days.

Surprisingly, privatisation is also promoted in countries of which governments are rather unsuspecting of neoliberal ideological blindness - I think of South Africa for instance, where I could make some personal experiences. These cases show a further motive, i. e. the aim to speed up the modernisation of the telecommunication network and of the state-dominated carrier by the sale of capital shares to foreign strategic partners - the key words are: capital, technology, management skills.

Regardless of which factor may be decisive, fact is that the privatisation strategists have gained world-wide control over the telecommunication sector.

- Nineteen of the twenty most successful telecommunication companies in the world will totally or partially be in private hands by the end of this year - the only exception is the Chinese DGT (overhead).
- Eleven of the fifteen member states of the European Union have totally or partially privatised their traditionally public telecommunication enterprises (overhead). The government capital shares are often under 50% and are still sagging.
- At the moment, Portugal Telecom, France Telecom, Telecom Italia and the Australian Telstra, among others, are going to the stock market - i. e., we are talking about a highly current topic.

That does not mean that all what is happening necessarily must be right. Of course, it still makes sense to critically reflect upon privatisation policy concerning its ideological assumptions as well as its consequences for employees, trade unions, and customers, and not least for the economic and political state capability of acting. There is a lot of reason to do so. Privatisation has not always turned out to be the ideal way: the neoliberal promises have often not been fulfilled. There is yet no reason for the trade unions to throw their traditional scepticism towards privatisation overboard.

An analysis of the real processes as well as of the balance of power leads to the conclusion that the battle for privatisation seems to be over. Of course, there are still fierce discussions, but these relate less to the "if" than to the "how" of privatisation. The political spectrum hardly shows any relevant counter forces against this trend. Whereas the neoliberals have always considered the privatisation of telecommunication the traditional core element of their denationalisation policy, this approach has long since become agreeable to the (social democratic) Left, as demonstrated in Europe by France, Portugal, Italy, Greece and also by Great Britain under Tony Blair.

That is the consequence of all this? Let me make some general suggestions regarding this matter, for it is exactly this question that will be our concern for one week.

- First, we will have to consider the telecommunication sector world-wide as a private sector indeed. Even a medium-range perspective indicates that there won't be any relevant government owner positions within the telecommunication sector that make it possible for governments to politically direct the development of this sector.
- Second, traditionally state-owned telecommunication enterprises are being completely removed from the frame of reference of the "civil service" in the wake of this process - as far as their philosophy and their company structure as well as their work relations and work conditions are concerned.
- Third, the privatisation candidates will be under massive pressure of the capital markets due to the run to the stock markets in the next couple of months and years. If international investors may decide between the shares of Deutsche Telekom, France Telecom, Portugal Telecom, Telecom Italia and the Australian Telstra, then this will lead to enormous pressures on corporate policy. A preferred way of managers to pass on this pressure is the reduction of costs by staff reduction.
- Fourth, the trade unions are confronted with absolutely new "issues". We are - generally speaking - dealing with the conditions for the transition from public to private work relations and for the time being with the securing of jobs. In addition, there are specific questions of privatisation, i. e. the problem of a participation of the employees in the capital of the telecommunication enterprise. All these topics and many more will be discussed in detail in the next couple of days.

2. Liberalisation

Just as privatisation, the second political trend I would like to outline has completely changed the world map of telecommunication within a few years. We are talking about liberalisation. Regardless of all national and sectoral variety in shaping this trend, there is - without giving a detailed definition - a common denominator. Liberalisation aims at dissolving monopolistic offer structures that traditionally have characterised the telecommunication sector, and at establishing market relations that are characterised by a competitive economy.

Even the liberalisation trend has gained considerable penetration in the telecommunication sector since the mid-90s. I would like to refer to three current mega projects:

- First, the "Telecommunications Act" passed in the USA on February 8th, 1996. This act has dismantled the existing barriers between local and long-distance traffic and has

removed the former monopolies of the regional "Baby Bells" and of the cable television companies. The law wants to open up all areas of technical communication to competition, whereby at first it remains open, if and how quick this ideal competition may occur. For the time being, the Telecommunications Act has caused a gigantic wave of concentration above all amongst the "Baby Bells". Nevertheless, the US-American role-model of total liberalisation should gain a world-wide model character and should have - with the additional help of the foreign trade policy pressure of the Washington Administration - good export chances.

- In contrast, the liberalisation of the European telecommunication markets will soon come to its end. On January 1st, 1998, "the barriers which have protected most of the continents telecom groups from competition for more than a century will be demolished"¹ in most countries of the European Union, to express it in the words of the Financial Times. To be exact it should be mentioned that Greece, Ireland, Luxembourg, Portugal and Spain were granted tight transitional deadlines before finally joining the competition. The new quality of liberalisation in Europe on the one hand consists of the fact that the "more moderate" European model of pure "service competition" (at first leaving aside the telephone service) on the basis of a monopoly structure of the more radical approach of the "network competition" - i.e. the competitive provision of infrastructures - has been removed. On the other hand, January 1st, 1998 is a historical decisive point, because only this last big liberalisation act will open the until-then monopolised telephone service, which has been the "cash cow" of the dominant suppliers, to competition. To illustrate this difficulty I would only like to mention the example of the Deutsche Telekom AG, which at present still achieves two third of its total income in the area of telephone service - i. e. under the protecting roof of its monopoly that will only last another couple of weeks.
- The third liberalisation project of the late 90s will affect the states represented in this meeting not only indirectly - like the opening of the competition in North America and in Europe - but it will affect them directly. In the Geneva WTO-agreement dated 15/02/1997 68 states commit themselves from 1998 onwards to
 - open their markets for "basis telecommunication" to foreign suppliers
 - to keep certain "regulatory principles" (most important key word in this case is "interconnection") and
 - to grant extended participation rights to domestic enterprises

The commercial representative of the US government, Charlene Barshefsky, interprets this agreement in a way which says that up to now "only 17 percent of the 20 leading telecom markets have been open to US companies", whereas now, according to the WTO agreement, they have "access to almost hundred percent" of these markets (cited from the Frankfurter Rundschau dated 17/02/1997). Of course, it would be wrong to assume that the Geneva agreement has solved all telecommunication conflicts in terms of foreign trade policy and has immediately opened up all markets. But all indicates that after this WTO agreement the liberalisation trend will gain strong dynamism world-wide and that it should become more and more difficult to maintain national monopolies in relevant markets.

I will mention some further consequences of forced up liberalisation:

Seen in a global scale, telecommunication today is no longer a market that is characterised by monopolistic structures, but in fact a competitive sector. The traditional and historically successful approach to bind the assignment of monopoly rights to the allocation of duties - the "universal service" might serve as an example in this case - has therefore become invalid. It is an unanswered question whether after leaving behind this arrangement it is possible to secure for all people an extensive and payable access to the infrastructures of the information society. A consequence of opening the market is the introduction of new players and the loss of market shares of the dominant carriers. As far as the new players are concerned, two typical groups of players have crystallised internationally:

- First, the big energy and railway companies, which, backed up by their specific infrastructure and mostly in alliance with strong foreign telecommunication companies, install competitive telecommunication networks and position themselves as "full-service-carrier" in competition with the former monopolist.
- Second, a range of regional and sectoral niche suppliers who concentrate on the profitable market segments and who put massive competitive pressure on the "incumbents" are establishing themselves on liberalised telecommunication markets - one might think for example about the so-called CLECS, the "competitive local exchange carriers", which have become very successful in the USA. The breathtaking rise of WorldCom, which has electrified the global telecommunication scene in the past few weeks, shows that even within a short time international giants might develop from the range of up to then small "new entrants", whereby WorldCom is not "through" yet and is an example that cannot be repeated endlessly. Concerning the losses of the market shares of the dominant carriers, which are to be expected, the old principle applies that forecasts are known to be unreliable. The often- mentioned assumption that in Europe they will lose an average of 25% of market shares in the most profitable segments in the next ten years, i. e. with the clients, this seems to be very plausible and could be generalised. Market share losses caused by liberalisation and growing competitive pressure force the ex-monopolists to use transformation and compensation strategies, which often and preferably consist of "downsizing" concepts as well as of internationalisation efforts.
- The trade unions of the telecommunication sector will, as a third consequence, be confronted with harsh challenges caused by these transformation and compensation strategies, whereby the problem of drastic staff reduction is the most explosive of all. In addition, they had been organised in many countries in a comparably "comfortable" form of big company unions, and they now have to cope with the organisational task of changing telecommunication from monopoly structures to competitive structures and to become industrial organisations. The employees of the "new players" are often not unionised at all or a member of another union. In this area, the traditional telecommunication trade unions can often, if at all, only establish themselves using big

parts of their financial and personnel resources. These resources are, however, known to be limited and their transfer to the organisation of the employees with the "new entrants" is often a burden on the classical clientele. I hope that this week we will have the time to talk about these problems.

3. Regulation

Although the neoliberally inspired telecommunication policy claims to be entitled to the label "de-regulation", the development of the sector will be highly characterised by (government) regulation standards at least for a transitional period. What happens in fact is not de-regulation but re-regulation - not one but another kind of regulation, which means we are talking about the third big trend. Regulation will, for a foreseeable period of time, remain an important determination moment for the development of telecommunication at least for two reasons:

- First, regulation becomes, after the sale of government equity majorities, i. e., the renunciation of the control factor "property", the last and only political influence variable in this sector.
- Second, regulation is of central importance in neoliberal market-opening concepts due to the dominance of the traditional carrier as catalyst of the transition from monopoly structures to competitive structures.

The institutional profile of regulation in the telecommunication sector has changed significantly: in numerous countries - among others in all states of the European Union, sector-specific regulation regimes and new regulation units have emerged or were tackled parallel to liberalisation. Overall, we are dealing with the abolishment of regulation functions from the structures of the dominant carrier and with achieving a more or less marked independence of the carrier - often it is rumoured that the former united parts of the "player" and the "arbitrator" are differentiated institutionally.

Of course it is much too early to give a final judgement about the performance of the new institutions, but even today we can distinguish a couple of construction problems:

Compared to the central importance of regulation for the telecommunication sector and compared to the central importance of the telecommunication sector for the economic and social development, the possibilities of democratic control and directing of the regulating institutions, i. e. by the parliaments, is very underdeveloped.

Second, the acting scope of national regulatory agencies is already very limited today due to the competence of supranational institutions. At least this is the case in the countries of the European Union, where the EU Commission has gained strong regulatory authority. Given the fact of the internationalising of the telecommunication sector, a debate about international regulatory regimes with institutionalised possibilities of democratically legitimised influence seems to be superfluous. In perspective, we are dealing with the regulation of the world market.

Third, the new regulation arrangements partly do not reflect the convergence of telecommunication, radio, and TV in the wake of multi-media development. In many countries, like in Germany, the regulatory institutions for radio and telecommunication still exist parallel, i. e. that problems of disassociation, responsibility, and efficiency are bound

to occur. In perspective to the information society, common regulatory regimes for the converging spheres seem to be urgently necessary.

As far as the orientation of the content of regulation is concerned, the practice shows a predominance of economic aims towards social and governmental objectives, which are, above all, reflected in the formula of the "universal service". Within the economic set of aims a clear pre-eminence of the aim of opening and intensifying competition can be detected. Regulation is mainly carried out in the form of an asymmetrical model, which puts conditions and controls towards the dominant carrier in favour of the "new entrant". Such asymmetrical regulation interventions have the tendency to lead to a reduction of income and to an increase of the rationalisation pressure with the ex-monopolists.

Against this background, it might not be surprising that within the foreseeable future regulation will remain a highly conflict-causing event. The central question is that of interconnection, i. e., the conditions under which the new actors may jointly use the networks of the dominant carrier. The outstanding importance of regulatory decisions may be illustrated with a current example from Germany. A few weeks earlier, when the regulator of the Deutsche Telecom AG ordered interconnection prices that were half the prices required by Telecom, the value of the Telecom share was drastically reduced within a couple of hours and the company lost a stock market value of DM 8 billion in one day. The splitting up of the Japanese NTT which, after endless debates, is determined for 1999, shows that regulation might cut deeply through the organisational structures of mega-carriers as well as in their management autonomy.

A brief summary on the subject "regulation" that is supposed to contribute to the discussion:

Given the current situation, regulation is the only approach for structuring political considerations in the telecommunication sector. All attempts to democratically and socially influence the development of the information society, must consider this fact and must know that there is no other instrument for political intervention. Given the political balance of power and the economic interests, it should be extremely difficult to structure telecommunication via regulation against the market forces. It might, however, be unavoidable to make intelligent arrangements with the strong market actors.

At the same time, regulation is a, if even for a longer transitional period, the decisive factor for sales, profits, and distribution scopes of telecommunication enterprises. This applies to the "new entrants" even to a higher percentage than for the dominant carrier. Therefore, regulatory institutions do not make decisions on abstract factors but over jobs and income of the employees in the telecommunication sector.

Given the political, social, and economic relevance of regulation, a clear positioning of the telecommunication trade unions seems to be unavoidable. This, however, is easier said than done: In this case, the trade unions have a strategic dilemma: If in cases of conflict they

take the side of the "new entrants", e. g., concerning the question of interconnection, it would objectively be in contrast to the interests of their members, who are mainly organised with the dominant carrier. If trade unions take the side of the ex-monopolist in such cases of conflict, then this impedes all further attempts to gain organisational ground with the new suppliers. The question of whether the change from being a company union to being an industrial union will be successful, therefore, will probably be decided in the area of regulation.

4. Growth

Now I would like to talk about the more economic trends in the narrow sense, which of course are intertwined in many aspects with outlined political changes that force these changes but are also forced by the changes. I will talk a little less about these development lines than I talked about the others.

First, the telecommunication sector is characterised in economic terms by an incessant expansion dynamism. The growth is gaining a new impetus above all from the applications that are connected with the terms "data highway" and "multi media", i. e., mainly internet and online-services but also telecooperation and telework, to mention only a few terms out of this variety. World-scale forecasts concerning the total growth of the telecommunication market lie in the next couple of years in a range of annual growth rates between 6 and 10%. A market evaluation by Arthur D. Little, one among innumerable others, for example, assumes that the volume of the telecommunication world market, which had been estimated to be \$ 600 billion for 1995, will almost quadruple by the year 2010 and will then contain an approximate sum of \$ 2300 billion. This would correspond to an annual rate of an increase of 9.5 %, which is probably a very optimistic but not totally devious assumption.

This growth does not occur generally and uniformly in all market segments. In general, it moves from the equipment and the infrastructures to the services and the applications. Particularly in the area of mobile telephones today and in the foreseeable future there is above-average high growth. This sector shows a world-wide annual average growth rate of breathtakingly 30% for the period between 1995 and 2000. Similar expectations exist in the still very little outlined spectrum of the multi-media applications, whereby it is yet not clear how the often implored "killer application" will look like, which will turn these euphoric hopes into solid income. In a regional perspective, mainly the Asian telecommunications markets, with China as their leading ray of hope, are supposed to be extremely dynamic. In this respect, none of you should worry about its future....

Of course these growth expectations are combined with a not totally unfounded hope for a constant prosperity of the global telecommunication sector. Technical developments and the drastic increase in competition put these expectations in relative terms, however, because they contain a considerable pressure on prices, sales, and profits. Examples for the fall of prices, which above all hits the former monopolists, are mainly observed particularly in the area of international language communication, a traditionally very profitable market segment. The well-known key-words in this area are: Call-Back-Services and Internet-Telephone. A further example that the profit margins of the established carriers are strongly shrinking under growing competitive pressure can be seen in Germany: In negotiations with big business partners, the Deutsche Telekom supposedly has had to accept price reductions of up to 40% compared to the former level.

Technically-caused increases in productivity on the one hand, and cost-reduction strategies of management on the other hand, lead, in addition to the fact that the expansion of the telecommunication sector does not show the same increase in jobs, but to the contrary, often is accompanied by a distinct loss of jobs within the sector. A study of the consulting

company BIPE Conseil commissioned by the EU-commission in 1996, shows for 15 European countries that the "historical operators", i. e., the former state and former monopolist companies, will probably record a loss of 188,000 jobs in the period between 1993 and 2005 and a further loss of 275,000 jobs in the period between 2000 and 2005. These job losses will not be compensated by employment gains with the new competitors. In nine of ten scenarios that the BIPE Conseil has developed for the mentioned periods of time, the employment balance for the total telecommunication sector is negative.

If you want to find a common denominator for all these considerations, you may have to ascertain the following:

Compared to the so-called "declining industries", in Europe, for instance, coal mining, the telecommunication sector may definitively be considered prosperous due to its good growth perspectives. At the same time, there is the problem that the growth increases that are to be expected do not seem to be sufficient for a prosperous development of all actors pushing into the market. The danger of a "cannibalisation" of the market is already evident.

For the employees and their trade unions, the question of the securing of jobs despite the expansion of the sector will remain the outstanding challenge and decisive conflict line for the next few years. Up to now, the trade union efforts were concentrated on strategies of supporting, slowing-down, and cushioning the loss of jobs with the "historical" suppliers. In addition, there is a strong need for approaches for the redistribution of work by flexibilising and reducing work times, as well as concepts of the co-management with the aim of identifying and developing particularly "job-intensive" growth areas. Considering all current facts, the pure transport of "bits" is definitely not among the most effective job-securing options,

5. Internationalising

The former statements intimated that the changes in telecommunication cannot be understood adequately in a purely national perspective anymore. If there is a sector to which the thesis of "globalisation" really applies to a great extent, then it is the telecommunication sector, which has been characterised by an almost breathtaking internationalisation dynamism in the last decade.

The velocity of this dynamism becomes clear only in a historical retrospective: Even until the mid-80s, border-crossing activities of the telephone companies were often oriented towards technical and organisational cooperation for the handling of international telecommunication traffic: Everybody was sitting peacefully together in standardisation committees or satellite associations and did not think of becoming each others competitor. Direct investment of national carriers in foreign countries was an absolute exemption; the markets were separated and mostly dominated by the state monopolies. Only ten years later telecommunication became a world market in the true sense of the word.

Nineteen out of the twenty most active telephone companies today are active in foreign countries in varying intensity and in different forms, whereby the Chinese DGT again is the only exemption. The biggest carrier, the Japanese NTT, has a delay in entering the international arena and is still a little bit cautious, because it was granted the required legal permission to do so only in 1996. If all big and a great number of small suppliers are active in foreign countries, there is probably no national telecommunication market anymore that has not become a target of foreign players.

Three factors should be of utter importance for this internationalisation dynamism:

- First, the switching over to foreign markets is a preferred compensation strategy of national monopolists: domestic market share losses, which are caused by liberalisation and competition, shall be compensated by the growth in international business.
- Second, the telecommunication sector takes drastic changes on the demand side into account by internationalising its market activities and reacts to the globalising of the economy in its totality. Globalising is not possible without telecommunication; telecommunication is indeed the nervous system of international markets. Above all, multinational corporations in accordance with the tendency of all international operating suppliers, demand modern, uncomplicated and boundless telecommunication connections from a single source. The well-known key words are: "seamless end-to-end-communication", "one-stop-shopping", "one-stop-billing" etc.
- Third, internationalising has only become possible via the world-wide liberalisation process, the initiatives of the US Administration, the WTO, and the EU-Commission. Just recently, border-crossing telecommunication offers would have crashed against the insurmountable walls of national monopolies.

Internationalising occurs in the telecommunication sector in different forms and stages. From the point of view of the expanding carrier, two dominant basic patterns can be distinguished:

First, internationalising aims at a complementing national presence in one or several target countries, which is often achieved via direct investments with the dominant carrier, often as a so-called "strategic equity partner", or via the access to a consortium that establishes competitive infrastructures in mobile telephone or in the permanent network.

Above this moderate variant, which is practised by all internationally active telecommunication corporations, a small circle of mega-carriers aspires to global presence, which is to be achieved via the formation of strategic alliances. Of course we are talking about the big three blocks "World Partners", "Global One" and "Concert", whereby the latter formation has come into big difficulties with the surprise coup of WorldCom. Regardless of these turbulences, three alliances should further consolidate and rule the world market in the future. Currently, it seems rather improbable that a fourth group of a similar size could join. A lot will depend, however, on how the battle over MCI will end, and moreover, where the Japanese NTT will orientate itself.

My discussion initiatives concerning "internationalising" are obvious and I will not go into further detail:

Considering the dynamism of the internationalising trends and the economic strength of the global mega-player, telecommunication today may not be considered and conceived as a purely national event. The autonomy of rather small national carriers is affected substantially by this development: If they do want to participate the international concert and prevent a "colonialisation", they do not have the choice anymore, as to whether they want to position themselves internationally, but at best in what form they will do this.

Up to now internationalising telecommunication has meant above all internationalising the markets. The internationalising of telecommunication policy, however, is far behind. If future development of telecommunication is not to take place in the head offices of the corporations of a few multis, then this gap has to be filled soon. It has long since not been enough to try to regulate national markets: instead however, as mentioned before, the regulation of the world markets is already on the agenda.

The trade unions of the sector have long since realised that the internationalisation of telecommunication requires a new quality of international trade union work: more, more intensive, and a more concrete cross-border cooperation of the employee organisation is necessary. It is exactly this realisation that has brought us together here, and we will try to establish corresponding projects in the next few days. In this matter, the PTTI has made important decisions in Montreal. John Pederson and Luis Neves will certainly have a lot to say about this topic.

7. Coopetition – Concentration - Convergence

As we realise every day, the telecommunication market extends its borders not only by growth and internationalising in the exterior, but is also shaken in its interior by permanent changes and constantly new realignments. We all know examples from the recent past:

Spanish Telefonica leaving the Unisource-World-Partners-Alliance and joining Concert.

Cable & Wireless leaving the German market

Finally the already-mentioned occurrence of WorldCom as a new Global Player.

It is difficult to find a meaningful common denominator for these internal developments on the telecommunication market. Therefore, I choose three key words, which are actually four:

- Coopetition
- Concentration and
- Convergence

"Coopetition" is an artificial word that unifies the supposedly contradictory concepts of cooperation and competition: exactly this simultaneous conflict according to the formula marked by McKinsey consultants "collaborating to compete!" is a characteristic for the quick movements in the telecommunication market. None of the most active telephone companies with international ambitions has the confidence to conquer the world market alone, all of them are looking for alliances, in order to share risks ("burden-sharing"), to coordinate competences, and to develop markets. The network of cooperation in the telecommunication market cannot be seen at a glance anymore, especially since it happens very often that alliance partners are acrimonious competitors in one country and in one market segment and that they cooperate in another country and in another market segment. cooperation often occurs in loose and unstable forms and often breaks as quickly as it had developed. Often, however, it is the preliminary stage to a more solid alliance variant, to capital networks, to hostile and to friendly take-overs that sometimes lead to

Concentration in a narrow sense. The trend to bigger capital formation has accelerated considerably in the telecommunication sector in the past few years: in the USA alone, a volume of \$ 103.89 billion "mergers and acquisitions" were recorded in 1996, which occurred mainly on the side of the "Baby Bells" after the passing of the "Telecommunications Act". Here some examples:

The merger of SBC and Pacific Telesis and the subsequent attempt of AT&T to take over SBC has failed for the time being due to regulatory considerations. Further examples are:

The merger of Bell Atlantic and Nynex with a volume of \$23.7 billion, the second-biggest transaction in economic history. At the moment, there is a dramatic

discussion about the take-over of MCI by BT or WorldCom, possibly even by BT and WorldCom.

Since this deal definitely involves

the Australian media magnet Rupert Murdoch, whose News Corporation owns 20% of MCI, and since at the same time WorldCom has become the world-wide biggest internet-provider and has become involved heavily in the online-business, it has become important not only under the category "concentration" but also to a large extent under the category "convergence".

This term stands for forecast that "the sectors computer (hardware, software, and corresponding services), communication (telephone, cable, satellite) and contents (publishing art, entertainment, advertisement) come together or break apart and finally melt into a new sector", as Don Tapscott (the Digital Economy, Wiesbaden, 1996, p. 257) puts it. Technically convergence may become conceivable, because digitalisation has overcome an outmoded borderline between the sectors involved in the "bit-business". Convergence will become possible and necessary in economic terms, because up to now there are no companies that have original competences on all stages of the multimedia value-added chain (network infrastructure, bit-transport, server, contents, service providing, final equipment, software and consulting). As a matter of fact, the traditional competences of even the big companies are limited normally to two, at a maximum three, of these stages. According to Arthur D. Little, these trends could form a new mega-sector with the name "TIME", consisting of

Telecommunication, i. e., the classical and new network operators and service providers as well as the telecommunications industry including the producers, operator services, transmission paths and terminals:

- Information technology, the manufacturers of computer hardware and software;
- Media, including radio and TV corporations, publishing houses, filmstudios and entertainment concerts, i. e. all the actors who produce the contents and
- Electronics, whereas in this case we should talk more precisely about "entertainment electronics" which does include the Japanese producers of video games and consoles.
- Convergence has long since stopped just to be a prognosis and happens everyday in reality. Even the trade unions of the telecommunication sectors must take this fact more and more into consideration. Above all they are confronted with the question of whether the division of labour, based on the classical structuring of sectors, of the various organisations acting in the multimedia-sector might be temporarily in the long run. Many things are in favour of responding to the sector-crossing cooperation of the companies with new forms of trade-union convergence, particularly between the organisations of

the telecommunications and the media sector. I will not go into detail at this point, I am sure Luis and John can tell us what such trade-union convergence looks like in practice.

- Having said all that I will end my attempt to describe the current political and economic trends of change, which currently restructure the telecommunication sector. Unfortunately, I have talked much too long, but I hope to have outlined a general frame of reference for our discussions. Thank you very much for your attention!