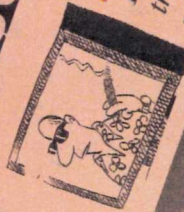


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# Swedish telecoms lead way to free market

Operators see country as a laboratory to test European deregulation, writes Christopher Brown-Humes

As Europe moves towards deregulating its telecom markets, a glimpse of the future is emerging in Sweden, the continent's most liberalised market.

International companies, led by British Telecom, AT&T of the US, and France Telecom, jostle for position. A new breed of entrepreneurs offering specialised, low-cost services is emerging fast. Telia, the state-owned and former de-facto monopoly, is being hit hard, losing market share and seeing its margins squeezed.

The competition in a country of just 8.5m people is much fiercer than most people expected when Sweden formally opened up its markets in mid-1993. "Many companies consider Sweden a laboratory. They see it as a test for larger markets, which have still to be deregulated, such as France and Germany," says Mr Bertil Thorngren, Telia's senior vice-president in charge of corporate strategy.

Competition is intensifying, particularly in the corporate services market. In May, BT joined forces with Tele Danmark and Norway's Telenor, to launch Telenordia. The venture aims to spend SKr2bn (\$280m) to become Sweden's second largest telecoms operator. This month France Telecom announced plans to spend SKr1bn, partly to develop its public phone operations in Stockholm, Gothenburg, and Malmö.

There has also been a proliferation of new cable and mobile phone companies as well as specialist operators in call-back services (where a call, say, between two European countries is routed via the US). One estimate suggests there are 40 call-back companies operating in Sweden.

One result is that international call prices have fallen by as much as 30 per cent, with Telia losing around 30 per cent of its market share in this segment in little more than two years. Inroads are also being made into its share of the long-distance calls market, though not yet into its local calls. Telia is also being challenged in mobile services, data

## European telecoms regulation at July 1995

Country	Overall real price falls required annually	How enforced	Competition in basic service
France	-4.5/-6.0% 1995-98	A	1998
Germany	-8/-10% in 1996 & 1998	A	1998
Italy	-5.5% to 1997	A	1998
Spain	-1% to 1997	C	1998
UK	-7.5% to 1997	B	OPEN
Netherlands	-1% to 1997	A	71996
Belgium	not specified	A	1998
Switzerland	not specified	A	1998
Sweden	-1% to 1997	B	OPEN
Denmark	-3% to 1997	B	71996
Portugal	-2% to 1997	B	2000
Finland		A	1998

A: Regulatory body reporting direct to relevant government minister  
B: Independent regulation  
C: Annual negotiation

Source: Dalka Institute of Research

communications services and infrastructure.

Finland also has a liberalised telecoms market, with competition already a fact of life in the late 19th century when the country was ruled by Russia. Indeed the development of open telecoms markets in the two neighbouring Nordic countries has helped put the region at the forefront of international telecoms development.

The Nordics were the first

been slashed by 18,000 to 30,000 since 1991. The company has also teamed up with three European partners - the national phone companies of Spain, the Netherlands, and Switzerland - to form Unisource, a vehicle for international expansion. Besides this, it has a licence for international calls in the UK and a share in mobile phone licences in countries as diverse as Lithuania, Italy, and Ecuador.

International expansion, though, is at an early stage of development, while the domestic squeeze is already being felt. When Telia recently reported a 60 per cent drop in first half profits to SKr1.34bn it blamed fierce competition for the setback.

Mr Anders Lundgren, assistant professor at the Stockholm School of Economics, says deregulation has undoubtedly brought entrepreneurial flair to the Swedish telecoms sector. But he has yet to detect positive effects.

"Users will benefit but it's not so obvious that it will be positive for the Swedish tele-

phone industry. It depends on whether operators, especially Telia, can learn from competition at home and use their knowledge and experience to advantage internationally." That, in turn, may depend on how quickly and how extensively other European countries open up their markets.

Even Telia welcomes liberalisation, although it has resented incursions into its home market without having reciprocal opportunities abroad. "It has changed attitudes and the way we work. It's more satisfying to be chosen by your customers, rather than imposing your services on them," says Mr Thorngren.

Indeed, the benefits reaped from telecoms liberalisation help to explain why the Nordic countries are driving ahead with deregulation in other sectors. It is no coincidence that Sweden, Finland and Norway are hoping to operate the first cross-border market in electricity supply from next year, just as they established the world's first common mobile phone standard 14 years ago.