

*British Telecom goes Swedish – Swedish Telecom goes British:*

# Telecommunication companies compete for ground in open markets

According to a recent Price Waterhouse study and the latest OECD report entitled "Communication Outlook 1993", Sweden has the most open telecommunications market in the world. In reality, the country has never had a set of legal telecommunications parameters to prohibit international competitors from entering.

In recent years, British companies have begun to realize the potential of the Swedish market, forcing Televerket (Swedish Telecom) to gear up for major changes. One of their answers has been retaliation, and UK expansion is at the top of their list.

Bertil Thorngren, strategy director for the Swedish Telecom Group, explains. "It's a natural reaction that we look at other markets for growth and profits. We are not permitted to cut prices domestically, so we must find other ways of making up for losses. The UK is the only other European market open to international players."

## British invasion

Competition over international callers in Sweden has started to heat up. British firms such as BT, Cable & Wireless and Vodafone have already entered the lucrative Swedish market which is estimated to be worth SEK 3 billion. ST estimates a 40% chunk of their international caller market and 20% of the domestic trunk traffic will be chipped away over the next few years. International, national long-distance traffic and local calls amount to a market worth approximately SEK 20 billion. Surprisingly, Mr Thorngren encourages the emergence of the new players on his home turf.

"We feel that everyone benefits



*"Monopolies are simply a false marriage," says Bertil Thorngren, Strategy Director of the Swedish Telecom Group.*

from the competition. Monopolies are simply a false marriage – it is better to work in a market where customers have a choice. Our strategy is to offer very high service levels for delivery times, fault rates and network supervision based on our experience and in the long run we should be able to make up for lost ground. Moreover, we are among the first countries in Europe to open up, which will undoubtedly give us early experience and improve our chances of survival in the long-term," Mr Thorngren added.

## David and Goliath

Obviously competing with giants such as British Telecom and France Telecom, one of the latest companies to announce intentions of entering the Swedish market, both approximately six times larger than Swedish Telecom, is no easy task. "BT has tremendous financial resources and net profits that equal our turnover while France Telecom has the support of a monopoly at home. We are willing to take on these giants as long

as the basis for competition is fair," said Mr Thorngren.

BT entered the Swedish market in 1989 and has enjoyed success by capturing a number of large Swedish buyers, like Volvo and the Swedish Ministry for Foreign Affairs. Indications point to greater BT growth among Sweden's 50-100 largest multinationals and the company is due to corner more than half of the Swedish data communications market.

Striking back at Goliath, Swedish Telecom has applied to the Department of Trade and Industry (DTI) for a license. DTI is expected to grant Swedish Telecom a license by this autumn which means UK subscribers could be doing business on Swedish Telecom lines by January of 1994. There are 1,000 Swedish subsidiaries in the UK, a group Swedish Telecom aims to target. Success will undoubtedly depend on three factors: quality, accessibility and price.

Swedish Telecom should be able to compete on levels, especially in re-

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## Telecommunication companies...

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gard to price. The company's rates for voice telephony, data communications and mobile telephony are less than half those of BT's. According to Thorngren however, everything depends on the applicable commercial stipulations due for negotiation with BT this autumn.

"The UK has a fairly complicated international resales system where they charge for traffic plus an extra access charge which can be as high as 10 pence per minute. Of course we are not really happy about that," he said.

Swedish Telecom charges BT a mere 5 pence per minute for use of the Swedish network while BT is demanding 13-16 p. per minute from ST for the British network. Negotiations between the two telecommunication companies are set to take place upon DTT granting Swedish Telecom a formal license.

Swedish Telecom, which enjoyed years of profitable growth under a de facto monopoly, is anticipating the opening of other European markets. They may not have to wait long if a May proposal gains approval by the

European Commission. The proposal provides for the opening of domestic European telecommunication markets within the next five years, sometime between 1996 and 1998.

### Few large players

Freeing up European markets will help trigger what present forecasters are currently predicting: a shift in the telecommunications market from old monopolies to a small number of players competing world-wide. Swedish Telecom aims to be a part of the new line-up and therefore has agreed to work with the Dutch and Swiss telecommunications companies under the umbrella organization Unisource.

"In Sweden, we are thought of as a large company but in reality, Swedish Telecom is fairly small on the global level. We cannot afford to be present in every country by ourselves, but together with our Dutch and Swiss colleagues we might. We will most certainly present a credible alternative," Thorngren added.

In an additional move to align Swedish Telecom with international markets, the company is changing its name and corporate status on 1 July. Telia Ltd will be the name of the new Swedish company met by the British market early next year, a market Mr Thorngren feels. "Will continue to open up. Once the process has started it will continue. You can't be only a little pregnant."