STRATEGY FOR EUROPE

Telia's survival plan

To meet increased domestic competition, the Swedish telecoms operator is undergoing drastic changes. It sees Europe as its future market

Telia is in a peculiar situation compared with its counterparts elsewhere in Europe. Most EU countries are edging towards deregulation under pressure from Brussels: the opening up of national monopolies on the continent started in 1990 with data communications, but will not extend to voice telephony until 1998.

By contrast, Telia's home monopoly is not supported by legislation; nor has the Swedish telecoms market ever been regulated. In the early days, Telia (then Televerket) rose to dominance by buying up its local competitors, establishing a de facto monopoly. The result, says Bertil Thorngren, head of corporate strategy, is that Telia today is moving in the opposite direction to its European rivals: "We are starting from a completely deregulated area and moving into a regulated one."

When American and other phone companies started looking at the Swedish market, they were at first confused by the absence of any licensing formalities. "They wanted to know what the catch was," says Dr Thorngren; "it was a little too open-ended, it seemed." So a law was enacted last year obliging companies to file for an operating licence—but as there is no limit to the number approved, the market is still wide open.

And they are coming on strong. Cherry-picking for big international accounts, BT has won a contract to handle the Swedish foreign office's global data and voice communications, while France Télécom captured the government's domestic data traffic, beating out rival bids from Telia, BT and Sprint. A local competitor, Tele 2 (in which the UK's Cable & Wireless has a 40% stake) is already vying for Swedes' international calls and is planning to enter the domestic voice market this year. There is even competition in telecoms infrastructure—an area yet to be tackled by the EU—as Tele 2 has access via the Swedish rail system's nationwide fibre-optic grid.

Telia therefore sees its market share in voice telephony declining, to an expected 60% of international and 80% of domestic traffic by the end of 1995. In response, it is moving rapidly to

- **cut manpower costs:** 12,000 jobs (25%) have gone in the past two years, and another 25% will disappear in the next three;
- **dispose of non-core businesses:** some equipment factories were sold to Ericsson, others closed down;
- **modernise its network:** 6,000 smaller switches are being replaced by just 200 new ones, and fibre-optic cabling is being widely used;
- **refocus on growing market niches** like mobile telephony and cable TV, both areas in which it is already strong; and
- **follow its customers abroad,** providing international services for big Swedish companies as well as foreign firms moving into Sweden.

Alliance with Swiss and Dutch

To this end, Telia has linked up with the Dutch KNP and the Swiss PTT in a tripartite alliance, called Unisource, aimed at catering to the needs of large multinationals based in the three countries. In addition to offering basic telecoms and satellite network services to corporate clients, the trio are bidding jointly for mobile phone licences in other countries; Unisource has won licences in St Petersburg, the Baltic states and Hungary, and hopes to get one soon in Italy.

The Dutch and Swiss partners were chosen for their similarities in size, clientele and vision of their future in an open European market. "Like ourselves," says Dr Thorngren, "they are too small to be seriously competitive against the big players like AT&T and France Télécom."

Their similar size is important, he explains, in that "no one really dominates the cooperation." Operators from other small European countries would like to join: "Everyone wants to be in Unisource," he claims, "but we have to say no, because if we had ten members we would spend all our time in committees."

In the long run, the question is: how can a company as small as Telia (annual turnover $4.5bn) survive in head-to-head competition with such behemoths as BT, Deutsche Telekom and AT&T? Dr Thorngren is optimistic. "First of all, we can offer quality services at a better price": phone charges in Sweden are much lower than in Britain (BT) or France, for example (*BE* Aug 30, '93). Secondly, as a pioneer in mobile phones and cable TV, its networks in both these areas are the second largest in Europe. But Telia's greatest advantage, he thinks, will be "very simply, our experience, which will improve in the next few years. While the rest of Europe remains regulated, we are coping in an increasingly competitive market."

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