

Telia gets fit to expand further afield

The Swedish phone company is carving out profitable niches, writes **Greg McIvor**

UNLIKE its more famous compatriots such as Volvo and Ikea, Telia is a household name only in Sweden. The state-owned telecommunications operator is Sweden's fifth most profitable company but remains little-known abroad.

This, however, may be about to change. As the European Union plans for the deregulation of the telecommunications industry by 1998, Telia is investing in European expansion and is carving out niches in Britain, the Baltic states and eastern Europe.

Operating in the world's most liberalised domestic telecommunications market, Telia has been exposed to tough price-cutting competition and is seeking to compensate for reduced market share by expansion in Europe.

From being Sweden's monopoly player three years ago, Telia (then Televerket) has been forced to restructure to respond to the opening up of the market by the government.

Around a third of all jobs have been cut in the past two years and a further 6,000 posts are expected to disappear in the same period under the new managing director, Lars Berg, a former Ericsson vice-president, who was appointed in July.

Incorporated as a public limited company last year with the state as sole shareholder, Stockholm-based Telia has been meeting competition through a marketing drive and reduced call costs.

Increasing digitalisation and fibre-optic cabling has enabled far-reaching network modernisation. Telia's 6,000 exchanges will have been cut to about 250 by 1996.

Nonetheless, ground has been lost in the lucrative international calls sector to newcomers such as British Telecom and Tele 2, jointly owned by the Swedish media group Kinnevik and Britain's Cable & Wireless.

Guaranteeing prices at least five per cent lower than Telia, Tele 2 has cornered ten per cent of the market for international calls from Sweden since starting business 18 months ago, and expects to have 25 per cent in two years' time. The Anglo-Swedish company starts regional and trunk domestic services this month.

Telia expects to lose 40 per cent of international calls and 20 per cent of domestic traffic by 1996. Meanwhile, the number of subscriber lines has been static for the past three years and shows little sign of an imminent upswing.

It seems a hardly promising outlook but Bertil Thorngren, Telia's director of corporate strategy, is undaunted. He said: "Marketing and competition is the natural thing. Monopolies are unnatural and we are moving towards a more normal market situation." Telia is meeting the competition by developing a range of other services such as mobile telephones, cable television, satellite and data communication in an attempt to offer "one source" packages to business clients.

A key field is mobile telephones, a fast-growing market which currently provides 15 per cent of group revenue and 25 per cent of profits - proportions Telia expects will grow.

The Nordic market has the highest proportion of mobile phone users in the world - one in ten - and Telia shares the market with Swedish companies Europolitan and Comviq.

"We forecast a few years ago that nine out of ten Stockholm-ers would use a mobile phone by the year 2000 - and that prediction still holds," said Thorngren. "Mobile phones will

be as common as the wire-dials and may even replace them."

Europe is Telia's key market. Although a small operator on its own, with only about five per cent of the European international call market, Telia's leadership believes that a joint venture with Dutch, Swiss and Spanish national operators, called Unisource, will give it the scale required to compete internationally.

Thorngren said: "By itself Telia is too small to consider being a major European player but Unisource means that our combined efforts amount to giving customers a serious alternative to that offered by giants like British Telecom and France Télécom."

Critics, though, have argued that the Unisource operators are together too small to challenge the big European firms and say that an alliance with a US carrier - possibly AT&T, the biggest US long-distance operator - is necessary for the joint venture's future health.

Yet Unisource has proved it carries clout, beating AT&T and BT to win an order from 30 big firms including ABB, Electrolux, Philips and Rank Xerox to provide communication services.

Telia has tried to play down media rumours of a future merger between the four Unisource partners but this option is not being ruled out, and could become a reality after the 1998 telecom deregulation in the EU.

