



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 05-12-1997

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

Dear Sirs,

**Subject: Case No IV/M. 1046 AMERITECH / TELE DANMARK**

Notification of 4/11/1997 pursuant to Article 4 of Council Regulation N° 4064/89

1. On 04 November 1997 the Commission received a notification on an acquisition of a shareholding in Tele Danmark A/S by Ameritech Corporation.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation N° 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement

**THE PARTIES AND THE OPERATION**

3. Ameritech Corporation ("Ameritech") is a US corporation and one of the world's premier provider of full-service communications and advanced information services. Tele Danmark A/S ("Tele Danmark") is the national provider of telecommunications services in Denmark

**CONCENTRATION**

4. Ameritech and the Minister of Research and information Technology of the Kingdom of Denmark ("MRIT") entered into the Share Disposition and Purchase Agreement on 27 October 1997 ("the notified agreement"). Through the notified agreement, Ameritech will acquire from MRIT 4,500,000 A shares, amounting to 34% of the share capital of Tele Danmark. A subsequent capital reduction of the share capital of Tele Danmark through redemption of substantially all the shares owned by the Danish government will increase Ameritech's stake to 42%. Ameritech will be de facto able to appoint half (6) of the members of the board of Tele Danmark and to appoint the chairman and vicechairman, who have a casting vote. The parties argue that under these provisions, Ameritech will gain a de facto control over Tele Danmark, since :

(i) the rest of the shareholdings in Teledanmark will be widely dispersed. None of the remaining shareholders in Tele Danmark post transaction will hold a stake in excess of 7.5%.

(ii) in the last three years, attendance to the shareholders meetings has been below 54%, so Ameritech is expected to control a de facto voting majority at the shareholders meeting.

5. The operation therefore constitutes a concentration within the meaning of article 3(1)b of the Council Regulation 4064/89, of 21 December 1989 (the "merger regulation").

### **COMMUNITY DIMENSION**

6. Tele Danmark's worldwide turnover amounted to ECU 3.167 billion for the financial year ended 31 December 1996. Ameritech's worldwide turnover amounted to ECU 11.5 billion for the same financial year. Tele Danmark's Community turnover amounted to ECU \* . The majority of Ameritech's Community turnover is realized through its Belgacom joint venture. Since Ameritech has joint control over Belgacom together with Tele Danmark, Singapore Telecom and the Belgian State, 25% of Belgacom's turnover is attributable to each parent. Belgacom's turnover in the Community exceeded ECU \* independently of how turnover for international services is allocated. This brings Ameritech's turnover in the Community well above the ECU 250 million threshold.
7. In any event, the undertakings do not achieve more than two thirds of their turnover in one and the same Member State. The proposed concentration has therefore a Community dimension but does not constitute a cooperation case under the EEA Agreement pursuant to Article 57 and Article 2 in Protocol 24 of that Agreement.

### **COMPATIBILITY WITH THE COMMON MARKET**

8. Tele Danmark is mainly active in Denmark and does not currently offer telecommunication services elsewhere in Europe to any substantial degree. Ameritech carries its activities in the European Union substantially through its joint venture Belgacom. The parties argue that in the absence of any overlap between the parties activities for those products and services that are of a national scope there are no affected markets. Furthermore, for those products of a broader scope, the shares of Tele Danmark and Ameritech would not attain the 15% threshold.
9. In its decision in Case N° IV/M.689 ADSB/Belgacom, the Commission already examined the competitive relations between Belgacom, Ameritech and Tele Danmark, including issues of potential competition between these undertakings. The Commission concluded that that operation did not raise issues of dominance. The substantial assesment of the present concentration covers the same material aspects and cannot differ from the assesment carried out in case IV/M 689. In this respect, it is worthnoting that the acquisition of a de facto control of Tele Danmark by Ameritech does not materially change the nature of control over Belgacom, since Singapore Telecom and the Belgian State mantain their joint control over Belgacom..

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\* Deleted business secret

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## **A RELEVANT PRODUCT MARKETS**

10. The relevant product market in this operation are a wide range of telecommunications and related services. According to the notification, Tele Danmark operates in the following product areas primarily in Denmark
- Local telephone services (PSTN and ISDN)
  - Domestic long distance telephone services
  - International telephone services (inc.VPN)
  - Leased lines
  - Distribution of Concert services.
  - Data communication services (inc. MAN&LAN, Telex, Telegraph, EDI)
  - Mobile telephone activities.
  - Value added services
  - Other services (videotex, internet access, TV transmission)
  - Supply and service of terminal equipment
  - Telephone directories publishing
  - Cable television
  - Security monitoring
  - telecommunications and engineering consulting
  - submarine cable links in Denmark.
  - satellite broadcasting activities.
11. However, a precise product market definition is not necessary as, given the respective market positions of the parties in the sectors referred to above or even in separate narrower markets, such a definition would not alter the Commission's conclusion with regard to dominance in this case described under Assessment below.

## **B RELEVANT GEOGRAPHIC MARKETS**

12. Basic services related mainly to reserved services in Denmark (e.g. fixed national and international voice, leased lines, telex) have traditionally been considered as a national geographic market due to the still prevailing regulations and the role of the national telecommunications operators.
13. The geographic market for certain value added services is generally considered as at least paneuropean and possibly worldwide. In any case the markets for telecommunications services are evolving very rapidly as a result of technical change and liberalisation of the regulatory environment.
14. However, given that the operation does not result in any problem of dominance in the EU/EEA area, for the reasons exposed in the assessment below, it is not necessary to define the relevant geographic market in the present case.

## **ASSESSMENT.**

15. Ameritech does not have any operations in Denmark, nor does it sell any services or products in Denmark. There may possible be limited sales in Denmark by GE Information Services (GEIS) in which Ameritech has an interest, which offers electronic commerce

services throughout Europe. In any event, these services do not compete with services offered by Tele Danmark.

16. For services in respect of which the relevant geographic market may possibly be considered to be European or even worldwide in scope, and where both parties could have competing activities, the combined market share of Ameritech and Tele Danmark in the EEA is below 15%.
17. With regard to Ameritech and Tele Danmark as potential competitors, it has to be noted as liberalisation takes place across the EU, the opportunities for new entrants to enter telecommunications markets on an EU wide basis will increase. Even though Ameritech and Tele Danmark be potential competitors on these markets; and that they have activities already in the EU/EEA; the potential restriction of competition will not have a significant effect on competition given the number and strength of existing and potential competitors on this market. For those services which have world-wide market definitions, the absence of any anti-competitive effect is even stronger, given the relative absence of economic power of the parties against the competition which they do or will face.

#### **ANCILLARY RESTRAINTS.**

18. The notified concentration includes an Agreement on strategic cooperation between Ameritech and Tele Danmark setting out their common strategic objectives. By this agreement, Ameritech agrees not to compete with Tele Danmark in the provision of telecom services in Denmark for a period of one year in the event that the share purchase agreement is not closed by 1 May 1998. As discussed above, Ameritech and Tele Danmark are not competing with each other to any material extent in Denmark or elsewhere in the EEA. Insofar as this is a restriction of competition, this provision is directly related and necessary to the implementation of the concentration, since otherwise the parties could not negotiate an agreement.
19. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation No 4064/89.

For the Commission,

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