

Brussels, 27 March 2000

Commission clears the acquisition by BT of Esat

The European Commission has approved, subject to certain conditions, the acquisition by BT of the Irish telecoms operator Esat. The Commission found that the proposed transaction raised serious doubts as to its compatibility with the common market in respect of the distribution of global telecommunications services in Ireland. In order to meet the competition concerns identified by the Commission, BT offered a number of undertakings aimed at loosening or breaking some distribution agreements with global service providers in Ireland.

The Commission looked at the effects of the transaction on the UK/Ireland fixed telephony route and the mobile telephony market and found that the acquisition would be unproblematic. As a result of the transaction BT would reinforce its position in the Irish market where Eircom, the incumbent telecoms operator, is by far the strongest player. The Commission examined also the implications of the proposed acquisition for the Internet dial up access in Ireland, which after the transaction would be characterised by the presence of two strong Internet Service Providers (i.e. the new entity and Eircom). The Commission ruled out that the transaction could have led to the creation of a dominant duopoly in Ireland. The Irish market is fast growing and characterised by fluctuating market shares, rapid technological changes and new entry.

The Commission found, however, that the transaction raised serious competition concerns in relation to the distribution of global telecommunications products in Ireland, where BT/Esat would have controlled between 50 and 60% of the Irish market. In particular, the combined entity would have been Concert's exclusive distributor, via BT, and would have distributed Global One's products, via Esat, on an exclusive basis. In addition Esat would have kept distributing on a non-exclusive basis Infonet's products. In order to ease such concerns BT undertook to grant Global One the right to terminate the distribution agreement with Esat or, alternatively, to disclaim any exclusivity distribution rights in respect of Global One's products. Moreover, BT undertook not to renew Infonet's distribution agreement, which is due to expire on 31 December 2000. The Commission is of the opinion that these commitments will open up the Irish distribution market to competition, preventing the emergence or strengthening of a dominant distributor.