

***Case No COMP/M.2053 -
TELENOR / BELL
SOUTH / SONOFON***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 04/08/2000

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 04.08.2000

SG(2000)D/

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying parties

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

Dear Sirs,

Subject: Case No COMP/M. 2053 – TELENOR/BELLSOUTH/SONOFON
Notification of 04.07.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 04.07.2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89¹ by which the Norwegian undertaking Telenor SA (“Telenor”) acquires within the meaning of Article 3(1)(b) of the Council Regulation joint control of the Danish undertaking Sonofon Holding S/A (“Sonofon”) already jointly controlled by BellSouth Corporation (“BellSouth”).
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the EEA Agreement.

I. THE PARTIES' ACTIVITIES AND THE OPERATION

3. Telenor is the largest telecommunications operator in Norway and is wholly owned by the Norwegian State. Telenor provides an extensive range of telecommunication services in Norway and is also active in other Scandinavian countries and internationally. Telenor’s principal activities are fixed and mobile telephony, sale of customer equipment, network-based activities, advertising income, satellite activities, TV-distribution and systems and support including IT-support and software.

¹ OJ L 395, 30.12.1989 p. 1; corrigendum OJ L 257 of 21.9.1990, p. 13; Regulation as last amended by Regulation (EC) No 1310/97 (OJ L 180, 9. 7. 1997, p. 1, corrigendum OJ L 40, 13.2.1998, p. 17).

4. BellSouth is an international communication services company listed on the New York stock exchange. BellSouth provides telecommunications, wireless communications, cable and digital TV, directory advertising and publishing in Internet, and data services. BellSouth companies operate throughout the US and in a number of countries in Latin America, Europe and the Asia/Pacific region.
5. Sonofon is Denmark's second largest telecommunications company. It specialises in mobile telephony and hi-speed data services and additionally offers fixed network telephony and data services as well as Internet access. Sonofon operates a nation-wide GSM network (Global System for Mobile Communication) on 900 and 1800 MHz frequencies in Denmark and also markets mobile phones and equipment through approximately 1200 points of sales including its own chain of Sonofon stores.
6. The proposed operation is envisaged by a share purchase agreement signed by Telenor and GN Great Nordic A/S ("Great Nordic") under which Great Nordic will transfer its 53.50% stake in Sonofon to Telenor. As a result of the operation, Telenor will acquire joint control over Sonofon within the meaning of Article 3(1)(b) of Council Regulation (EEC) No 4064/89.

II. COMMUNITY DIMENSION

7. The undertakings concerned in the operation have a combined aggregate world-wide turnover in excess of EUR 5 billion (Telenor 4, 332 million Euro, BellSouth 23, 505 million Euro, Sonofon 390 million Euro), their aggregate community-wide turnover is more than EUR 250 million (Telenor [...] million Euro, BellSouth [...] million Euro, Sonofon [...] million Euro), and they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension.

III. THE RELEVANT MARKETS

Product market

8. The notifying parties submit that the market for mobile telecommunications services comprises private and business customer access to digital (GSM900 and DCS1800) and analogue mobile networks.
9. The Commission has in previous decisions² indicated that the product market for mobile telecommunication services encompasses both GSM 900 and DCS 1800 and possibly also analogue platforms.
10. The Commission has so far left open the question whether a further segmentation of the mobile telecommunications services into a market for network operators/service providers is appropriate³. Likewise, this issue can, however, be left open since it does not affect the final conclusion in this case.

² Cases: COMP/M.1795-Vodafone Airtouch/Mannesmann; COMP/M. 1669 - Deutsche Telecom/One2One, IV/M.1430 - Vodafone/Airtouch.

³ Case COMP/M.1760-Mannesmann/Orange

Geographic market

11. The notifying parties in this case consider that the markets for mobile telecommunication services are national in scope. This is in line with the Commission's previous decisions⁴ and has been confirmed during the investigation of this case.

IV. COMPETITIVE ASSESSMENT

12. As regards the market of mobile telecommunication services, Sonofon is only active in Denmark, where it operates a nation-wide GSM 900 and DCS 1800 system offering a wide range of services including voice, voice mail SMS, HSCSD and mobile fax both to private and business customers. This market opened substantially after GSM 900 and DCS 1800 licenses were granted to new entrants in 1997. Today, Sonofon, which still holds a relatively strong market position with an estimated market share⁵ of [25-35]%, faces competition of at least other 4 competitors including the former public operator Tele Danmark ([45-55]% market share), and Mobilix, ([5-15]% market share), Telia ([0-10]% market share) and Debitel ([0-10]% market share).
13. Although both Telenor and BellSouth are active in the same product markets, and have a relatively strong market position in some EEA countries, the proposed transaction will not lead to any horizontal competitive overlaps of their activities. While Sonofon is only active in the markets for mobile telecommunication services in Denmark, Telenor does not do business in the same geographic market. Furthermore, the notifying parties do not hold a market share exceeding 25% in any market vertically related to the markets in which Sonofon is active.
14. Telenor and BellSouth are both present in mobile telecommunications operators in Germany. It is, however, worth emphasising that Telenor's presence in Germany, through its non-controlling participation (10%) in VIAG Interkom (VIAG has a 45% stake and BT a 45% stake), a company active in voice and data services, multimedia etc., does not seem sufficient to generate co-ordination effects with E-Plus jointly controlled by BellSouth (22,5 % shareholding interests together with KPN 77,5% shareholding interest). Any co-operation between VIAG Interkom and E-Plus would require also the consent of BT, VIAG, KPN and VIAG Interkom. In addition, E-Plus and VIAG Interkom are facing strong competition on the German market from Deutsche Telecom with a market share of 40,3%, Vodafone Airtouch Mannesmann with a market share of 37,8% which is to be seen in relation to the combined 21,3% market share of E-Plus and VIAG Interkom.
15. In the light of the above, it can therefore be concluded that the notified transaction does not lead to the creation or strengthening of a dominant position in the Danish market for mobile telecommunication services, or to the coordination of the competitive behaviour within the meaning of Article 2(4) of Council Regulation (EEC) No 4064/89.

⁴ Cases IV/M.1430-Vodafone/Airtouch, COMP/M.1795-Vodafone Airtouch/Mannesmann.

⁵ Market share based on the number of subscribers.

V. CONCLUSION

16. 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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,