



Telecommunication Newsletter Switzerland

Consolidation in the Swiss Market: Sunrise to Acquire Tele2

Sunrise to acquire Tele2

According to the press release of September 29, 2008, Sunrise, the Swiss second largest telecommunication operator, will acquire Tele2 for a purchase price of CHF 50 million (see: <http://www.golem.de/0809/62674.html>). Tele2 offers voice, internet and mobile services in Switzerland. In the mobile services, Tele2 already cooperated with Sunrise, with which it has a national roaming agreement.

The acquisition will have to be approved by the Competition Commission. It is expected that the Competition Commission will approve the acquisition of Tele2 by Sunrise, given the strong position of Swisscom, which is still by far the largest telecommunication operator in Switzerland.

Comment

The move by Tele2 and Sunrise does not come as a surprise according to industry experts. Tele2 has been struggling to enlarge its customer base and has currently approximately 500'000 customers; a 10% decrease from the previous year (see: http://www.nzz.ch/nachrichten/wirtschaft/aktuell/sunrise_uebernimmt_tele_2_schweiz_1.960951.html).

According to the press release, Tele2 blames the Swiss regulatory environment for this move. While it is true that the Swiss regulatory environment lags in many aspects behind the one of its European counterparts, Tele2 was fully aware of the Swiss regulatory system when entering the market.

It is unclear whether the belated introduction of the unbundling of the local loop in April 2007 or the lack of a national roaming obligation for the mobile carriers at cost oriented prices did lead to the shrinking customer base. Since Tele2 did not have a Swiss wide network for mobile services, Tele2 was

dependent on the other mobile operators to enter into a national roaming agreement with them.

A strong Sunrise is certainly in the interest of competition. Only with a strong second carrier can the monopoly of Swisscom be challenged.

Is Orange next?

The question may be asked, where does this leave Orange, the third nation wide mobile operator? The pressure on Orange will be rising to find a partner in order to be able to continue competing in the Swiss market. There are not many partners left.

A duopoly consisting of Swisscom and Sunrise is certainly not what the Competition Commission intended and is not in the interest of the customer needs.

September 30, 2008

David Känzig

For further information please contact:
David Känzig (d.kaenzig@thouvenin.com)