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Deutsche Telekom's new international focus may help competitors

If Deutsche Telekom succeeds in taking over Telecom Italia the German phone giant will leap to second place in CIT's Top 100 Global Telecoms Operators ranked by revenue. The move would put the European operator ahead of AT&T for the first time. With combined revenues in the region of US\$63 billion the new group would be second only to Japanese operator NTT in the league table. However, many Italian shareholders are unhappy at the prospect of their company being "re-nationalised" by Germany - the German state still holds a 74% stake in Deutsche Telekom. (For the full table please access <http://www.telecoms-data.com> or call +44 1392 315567).

In terms of efficiency Telecom Italia ranks higher than Deutsche Telekom with the Italians reporting US\$197,370 per employee (placing it 42nd out of 100 operators in this regard) compared to US\$175,385 at DT (49th out of the top 100). The takeover would be the latest in a long line of get togethers as the big global operators struggle to boost revenues in the face of domestic competition. Telecom Italia ranked 59th out of the major global telecoms operators in terms of revenue growth compared with Deutsche Telekom which fared even worse at number 74.

Should the merger go ahead the German PTO, which is under pressure to expand abroad, would gain some valuable assets in Argentina, Bolivia, Brazil and Chile. Ron Sommer the head of Deutsche Telekom is also rumoured to be in talks with Sprint regarding a full-scale merger. A terse statement from DT's other international partner France Telecom stated that its agreement with DT was clear and "incompatible with a unilateral strategic reversal". Many more such mergers are anticipated with Cable & Wireless tipped as a prospective candidate to join Telecom Italia and Deutsche Telekom in a truly global venture. Meanwhile, it is not too late to rule out another bidder entering the fray for Telecom Italia.

Yet Global Telecoms Analysis warns that the long term value of such tie-ups have yet to be proven. Many alliances created in a flurry of excitement have later disintegrated amid corporate and cultural incompatibility. As recently as October last year Maurizio Stecco, Telecom Italia's head of international operations stated boldly that "Telecom Italia isn't interested in replicating the unwieldy global alliances that other international phone companies have created, such as Deutsche Telekom, France Telecom and Sprint". The most stringent critics of Telecoms Italia's latest move believe the management is grasping at straws to stave off the Olivetti takeover rather than taking another step forward in a carefully constructed global strategy