JOINT VENTURES (TELECOMMUNICATIONS): THE GLOBAL ONE CASE

Subject: Joint ventures

Industry: Telecommunications

Parties: Global One
Deutsche Telekom
France Telecom
Sprint

Source: Commission Statement, IP/99/609, dated 3 August 1999

(Note. Although the liberalisation of European telecommunications markets has made progress in the last few years, it has not yet had an impact in some of the Member States on ordinary telephone services. The Commission's proposal to allow GlobalOne to operate without the restrictions placed on it when the joint venture was originally created is a step in the direction of allowing large competitors to confront one another more effectively in the telecommunications market. Since GlobalOne was created, the BT / AT&T joint venture has tended to dominate the scene; and the Commission considers that GlobalOne should be given a fair chance to compete. The Commission's proposal is subject to comments by interested parties.)

The Commission has indicated that it intends to allow GlobalOne, the joint venture created in 1996 by Deutsche Telekom, France Telecom and Sprint, to provide all telecommunications services, including voice telephony, in all the Member States of the European Union. Before adopting a formal decision to this end, the Commission has published a notice in the Official Journal inviting all interested parties to comment. The Commission's position is based on the market developments since it approved the creation of GlobalOne in 1996, including the entry into the market of other substantial competitors such as the BT / AT&T venture.

In July 1996, the Commission exempted, for a period of seven years, the creation of the GlobalOne joint venture by Deutsche Telekom AG (DT), France Télécom (FT) and Sprint Corporation for the provision of corporate telecommunications services, traveler services and carrier services. The exemption decision was subject to a number of conditions and obligations regarding in particular abusive discrimination and cross-subsidisation by DT and FT in favour of the joint venture. These requirements were indispensable due to DT and FT's market power.

In March 1999, GlobalOne's shareholders requested the Commission to review

the 1996 Decision arguing that the facts on which that Decision was based had since changed substantially. The home markets of GlobalOne's shareholders have been completely liberalised and the market for global telecommunications services now features a number of strong competitors, especially the new BT / AT&T joint venture, which are not subject to the same restrictions as GlobalOne.

The purpose of the review of the 1996 GlobalOne decision, is to enable GlobalOne to be free to:

- provide all telecommunications services, including voice telephony, on both a resale and facilities basis, in all the Member States (in addition to those covered by the Decision);
- provide, on an agent or reseller basis, all voice and data services of FT and DT available to third parties in addition to those covered by the Decision;
- enable FT and DT to be free to sell GlobalOne services along with their own services in one contract.

The Commission is not at present reviewing conditions relating to the behaviour of the parent companies (such as conditions not to cross-subsidise or discriminate in favour of GlobalOne).

The Commission's preliminary position takes into account the fact that since the 1995/1996 time period, when it first assessed the GlobalOne venture, the process of liberalisation has opened an opportunity to meet previously unsatisfied demands and has altered the structure of the industry. In the European Union, this is leading to a change from a patchwork of national monopolistic operators to a large number of competing players at the national, European Union and global levels. Most Member States have liberalised all telecommunications services and infrastructure and new entrants have entered the national markets competing vigorously with traditional carriers to meet user needs in all segments of the market.

As a result of those developments the telecommunications sector has seen the emergence of alternative telecommunications operators, either vertically integrated or not, alternative telecommunications service providers, alternative carriers, providing either domestic or international telecommunications services or both, on a local/regional, national or global basis. The Commission has taken into particular account the fact that the BT / AT&T venture, with initial revenues forecast at approximately ten times that of GlobalOne, will not be restricted in the same manner as GlobalOne is by the 1996 Decision.

Before adopting a definitive position on GlobalOne's request, the Commission has published a summary of the notification in the Official Journal, pursuant to Article 19(3) of Council regulation No. 17, inviting third parties to submit their comments. □