

# Deal creating top German mobile company gets OK (Update)

July 2 2014, by Juergen Baetz

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In a deal that creates Germany's biggest mobile phone company in terms of customers, the European Union's antitrust authority on Wednesday approved network operator Telefonica's bid to buy its competitor E-Plus under certain conditions.

The move comes as analysts argue Europe's fragmented telecommunications sector needs consolidation to shoulder the investments needed for faster networks and to offset losses from the EU's crackdown on lucrative surcharges leveled on cross-border use of mobile phones, so-called roaming fees.

Telefonica agreed to purchase E-Plus from Dutch telecommunications company Royal KPN NV in a cash and stock deal estimated at about 8.5 billion euros (\$11.6 billion). Telefonica, a Spanish company, plans to merge E-Plus with its own German arm, O2.

For the merger to go through, Telefonica must sell upfront up to 30 percent of the merged company's network capacity to service providers to boost competition in Germany's mobile market, the EU Commission said.

Telefonica must also sell some assets and improve conditions offered to service providers. Those firms sell mobile phone contracts without having their own network, relying on wholesale agreements with incumbent operators.

The merger will bring together E-Plus, currently Germany's No. 3 operator with about 23 million customers, with O2—the fourth-biggest with some 19 million customers. The merged company will have a market share of about 30 percent in Germany, the Commission said.

The Commission, which is the 28-nation bloc's antitrust body, in February objected to the deal for fear of weakening competition. But on Wednesday it said the latest set of concessions offered by Telefonica—which are legally binding—will ensure competition won't be harmed.

"Consumers will continue to enjoy the benefits of a competitive market," EU antitrust chief Joaquin Almunia said.

KPN and Telefonica's German arm welcomed the Commission decision, saying they expect the transaction to be finalized by the end of September. Thorsten Dirks, the current chief executive of E-Plus, will become the CEO of the merged company, Telefonica said.

Germany's biggest mobile operator is Deutsche Telekom AG's T-Mobile with 36.6 million customers; Vodafone is second with 33.9 million.

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Citation: Deal creating top German mobile company gets OK (Update) (2014, July 2) retrieved 27 April 2024 from <https://phys.org/news/2014-07-eu-telefonica-takeover-german-e-plus.html>

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