# Telenor warns Europe falling behind U.S. in telecoms

Balazs Koranyi and Joachim Dagenborg, Reuters

(Reuters [1]) - Europe has fallen behind the United States in mobile telephone network development because its regulatory framework is fragmented and does not provide incentives for investment, the head of Norwegian telecoms group Telenor told Reuters.

European fourth-generation (4G) network frequencies are too expensive, the investment cost is high and operators, particularly in countries affected by drawn out recessions, lack the pricing power to make the investment worthwhile, Chief Executive Jon Fredrik Baksaas said in an interview.

"Maybe regulators [2] should be more concerned about incentives for the next layer of technology rather than being single-mindedly concerned about the next euro cent reduction in termination rates," Baksaas said, referring to European regulators' drive to cut costs for cash-strapped consumers.

Baksaas pointed to last week's 4G license auction in the Netherlands, where the state raised a bigger-than-expected 3.8 billion euros ($5 billion), but market leader KPN immediately said it would cut dividends to meet the cost.

"The United States moved to 4G so much faster, basically overtaking Europe, and that is a result of national implementation in a big market," he said, highlighting the competitive advantages the U.S. economy [3] could get from rapidly adopting a technology which provides faster services and allows users to watch videos and surf the internet on the move.

"In Europe, you have Brussels setting the direction but you also have 27 (European Union) countries putting it in operation. If that could have been done in a simpler way, you could have geared up investments faster," he said.

Telenor has been a unique success story in Europe this year, with its shares rising 17 percent against a 10 percent fall in industry index, thanks to its focus on relatively solid Nordic economies and Asia's growth markets [4].

Indeed, revenues will rise over 3 percent this year, even as others struggle with a shrinking top line, and the company has one of the highest valuations in Europe with a 2012 enterprise value to core earnings [5] (EBITDA) ratio of around 6, above the sector's average of around 4.8, according to analysts.

Telenor, with about 150 million customers, has recorded unexpectedly quick profit growth so far this year as it managed to raise prices for some of its data services to compensate for weak voice and text revenue.

INDIA, VIMPELCOM

With Europe struggling, much of Telenor's focus will be on Asia, where it will consider new markets [4], like Myanmar [6], and aims to bring its Indian unit to profit after years of deep losses.

The company recently downsized its Indian business when it had to reapply for its licenses and opted not to buy some of the most expensive permits.

Although India said it may re-auction some permits, particularly for the key Mumbai region, Baksaas said the price would have to go "much lower" for the firm to stay.

Telenor will also focus on working with Vimpelcom where it may be turning a corner after years of feuding with both management and Russian billionaire Mikhail Fridman's Altimo, the other top shareholder.

"I think history has proven us right .... but we also know that this is water under the bridge," Baksaas said. "We have settled and we now have to move on and focus on operating issues in order to deleverage the (Vimpelcom) balance sheet."

Telenor has been sharply critical of Russia [7]-focused Vimpelcom for its takeover of Wind and Orascom, deals it considered too expensive, and has been in a shareholder battle with Altimo.

Telenor now holds 43 percent of Vimpelcom while Altimo has almost 48 percent after both boosted their stakes this year.

Baksaas said Telenor was a long-term investor in Vimpelcom but would be open to selling if the right offer was made.

"If ... there will be offers down the line, we will of course take a look at that knowing that the mathematics on the ownership side stands as it does," Baksaas said.

(Reporting by Balazs Koranyi; Editing by Mark Potter)

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