

Australia's Babcock & Brown eyeing Eircom

Eircom may finally be close to finding a partner and saviour, ending months of searching and speculation on the part of analysts.

On Monday, Australian and Irish media reported that investment group Babcock & Brown its intent to buy out Eircom for \$2.86 billion (2.36 billion euros), or about \$2.67 (2.20 euros) in cash for each share in Eircom. The fact that the Irish telecommunications carrier had been seeking out suitors had been widely known for some time, and for its part, Babcock & Brown had been steadily increasing its stake in the company over the past few months, having acquired close to 29 percent of total shares. It has now over 50 percent of the company's stock, having entered a partnership with the carrier's employee share ownership trust.

Neither Babcock & Brown nor Eircom have officially announced the takeover plan in the works, but for its part, Eircom made clear last year that it was seeking to be bought out having stated last November that volatility in the company's share price at that time was because the company had "received a preliminary approach from a potential offeror that may or may not lead to an offer being made for the company."

The bidder for Eircom at that time was Swisscom, the Swiss telecommunications giant that publicly declared at that time the two companies were negotiating for a "possible transaction."

The problem, however, was less the willingness of the two parties to come up with a financial plan that would satisfy them both, or opposition from their respective shareholders, but rather of finding a solution that would satisfy government authorities keeping tabs on the telecommunications sector.

Specifically, Swisscom faced opposition from the Swiss government as it made clear it would not allow the carrier to buy up foreign competitors. The government remains the single-biggest shareholder in the Swisscom, with 66 percent of total shares. Similar efforts for Swisscom to buy out foreign rivals were thwarted by the Swiss government, namely in trying to acquire Telekom Austria and Cesky Telecom, both in 2005.

Since then, while Swisscom has been trying to loosen the grasp of the government on its operations, Eircom has been looking to find an alternative partner. Precisely because Babcock & Brown is an investment group that does not specialize in any particular sector but instead simply regards each company as a business that can lead to more profits or not, there are no known reasons for objections to the deal from within the Australian investment company.

The problem this time around, however, may come from Eircom workers. The Irish Times reported that union workers may well oppose the buyout, most notably the Communications Workers Union. The union represents 6,000 of the company's 8,000 employees, and it has reportedly said that it would consider any bid by Babcock & Brown as hostile unless the company makes directly overtures about the deal to the union.

One of the number of objections the union may have with the Australian group is its plan to split up the carrier into different business operations, a move that would also require the approval of the Irish government.

For Eircom, though, a stable partner is definitely one thing that it certainly needs, as the country's largest telecommunications provider with about 80 percent of the overall domestic market and 600,000 subscribers has already been under various ownerships over the past six years. It had been privately held from 2001 to 2003, when it was bought out by investor George Soros and media executive Tony O'Reilly, among others,

and was then returned to be listed on the Dublin stock exchange in 2004.

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