Swiss Confederation

Federal Department for the Environment, Transport, Energy and Communication (DETEC)

Federal Office of Communication (OFCOM)
Telecommunication Division

Sharing strategies to promote affordable universal access: the situation in Switzerland

Liberalization – a paradigm change

Liberalization of the telecommunication market was formally launched on 1 January 1998. In voting for market liberalization, lawmakers expressed their confidence in the future: henceforth, it would be the market, and not a state monopoly, that would meet the needs of the users. It was hoped that as competition took hold and grew, it would provide momentum for improvements: more investment in infrastructure, greater choice for consumers, more services on offer, downward pressure on prices, and an impetus for technological and commercial innovation.

Switzerland entered the liberalization era with an excellent telecommunication infrastructure already in place. This favourable starting position explains why the sharing strategies intended to promote universal, affordable access are somewhat different from those which have been adopted, or are being studied, in less fortunate countries.

Sharing of passive and active infrastructure systems

Prior to liberalization, the telecommunication infrastructure lay entirely in the hands of Télécom PTT, a state-owned company. Market liberalization was clearly aimed at establishing **competition in infrastructure**. In the event, for competition to take root and flourish, it proved necessary to institute measures to help manage the transition from a state monopoly to a true market. These essentially concern regulation of the wholesale market, that is, those services that providers of telecommunication services exchange among themselves – be it by choice or necessity.

The *Loi sur les télécommunications* or LTC imposes interconnection of facilities and interoperability of services on **all telecommunication service providers**. This is indispensable if users are to have unhindered access to the services offered by various providers. It should be noted that interconnection prices are entirely determined by the parties concerned.

This provision is complemented by a series of further measures mandating, for any **provider holding a dominant position** on the relevant market, interconnection under transparent and non-discriminatory conditions, and with **prices oriented on costs**. As the LTC emphasizes the value of negotiation, prices in principle are fixed by means of commercial agreements between the parties concerned. If the parties in question fail to reach such an agreement within a certain time, the national regulatory authority may be asked to intervene (a situation known as *ex post* price regulation).

To reinvigorate flagging competition, another series of measures was added to these provisions in April 2007, aimed at ensuring that new entrants have fair access to the infrastructure and services of the incumbent, and letting them invest in the networks in a progressive manner so as to mitigate risk. To this end, the measures oblige the dominant operator to provide its competitors with fully unbundled access to the local loop, at rates that are aligned on costs; to provide bitstream access for a period of four years; and to provide access to cable ducts. It should be noted that unbundling of the local loop and bitstream access was imposed only for the copper network, so in practice these measures concern only the incumbent’s POTS network. This is to give the incumbent an incentive to invest in fibre.

The sharing rules presented in the following apply at the national level.

Free access to international capacity

There is no regulatory provision on free access to international capacity. It is up to the market to meet the demand.

Harmonization of sharing methods, regional and regulatory aspects of sharing

Currently, Switzerland does not have problems with zones lacking coverage, as the infrastructure has grown considerably since liberalization. Thus, several operators have constructed mobile networks, providing coverage for 100 and 90 per cent of the population, for GSM and UMTS, respectively. Due to this glut, mobile telephony penetration is close to 100 per cent. For high-speed Internet via the fixed networks, there has been a boom in recent years: as of June 2007, the penetration rate for high-speed access per 100 people had reached 31 per cent. This places Switzerland in third place among the OECD countries. The high rate of adoption for high-speed Internet is of course explained partly by the affluence of the population; however, it is also due to the fact that the necessary infrastructure was already in existence. The incumbent has a network that makes it possible to offer high-speed services to more than 98 per cent of its lines. Cable operators are also playing an important role on the market, as among them they can reach more than 70 per cent of the Swiss households with high-speed services via cable modem. It is interesting to note that local governments in Switzerland are increasingly investing in telecommunication networks in order to speed up the introduction of optical fibre so as to make their location more attractive.

While the situation as a whole is a favourable one, the authorities wish to forestall any ‘gap’ between metropolitan and remote regions; accordingly, they have decided to broaden the scope of universal service on 1 January 2008 by obliging the holder of the universal service licence to provide not only the conventional (analog and digital) telephone connectors, but also a broadband link capable of giving an Internet connection capable of 600/100 kbit/s or more. In order to ensure that the service remains affordable, a price ceiling has been applied across the country. In addition, the universal service provider must meet certain quality criteria defined in the regulations.

To limit the impact that the addition of this type of connection could have on the cost of universal service, the universal service provider retains the option of reducing the transmission speed in some exceptional cases. It should be noted that the provider estimated that the cost of including the high-speed connection as part of universal service would remain modest, and therefore decided not to demand financial compensation, at least for the five-year period to come.

Switzerland is the only country in the OECD to have made a high-speed link part of universal service. This is a reflection of the country’s determination to dedicate the necessary resources to foster the development of the information society by giving the entire population the right to affordable high-speed Internet.

Further information is available from:

The website of the federal office of communications (*Office fédéral de la communication*, OFCOM): http://www.bakom.admin.ch/

The website of the federal communications commission (*Commission fédérale de la communication*, ComCom): http://www.comcom.admin.ch/index.html?lang=en