



Swisscom reduces unbundling price

Swisscom is reducing the unbundling price for a subscriber access line (Full Access) from CHF 31 to CHF 23.50 a month, effective retroactively to 1 January 2008. The reason for the reduction is that the parameters used for calculating the regulated prices were redefined by the regulator, within the scope of its legal powers, in interconnection proceedings in December 2007. Swisscom has also set up a round table so that any unresolved operational issues related to unbundling can be discussed with the interested alternative providers. About one year after the new Telecommunications Act came into force, Swisscom has already prepared unbundling at 330 co-locations, allowing competitors access to more than a million Swiss households.

On 1 April 2007 the revised Telecommunications Act, which regulates the unbundling of the last mile in the fixed-line network, came into force. Swisscom is offering new, legally prescribed access services on the basis of this regulation. The company has so far invested around CHF 60 million in unbundling; 43 contracts have already been signed with 22 alternative providers. Cablecom and VTX have made the biggest progress in implementing unbundling.

Reassessment based on changed parameters

Swisscom had calculated its prices for the various regulated services in spring 2007, in line with legal requirements. The calculations were based on parameters approved by the Federal Communications Commission (ComCom) and the Federal Court. During interconnection proceedings in December 2007, however, ComCom redefined key parameters used for calculating the LRIC prices, in particular the depreciation period and the capital costs of infrastructure. The depreciation period for cabling, for example, was doubled from 20 to 40 years. This change in the parameters used for pricing means significantly lower prices for fully unbundled subscriber access lines.

In view of this changed situation, Swisscom has reassessed the unbundling price for a subscriber line and dropped the monthly price from CHF 31 to CHF 23.50 (excl. VAT) retroactively as of 1 January 2008. Even though the definitive prices are not to be set by ComCom until summer this year, the move will increase the planning certainty for all market players and allow alternative providers easier access to the unbundled offerings. At CHF 23.50, the price for the subscriber line is at the same level as that of neighbouring European countries, if purchasing power is taken into account. Swisscom expects that, with the action chosen, acceptance of the existing regulatory regime will increase in both politics and business.



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Press Release

To allow unbundling to be implemented as quickly as possible, Swisscom has also called for round-table discussions. The objective is to address and resolve any remaining operational questions about unbundling within the sector. The round table was convened for the first time last week.

LRIC calculation method designed to protect investments in alternative networks

The method used by Swisscom to calculate the unbundling price for a subscriber access line is the legally prescribed LRIC method. This is based on the assumed expenditure of an efficient provider setting up the network from scratch. The LRIC method is aimed at encouraging investment and preventing providers who invest in their own networks from being placed at a disadvantage. In contrast to this, the monthly charge of CHF 25.25 (incl. VAT) paid by the end customer for a fixed-line connection was laid down by the Federal Council years ago, without any reference to the LRIC methodology.

For years there has been fierce competition in Switzerland over infrastructure, especially with the cable network operators. Studies have shown that, thanks to this competition, Switzerland has one of the best telecommunications infrastructures in the world with nationwide broadband coverage. The LRIC method of calculation results in a price - before correction for purchasing power - that is slightly higher than the European average. The main reason for this is the higher build costs in Switzerland, which make up about 80% of total access network costs.

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