Swisscom and regulation

Presentation at CSFB’s investor event in Weggis (Switzerland) on 3 September 2002 by Jürg Rötheli, Member of Executive Board, Swisscom AG
"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom’s past and future filings and reports filed with the U.S. Security and Exchange Commission and posted on our websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise."
Agenda

- What is the current regulatory framework?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
Most - but not all - issues are in line with EU practice
- What are the main regulatory issues today?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
What is the Swiss government’s intention through its decision of 3 July 2002?

The ordinance (effective from around 1 February 2003)
- **ULL**
  - The three forms of unbundling of the local loop (full access, line sharing, bit stream access)
- **Leased lines**
  - Leased lines => Interconnection

The law (effective from around 1 January 2005)
- **Access**
  - Interconnection => Access
    - ULL and leased lines included in Access article
- **“Ex-ante” regulation**
  - Legislation on abusive practices to be replaced by a state licensing system

Sector-specific regulatory controls are to be substantially extended
Agenda

- What are the main regulatory issues today?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
We are against the revision of the Telco Ordinance in its proposed form...

- ...because deregulation has been successful since 1998

- ...because the proposed regulatory measures will lead to over-regulation and therefore to distortions in the market

- ...because it follows the EU regulatory system without second thoughts
Full deregulation in Switzerland has sparked off intense competition.

Source: WIK-Consult, “Status of the Swiss telecommunications market in an international comparison”, 29.4.02.
Swisscom price trends since 1997

- **Fixed network**
  - National local: approx. -20%
  - National long-distance: approx. -40%
  - International: approx. -70%

- **Mobile**
  - Fixed-to-mobile: approx. -25%

Full deregulation in Switzerland has sparked off intense competition
Total broadband access lines in Switzerland of approx. 260,000

There is effective competition in the broadband market without regulation, additional regulatory measures are therefore unnecessary

Source: Swisscom FX-FWS and verbal information from swisscable (May 2002)
Swisscom and cable TV operators are constantly expanding their broadband infrastructures. Competition in broadband infrastructures has been consistently dynamic in Switzerland without regulation.
Agenda

- What are the main regulatory issues today?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
Our arguments against the revision of the Telco Services Ordinance

The proposed regulation of ULL impacts ...

... the Swiss economy

- Will reduce investment incentives
  - Will delay desirable building of broadband infrastructures
  - Will have a negative impact on development in the outlying regions

- Will not offer customers any advantages
Investment incentives with regulation

ULL would adversely affect the development of outlying regions.
Our arguments against the revision of the Telco Services Ordinance

The proposed regulation of ULL impacts...

... Swisscom

- Will restrict Swisscom’s scope of action
- Reduces incentives to invest
- Creates uncertainty for business cases
- Would justify commercial investments in very few places only
Our arguments against the revision of the Telco Services Ordinance

The proposed regulation of ULL impacts ...
... the constitutional state

-it represents a serious intervention into basic rights
  -> And therefore needs to be dealt with a statutory level

-it would infringe the democratic powers of parliament and people

-it implies that Switzerland is autonomously following in the footsteps of EU regulation
Agenda

- What are the main regulatory issues today?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
Our arguments against the revision of the Telecommunications Law

- Comprehensive regulation of the wholesale sector
  - Introduction of ULL
  - Subjection of leased lines to the access provisions
  - Extension of regulation to the mobile market

- "Ex-ante" regulation
  - Introduction of a comprehensive state licensing system despite proven, close-to-market ex-post regulation for the last 6 years
  - Shift of power from competition commission (WEKO) to communications commission (ComCom)
Agenda

- What are the main regulatory issues today?
- What is the Swiss government actually intending to do?
- Why are we resisting their plans?
- Why are we particularly opposed to ULL?
- Why do we reject the “ex ante” access regulation?
- What are our conclusions?
Most regulatory issues are practicable, however ...

- ULL and ex-ante regulation bring no benefits to country, customers or company
- Swisscom actively opposes the proposed changes
  - incorrect from legal point of view
  - inappropriate from economic point of view
Thank you for your attention

For further information, please contact:
Swisscom - Investor Relations
ph. +41 31 342 2538
fax +41 31 342 6411
or visit our homepage: www.swisscom.com/ir