

## Increased Regulation Leads to Digital Urban-Rural Divide

The Federal Council has passed the message of the Telecommunications Law Revision (FMG) to parliament. Swisscom considers a revision at the present moment to be unnecessary and harmful. The existing frameworks have created intense competition among hundreds of providers and promote investment in the various networks. Particularly at the present time, when fixed networks are undergoing broadband expansion and the development of fifth-generation mobile telephony networks is forthcoming, investment security is fundamental. Increased regulation distorts the market and threatens important investment projects in the peripheral regions. Issues such as roaming, net neutrality, consumer protection and youth protection have been tackled by the industry itself – and are hardly producing any customer complaints.

Swisscom sees no need for a revision of FMG. In particular, Swisscom rejects the further expansion of regulation of network access. The construction in recent years of new networks such as optical fibre and mobile telephony is the result of intensive infrastructure and technology competition. In mobile telephony, providers without their own networks have access to the three independent and powerful mobile networks of Swisscom, Salt and Sunrise. In the fixed network, customers can choose from up to three independent network infrastructures, including the networks of Swisscom, cable network operators and electricity utilities.

### Flexible Commercial Solutions Instead of State Regulation

In addition, the networks among the competing suppliers are also currently being used flexibly, reciprocally and in a needs-oriented manner – also for commercial requirements. Recently, for example, UPC decided to provide its offers to customers in the municipalities of Riehen and Lausanne via Swisscom networks. Sunrise has also been accessing all major fixed-network technologies from Swisscom for years and has entered into a commercial agreement which Sunrise itself describes as attractive and cost-effective, enabling the company to save on investments.

### Expansion of Regulation Leads to Focus on Urban Areas

Today, there is no sign that network competition will be restricted in the foreseeable future and that state intervention could become necessary. Expansion of access regulations is an unnecessary and harmful intervention in a functional market. This is all the more the case as major investment projects – such as the construction of fifth-generation mobile telephony networks – are to happen soon. By 2021,



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Swisscom wants to connect every Swiss municipality with fibre-optic technologies. This gives 9 out of 10 homes and shops a bandwidth of at least 80 and up to a max of 1000 Mbps. The benefit rural communities will receive from this will be above average.

Swisscom alone invests around CHF 1.7 billion annually, thus contributing the bulk of all investments in Swiss telecoms infrastructure. However, large investments are only made if there is a prospect of being adequately compensated for them via the market. An expansion of regulation would weaken Swisscom as a company and a nationwide supplier and would have the effect of concentrating investments on areas where the prospect of return is the safest – which is generally in densely populated, urbanised areas. In addition, fewer new investments would be made for the development of new areas. Instead, they would be concentrated on existing networks of other operators. This ultimately promotes the emergence of a digital urban-rural divide, endangering the widespread expansion of the broadband network and thus the digitisation of the economy and the attractiveness of Switzerland as a business location.

One of the most important tasks of the regulator is to promote investment in network infrastructure. In no OECD country is there currently as much investment in the digital infrastructure per capita as there is in Switzerland – and this is without state aid. The situation is different in the EU, for example, which is battling with investment and supply gaps in the supply of broadband infrastructure.

#### Self-Regulation Rather than Lengthy Legislative Processes

Many of the issues raised in the revision have been actively tackled by the industry in recent years. Self-regulation and flexible solutions developed in a joint dialogue between customers, market participants and authorities can be quickly adapted to new needs and implemented without bureaucracy. Numerous efforts have been made, especially in the areas of roaming, network neutrality, customer and youth protection, and unwanted marketing calls. These issues are not the cause of any significant amount of customer complaint at the present moment, making a revision of the Telecommunications Law superfluous.

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