

Regulation of new technologies jeopardising investment momentum in the ICT sector

The Federal Council published its follow-up report on the Swiss telecoms market today in which it considers expanding its regulations to apply to the new generation networks such as fibre-optic, cable and mobile networks. Such a step jeopardises, however, the currently very high investment momentum in the ICT sector: telecoms providers, electricity power stations and cable network operators are planning to invest several billions of francs in new networks over the course of the coming years. The currently valid Telecommunications Act provides a good and secure framework for network expansion under market conditions.

In its supplementary report, the Federal Council recognises the fundamentally sound provision of telecoms services in Switzerland. The report also finds price developments, e.g. for roaming, to be encouraging. Last year saw a considerable improvement in the protection of consumers and minors, with Swisscom discontinuing automatic contract extensions, introducing cost limits for roaming and launching courses on protecting minors in the media, for example.

High investment in networks is evidence of an intact regulatory environment

In this year alone, Swisscom is investing in Switzerland CHF 1.7 billion in the expansion of its infrastructure, which is CHF 400 million more than in 2010, while other providers, electricity companies and cable network operators are competing with their own huge investments in new networks. The Federal Government recently auctioned mobile frequencies for a billion francs, while work will soon begin in the sector on the establishment of the fourth-generation (LTE) mobile phone networks. Switzerland already has a top ranking in terms of per-capita investment and the best telecoms infrastructures (IDATE, June 2011).

These investments require the necessary legal certainty. The current investment momentum in the fibre-optic network and in the next generation mobile technology are no reason to subject the newly created competitive networks to the risks associated with regulation. Current studies indicate that the tight regulatory framework in the EU is leading to uncertainty and is blocking investment (CS study, February 2012). Compared to many other European countries, the expansion of the Swiss fibre-optic network is not subsidised by the government.

International providers pursuing a price war

Prices in the telecoms sector have plummeted since liberalisation in 1998 and will continue to fall driven by competition. In 2011 alone, Swisscom reported price erosion of some CHF 500 million. An increasing number of international providers such as Google and Apple are offering global services in the market and are competing with the network operators with cheap alternative offerings. Switzerland's fixed-line telephony is one of the cheapest in the world and its mobile phone prices are in the lower-middle range (OECD, July 2011). Twenty mobile phone providers are already offering customers some 100 products based on three independent networks.

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