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Comments on common position on best practice in remedies.. BoR(12)104

The Swedish Association of Local Authorities and Regions (SALAR)

The Swedish Association of Local Authorities and Regions represents the governmental, professional and employer-related interests of Sweden's 290 municipalities and 20 county councils.

The Association strives to promote and strengthen local self-government and the development of regional and local democracy.

The organization is politically controlled.

Many decisions taken by the European Union affect local and regional government in Sweden. Mainstreaming the European and international perspective into the daily work of municipalities, county councils and regions is an important part of this role.

Municipalities, a major stakeholder.

At present the Swedish Urban Networks, about 170 different broadband companies, partially or wholly owned by the different municipalities, have increased their proportion of the sales of dark fibre products from 28 per cent per year in 2007 to 39 per cent per year in 2010 (PTS figure).

Sweden's ICT development has been outstanding since the early deregulation of the Telecom-market in the beginning of the 90's. The broadband and digital services market in Sweden is by international standards dynamic and is characterised by strong competition.

The main reasons for that is:

- Except for the SMP there are several other players in the fibre market. There are approximately 170 Swedish city networks and their market is increasing. The major part (2/3) of the investments in fibre-infrastructure were (2010) made by the city networks and 1/3 by the SMP (Telia Sonera). (Others less than 2 %.)
- The fibre market is an open and functional market.
- There are several other parallel infrastructures for digital services: copper-network, cable TV-network and mobile networks 3G and 4G (LTE).
- Prices have fallen and the rates are low in an international comparison

The Swedish Urban Networks activity is absolutely crucial for the further expansion of broadband access in Sweden. The municipalities have made investment in fibre



infrastructure for more than 15 years, about 26 billion SEK has been invested. Only 7% is subsidised. The annual investments are 2 billion SEK¹.

The municipalities are a major stakeholder in the efforts to deploy fibre infrastructure to the benefit for individuals, companies and public sector.

A year ago SALAR asked Deloitte to look in to the effects for the municipalities engagement due to the price regulation of fibre optics that was implemented in Sweden May 2011. Two reports have been written and the first² has been translated into English. The second will be available in English in a few weeks³.

According to the "Deloitte report impact analysis concerning the regulation of Market 4" the market players other than the SMP, might have to lower their prices by 10-30% due to the PTS's regulation. In practice this is not feasible. Already at a decrease by 5% of the current market price a majority of the Swedish Urban Networks have stated that they will have to reconsider their activities. At a price decrease of 15%, 3 out of 4 market players among the Swedish Urban Networks would have to discontinue their business partly or entirely. The only market player that could subsidise such a price decrease by using incomes from higher levels of the value chain is the SMP.

We believe that the goal of a price regulation is to enable competition on a market, not distort it. We believe that a price regulation allows the market players fair revenue, and does not draw a line beneath that of covering the investment cost.

The copper infrastructure already exists, whereas the fibre infrastructure is still in the making.

Create favorable conditions for broadband expansion

In Sweden there are several players competing delivering dark fiber to the operators as reflected in lower prices, marketing campaigns and increasing deployment of fiber-optic networks. There is a high degree of competition in the Swedish market. The market share for dark fiber providers also increases relative to the Swedish SMP. The market for copper-based networks in Sweden, however is relatively similar to that in other parts of Europe.

Conditions vary of course between the different member states and require different solutions. It's important to pay special attention to the diversity of conditions across Europe so that broadband expansion can proceed.

There is a difference in how NGA-networks are rolled out that depends if it is built on customer demands or cost-effective methods. One can also note that the fiber all the way to the end customer, especially in existing buildings, always being expanded after the other infrastructure is already built electricity and water, cable TV networks, etc. Joint laying of ducts and fibre is therefore rarely possible.

SALAR can see that reducing cost for deploying ducts and fibre optics is an ongoing work and should continue and in Sweden we can see that local groups build and own the last mile

¹ Market report 2012, www.ssnf.org

² http://www.skl.se/vi_arbetar_med/tillvaxt_och_samhallsbyggnad/bredband/artikelarkiv_1/rapport-om-prisregleringens-effekter

³ http://www.skl.se/press/nyheter_2/helhetsgrepp-for-okad-bredbandsutbyggnad



and that has been a success for the most rural parts. This work is encouraged by subsidies from the Swedish government.

A phasing out of copper wires for a migration to the fiber can also be an incentive, but an approach that assumes that only SMP builds fiber networks creates a re-monopolization of the market for network infrastructure. Such a development is governed by eternal regulations.

If there is sufficient incentives to invest in fiber and that alternative operators such as local city network is allowed to enter the market there will be several competing networks. Provided that there are various providers of the different networks should the existence of multiple networks into one multi-family property lead to favorable conditions for a functioning market.

Still Europe have to have well-developed fiber network to be at the forefront in the development of future services and applications. It is therefore essential that the EU regulations and national regulatory authorities should not implement regulations that reduce incentives to invest in fiber.