



## **2<sup>nd</sup> May 2002: Has the telecommunications liberalisation delivered on its promises?**

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Thank you for your kind introduction but certainly even more for your kind invitation to come here to speak about liberalization. It is a very dear subject to me. I really appreciate this opportunity to be able to speak about it and thus to participate in the celebration of your 10-years-anniversary.

I must say that in my country regulation has gone so far that we start to speak like Mr. Rauh, as to push back regulation. But in this country I think we have to call for a strong BAKOM for the years to come. Therefore I want to congratulate you on your birthday and I wish you and the Swiss consumers the best of luck in the years to come. You and the consumers will need that. I am going to document this statement in one part of my presentation.

I am speaking here today on behalf of two companies: On the left-hand corner you see TDC and on the right hand corner Sunrise, the clear number two operator here in Switzerland.

First I intend to give my perspective on telecom liberalization, about our experience with TDC in Denmark, and secondly I want to describe how Switzerland can gain from liberalization. There are many similarities between the Danish and the Swiss telecom markets. Therefore I think comparisons are of interest. Both countries have a high standard of living, both are densely populated, both have remote areas, where only few people live and both are committed to ensure that everyone has access to communication technology in some form, no matter where they live. But there are also differences: The Danish telecom market is characterized by privatization, liberalization and competition, while the Swiss market is characterized by government ownership, only limited liberalization and only limited competition.

As for my perspective we should look into two questions today:

1. Has telecom liberalization kept its promise in Denmark? The answer is „yes“.
2. Will liberalization keep its promise in Switzerland? The answer is „perhaps“. The reason for this uncertain answer is that it depends on the political will to let it keep its promise.

I am going to go through both questions in detail, but first let me give you a brief description of TDC:

TDC is a growth-oriented value creating Danish based provider of communication solutions with significant presence in selected markets in northern and central Europe. We operate in seven dedicated business lines, and one of those business lines is TDC Switzerland. In November 2000 we bought the controlling Shareholding in Sunrise, where we had been a partner from the very beginning, and in DIAX. In January 2001 we merged the two companies to create TDC Switzerland.

A business line, which marked itself under the brand name Sunrise. The purchase was the largest investment any Danish company ever made outside Denmark. And therefore we consider Switzerland to be our second home market today.

We have a long history of telecom liberalization. The first steps were taken immediately after the publication of the EU Green Book with a ten-year-plan for telecom liberalization in 1987. I don't intend to go through all the steps, but I would like to point out the fact that already in 1998 we unbundled the local loop and gave our competitors access to the last mile.

After that, a number of other steps were taken. So liberalization has really taken off in recent years. I would like to stress one point in this context and may be it's a little bit surprising to Doctor Rauh: Liberalization has been of great benefit to TDC. Based on liberalization we feel that we are a much stronger and healthier company who has benefited from the fact that we have competition, because competition makes us work even better than we did when we were a monopoly.

We also have a long history of privatization. Tele Denmark was established as a company in 1990, combining four regional public controlled telephone companies in order to provide us with the necessary size to be competitive in the new European environment. We were then privatized in two steps: First in 1994, and fully privatized in 1998. We were the first European incumbent operator who was fully privatized. This gave us a first mover advantage compared with our European peers, most of them still being partly or fully controlled by government money. This combination of liberalization and privatization has created a really strong competition.

I can verify the figures Dr. Rauh has provided with the figures from Teligan. Teligan is an international consulting company being utilized by the European Commission and by the OECD when they look at the telecom industry and compare the different countries. This picture shows very clearly that, when you look at the degree of competition, Denmark is the clear number one in Europe. We have created the most competitive telecom market in Europe. Switzerland is not included in Teligan's analysis, so we might say, that you have the opportunity to choose your own direction.

Now, where does Switzerland want to go? Do you want to follow Denmark and go the competitive way? Or do you want to follow Hungary and the Czech Republic and go the non-competitive way? In my mind the answer should be easy: But it is the choice of Switzerland. And whatever you choose to do, it will have consequences. It will have consequences for the Swiss society, for the Swiss consumers and for the competitive power of the Swiss business community. And if you have any doubt, the consumers and the Swiss business community will certainly have the best benefits, if you follow the Danish way.

Look at one of the examples for this: I told you that we unbundled the local loop in 1998 and gave access to the Last Mile already at that point of time. That was a very important part in the liberalization process in Denmark. But as you can see, we were not only first, but we also have the lowest prices for our competitors to use our network to serve their customers. Actually, the price index of Denmark is 65 compared to the EU average. This implies that in other countries, when we compete, we pay in average 50% more than our Danish competitors pay in Denmark.

Should I, as an incumbent, complain about that? No, because this is to the benefits of competition, it is to the benefits of the consumers and therefore it is also to the benefits of TDC. It is in due time that the Swiss government said last week that

it wants to speed up the opening of the Last Mile of telecommunication services in Switzerland, that it wants to put an end to the monopoly on local telephone connections. We are observing this situation closely and with great hopes. Not only on behalf of Sunrise but mainly on behalf of the Swiss consumers and the Swiss business customers; because liberalization and privatization should not be done for the companies but for the benefits of the consumers and the business customers who need our services.

One of the arguments we have often been confronted with in our European markets is, that liberalisation of the Last Mile will lead to decreased investments in the telecom infrastructure in marginal regions. But this has certainly not been the case in Denmark. Which is illustrated by this slide showing our rollout of the eight-year sell technology. One and a half-year ago we committed ourselves to prepare all our switches for eight year sell by July 1<sup>st</sup> of this year. We are thus reaching even the most remote areas with the broadband opportunities that are necessary for the IT-world to develop.

Denmark consists of 405 islands, beside the peninsula of Jylland. Many of these islands are small and hard to reach. But still TDC has successfully delivered good eight year sell coverage to even far removed islands. In this respect Denmark and Switzerland can be compared really well. In Switzerland there are 7.5 million people, in Denmark there are 5.2 million. Both countries are densely populated, and both countries have remote areas, where it is hard to reach the population with communication technology. You have mountains, we have islands. Both can be overcome if we have the will to overcome it.

This has of course been an investment on our part. But we have never been deterred by the fact that our competitors would be able to take advantage of this investment. We undertook this investment because broadband access is one of the growth markets, because it is a good business and because we care about our society. In fact, we have experienced an explosion in the number of broadband customers since we started the rollout almost one and a half year ago. So this slide illustrates the success of the Danish telecom liberalisation. Consumers have more options and lower prices. Denmark has the lowest interconnect prices and the lowest end user prices in Europe today; and it is the cheapest country in terms of leasing out local loop lines.

Now to an important point: This development has been of great benefit to us TDC, the incumbent operator, which can be illustrated by this slide showing our growth in net revenues over the last eight years with an average of 15.5% per year. And showing our growth in earnings with a growth rate over the last year of an average of 8.6%. These pictures illustrate clearly that there is no doubt that TDC as a company has prospered due to competition and due to liberalisation. These are very strong arguments for the fact that liberalisation is not only to the benefit of society, it is not only to the benefit of the consumer, it is also to the benefit of the incumbent operator.

My slides support both Mr. Furrer and Doctor Rauh. There have certainly been price reductions to the benefits of the Swiss consumers since Sunrise was introduced on the market in spring 1998. There is no surprise in this, these figures, illustrating price reductions of 35% and 50%, have been taken from a BAKOM publication and are therefore identical. But it is easy to conclude, based on this that the Swiss customers have gained from the introduction of competition. So why not repeat the

success we had in the watch market and in the market for Internet and data services? The question is now: What can be done differently in Switzerland?

At Sunrise we see four issues, which must be addressed before Switzerland can have the benefits of liberalisation and competition.

1. Opening up the last mile for competition is a must. And we look forward to that.
2. Speed is anything in a market like telecommunication. The incumbent should not have the opportunity to delay the procedure. E.g. the procedure regarding the determination of Swisscom interconnect prices, the so-called elec., has been pending for more than two years. It is far too long. Delays are always, in the short term, in the favor of the incumbent, as the monopoly situation is allowed to persist, and under these circumstances the incumbent continues to make a profit.
3. In the current situation only Swisscom can offer one single bill, while Sunrise customers have to pay a Swisscom bill and a Sunrise bill. And this is certainly a reason for many people to stay with Swisscom.
4. Re-empower the regulator by giving back competencies to ComCom and BAKOM. Due to the presence of a market dominant player, efficient regulation is critical for the success of liberalisation. Fair and efficient implementation of existing laws is only possible with highly specialized regulatory bodies. There are very complex questions concerning economical and technical matters, which have to be resolved.

Let me conclude: Telecom regulation in Denmark has been a success. We have low consumer prices, we have a variety of services and we have many competitors. Liberalisation has been a great advantage to Denmark, to the Danish consumers, to the Danish business customers as well as to the incumbent operator TDC. And you can have the same triple benefit in Switzerland. One of the advantages of competition is that there are many innovative suppliers, who all contribute to the freedom of choice between a number of services. If you want to create a regulatory environment, which benefits consumers and society alike, then pursue the policy of liberalisation and competition. It creates a healthy and competitive market place.

Regulation in Switzerland should pursue the same objectives: Open up the Last Mile, speed up regulatory decisions, establish one stop shopping and give competencies back to ComCom and BAKOM. Growth comes from competition and liberalisation, so you should ask yourself the question: What is Switzerland missing out on? When you have done that, I am sure you will conclude. Let us meet on fair and equal terms in the market place. „We at Swisscom know!“ You should say that, you at Swisscom! And we at Sunrise are looking forward to that. Thank you very much.