



GOVERNMENT OFFICES

Ministry of Transport
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6.10.1997

Interconnection rules in Swedish telecommunications legislation

Summary

The Swedish Telecommunications Act was revised on 1 July 1997, whereby a number of EC directives, including the Interconnection Directive, became fully implemented. After the amendments, the central elements of the interconnection regulation are as follows:

* The basic obligation to facilitate interconnection, which a licence holder had under the previous Telecommunications Act, apply to all operators providing telephony service, mobile services, other services requiring allocation from a public numbering plan and network capacity.

* Special requirements are placed on operators with significant market power. They must, inter alia, prove that interconnection fees are cost-based and satisfy all reasonable demands on interconnection with their own networks.

* The obligation placed on fixed network operators that interconnection fees for telephony services should be cost-based has been extended to mobile telephony operators with significant market power on the market for interconnection.

* All operators with significant market power that provide interconnection should keep separate accounting of all costs and revenues linked to interconnection.

* The National Post and Telecom Agency (PTS), has been granted extended powers in a number of fields. At the request of either party concerned, the PTS

should set a time limit for negotiations regarding conditions for interconnection. If the negotiations are not concluded within a specific time limit, the PTS should mediate between the parties.

Within six months, at the request of either party, the PTS should make the decisions which are necessary for interconnection to be established. The PTS may require changes in published standard price lists if the tariffs are not in line with the demands made in the Telecommunications Act.

Detailed description of amendments

Basic obligations

The basic obligation to allow interconnection, as laid down in the previous Telecommunications Act, has for the main part remained unamended. One change in the general interconnection duty has however been made, namely that the obligation to allow interconnection should also comprise everyone who provides telecommunications services liable to notification at the PTS. These services are telephony services, mobile services, other services requiring allocation from a public numbering plan, and the provision of network capacity.

The extended interconnection duty means, *inter alia*, that suppliers of premium rate services, which have grown in significance in recent years, obtain the advantages of cost-based interconnection in the same manner as licence holders had in the system prior to 1 July 1997.

Demands on operators with significant market power

In order not to discriminate against other operators, operators with significant market power must satisfy all reasonable requirements for interconnection with the network, including special requests concerning interconnection points and so-called signalling protocols.

Companies with significant market power are, according to the EC Directive on interconnection, liable to apply the principle of non-discrimination when conditions for interconnection are offered. Non-discrimination means that all those requesting interconnection should, in similar circumstances, be offered comparable prices and conditions. It is particularly important that external parties are not discriminated against in relation to divisions of the own organisation with whom the external parties compete. This fundamental requirement

for equal treatment has been introduced into the Telecommunications Act expressly.

Operators with significant market power are also required to publish lists of standard prices for interconnection. Before negotiations on interconnection, such operators should also be provided with all other necessary information, including information about known future changes of interest to the other party.

As regards interconnection tariffs for telephony services, the previous Telecommunications Act prescribed that they should be reasonable and fair having regard to expenses. The requirement has been considered to relate only to telephony services to a fixed network termination point. The arrangement has been unchanged. However, the requirement to harmonise Swedish legislation with EC rules is extended to also apply to mobile operators, in case they have significant market power on the market for interconnection.

Requirement for cost-based tariffs

It is extremely difficult to determine what the interconnection costs for an individual call are. A substantial portion of the costs are fixed and not referable to individual calls. So far, cost computation models have in Sweden been based on historical costs, where a fully-allocated-cost principle has been used. However, this has a number of disadvantages, including inter alia, that the allocation of fixed costs among individual calls is effected arbitrarily.

At the request of the Government, the National Post and Telecom Agency (PTS) has investigated alternative cost computation principles which would more correctly reflect the actual costs. The authority proposes that, in the long-term, one should transfer to other models than the fully-allocated-cost principle. The Government agrees with PTS's assessment. Various computation methods are also in the process of being evaluated by the EC Commission and it is planned to publish guidelines during 1997.

In accordance with the Interconnection Directive, the revised Telecommunications Act establishes that the burden of proving that interconnection tariffs are based on costs lies with the operators having significant market power.

According to the previous Telecommunications Act, interconnection fees could include charges for special obligations, for example, the provision of universal services under the licence holder's conditions. However, the Government considers that the financing of universal service should not be effected through interconnection charges as the charges for interconnection and provision of universal service respectively should be kept apart as much as possible. Therefore, in the Act the provisions concerning charges via interconnection charges have been removed.

In accordance with the EC Directive on interconnection the revised Act states that all operators with significant market power who provide telephony services should be obliged to keep the accounting of revenue and expenses for interconnection separate from other accounting. This requirement for separate accounting is aimed at achieving improved insight and facilitating control whereby lengthy conflicts concerning the interconnection tariff rates may be avoided.

The view of the Swedish Government is that a physical separation of the access network should not be effected. However, in the new Act a requirement has been placed on dominating operators to separately account for the access network in order to improve the possibility of insight and control.

Extended powers for PTS

According to the previous Telecommunications Act, in the event of disputes surrounding conditions relating to interconnection, PTS had to expeditiously examine the situation and, unless special reasons suggest otherwise, mediate between the parties. However, PTS could not make binding decisions on such issues between the parties.

In the light of the importance of interconnection to secure the overall telecommunications policy objectives, it is also of considerable importance that interconnection can ultimately be compelled by the involvement of a public authority. For this reason, the new Telecommunications Act establishes that PTS, in the event of disputes concerning conditions relating to interconnection, on the application of a party should issue the decision required to comply with the law. The decision of the authority may be appealed against to a general administrative court. PTS is also given increased

powers in a number of other respects in order to attain increased efficiency in the interconnection procedure. PTS shall, at the request of one of the parties, lay down time limits for when an interconnection negotiation should be concluded. If the negotiation fails, the authority is obliged to mediate between the parties. If there are extraordinary reasons, PTS should also have powers to compel two operators to interconnect. Operators with significant market power are required to publish their tariffs for interconnection. If the tariffs do not comply with the law, PTS is empowered to request an amendment of the tariffs.

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An English version of the revised Telecommunications Act could be found on the following netsite:

http://www.regeringen.se/info_rosenbad/departement/kommunikation/tele/tele_act.pdf