

The Norwegian Interconnection Regime

General:

Interconnection is essential to achieve a competitive telecommunications market. For new entrants in the market, interconnection to the incumbents network is a prerequisite to access existing telecommunications users.

In Norway we have until now had interconnection agreements between the mobile operators and the incumbent - Telenor AS. These interconnection agreements have been negotiated between the parties themselves and have not been subject to involvement from the regulatory authorities.

The Norwegian Parliament decided in June 1996 to abolish the remaining special and exclusive rights in the telecommunications sector from 1 January 1998. The Parliamentary decision was based on a proposition from the Government in which the issue of interconnection was discussed. The aim is to achieve any-to-any interconnection and end-to-end interoperability of telecommunications services. Effective interconnection is expected to contribute to the provision of country-wide services as well as a wider range of services at lower prices.

The ministry of Transport and Communications is for the time being working on the regulatory framework for the competitive situation from 1 January 1998. By the end of August an amendment to the Telecommunications Act of 1995 and a draft regulation on public telecommunications networks and public telecommunications services were made subject to a public consultation. The consultation period expired 10 October. At present the timetable calls for adoption of the regulation in November, while we expect the Parliament to adopt the amendments to the telecommunications act before the end of the year. Both the regulation and the law amendments will enter into force from 1 January 1998.

Major principles:

The draft regulation on public telecommunications networks and public telecommunications services contains several articles on interconnection. The main principle is that anyone offering public networks or services has a right and an obligation to start negotiations on interconnection. Organisations offering public telecommunications networks or public voice telephony or offers leased lines to the public and who has significant market power, are obliged to meet any reasonable request to conclude or amend an interconnection agreement. (According to a definition in the amendment to the telecommunications act, public voice telephony includes mobile telephony services.) According to the draft regulation these organisations also have an obligation to meet reasonable requests for special network access. The draft regulation also contains provisions on a reference interconnection offer, roaming, facility sharing and carrier selection. As we expect the interconnection directive to be incorporated in the EEA-agreement in due course, the directive is implemented by this draft regulation.

Reference interconnection offer:

Telenor AS published a reference interconnection offer by the end of June. The incumbent offers interconnection in 11 different areas all over the country. Within each area there is up to three points of interconnection. The interconnection charges depend on the traffic going inside or outside an interconnection area, which gives two levels of prices. The reference interconnection offer contains basic interconnection services -- call termination, call origination and transit. Negotiations with other operators have started based on the reference interconnection offer. The goal is to complete the negotiations this autumn and to start interconnection with the operators by 1 January 1998.

Conciliation procedure:

A conciliation procedure is established by the draft regulation where the NPT (Norwegian Post and Telecommunications Authority) on request of one of the parties may assist in ongoing negotiations on interconnection. In our opinion it should be possible to conclude interconnection agreements in most cases without assistance from the NPT. The conciliation procedure is there to be used when the parties

cannot reach a solution on their own and as an incentive to conclude the negotiations. Furthermore the draft regulation contains provisions for the NPT to impose an interconnection agreement upon the parties under particular circumstances.

Cost-based, interconnection charges:

Concerning interconnection charges there is a need for price reductions. According to the draft regulation organisations with significant market power on the national market for interconnection shall offer interconnection at cost oriented prices. Based on the reference interconnection offer from Telenor the NPT is examining closer how the principle of cost orientation is complied with. The cost accounting system of Telenor is of importance in these examinations. Here historical costs are applied. Theoretically the forward-looking long run incremental cost approach for interconnection pricing seems to be suitable to achieve cost oriented interconnection charges in the long term. However, it will take years to develop and incorporate this methodology. Interconnection charges need to be reduced in the short term and the draft European Commission recommendation on interconnection pricing containing a “best current practice” approach is of interest in this context. However, it must be a responsibility for the national regulatory authorities to ensure that interconnection charges follow the principle of cost orientation and to pay attention to the national cost structure in their considerations.