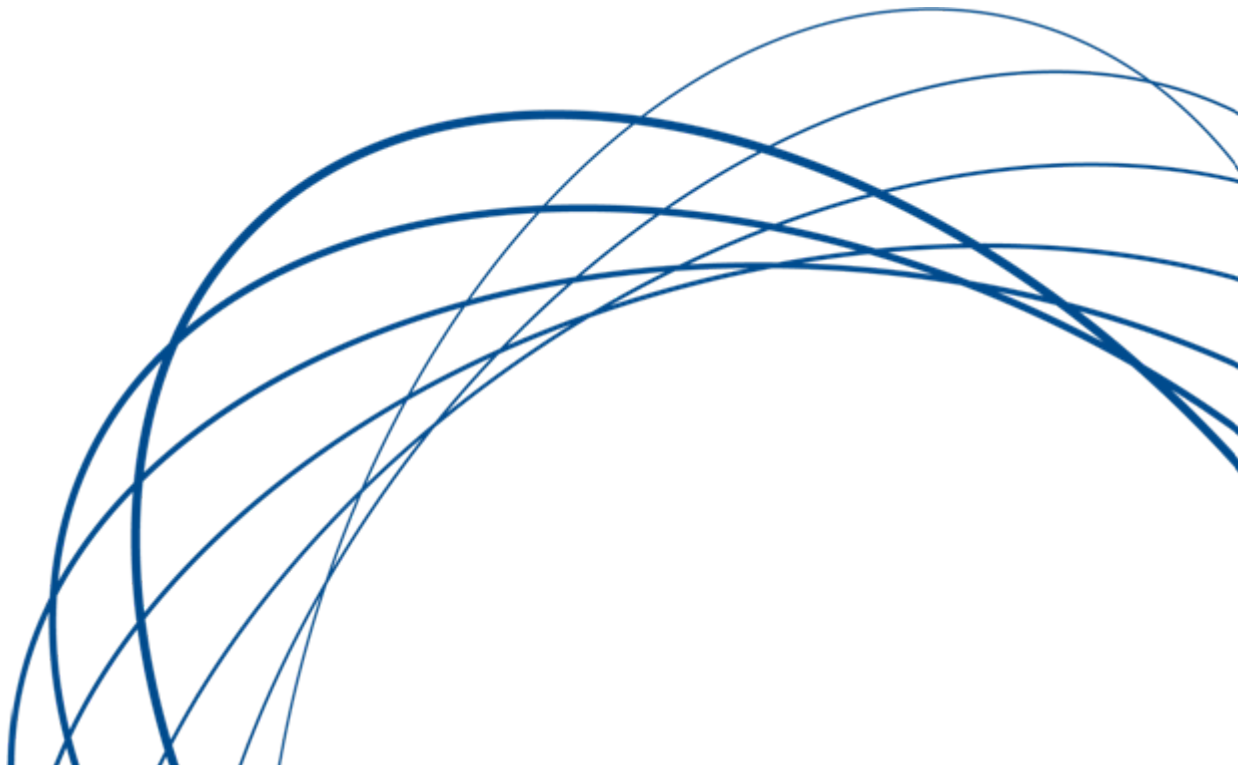


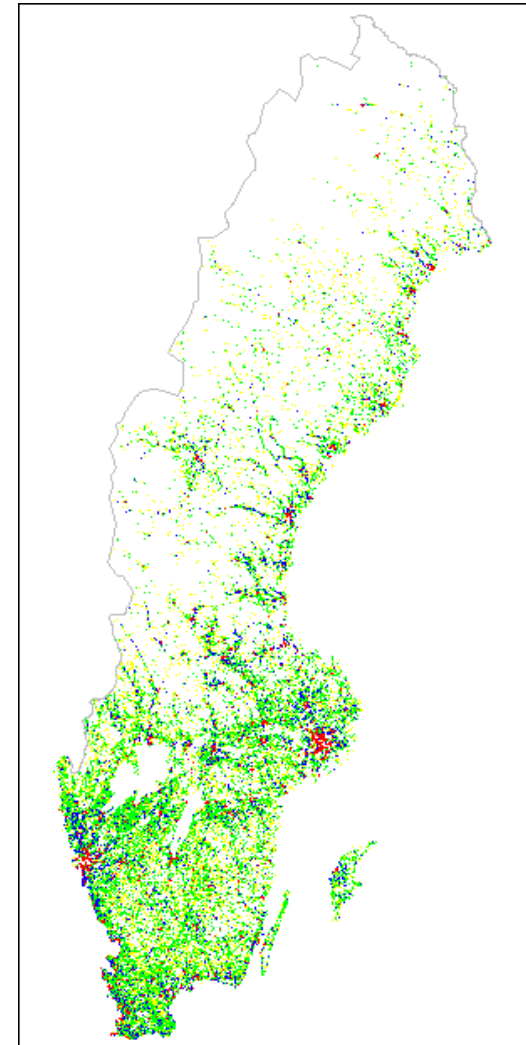
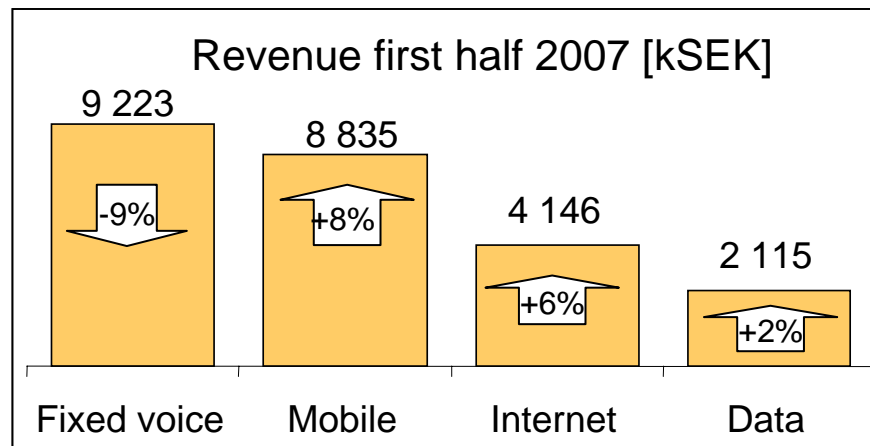
Functional separation in Sweden – New remedy in the Electronic Communications Act

Bo Andersson,
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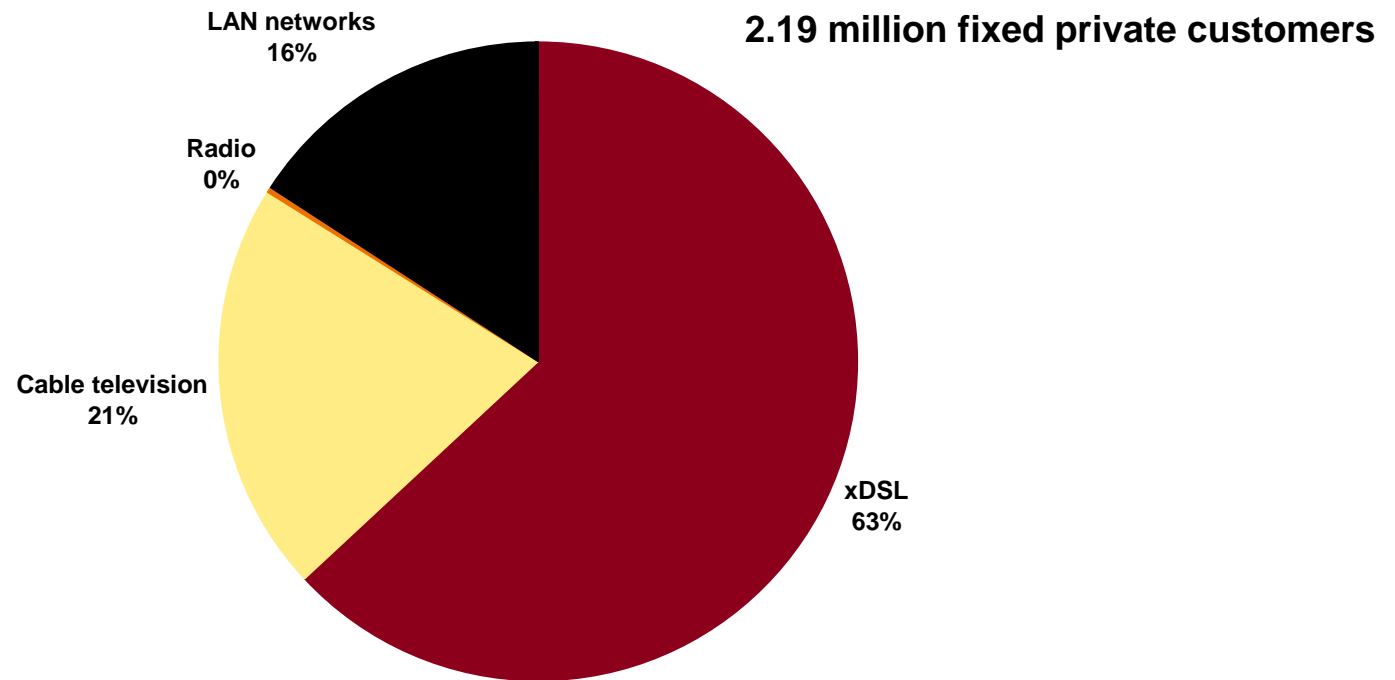


Telecommunications in Sweden

- Population: 9 143 000 inhabitants
- GDP/cap in Sweden: \$31 600
- GDP/cap in Europe: \$29 300
- 89 % use Fixed telephony
- 92 % use Mobile telephony
- 85 % use Internet
- 59 % use Broadband Internet Access



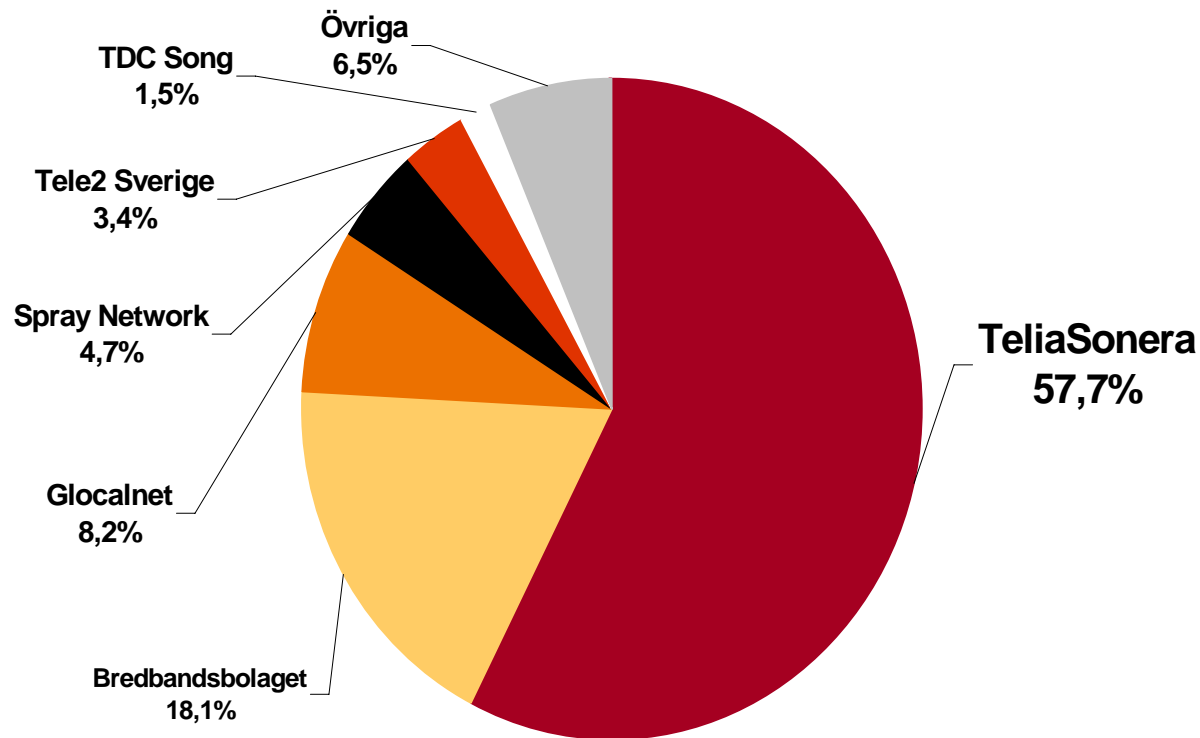
Market shares broadband – technical platforms



- Copper based access reaches approx. 100 %
- Cable-TV networks reaches approx. 60 %
- FFTB (FFTH) reaches approx. 30%. (In large extent in parallel with cable-TV networks)

Market shares – xDSL access

1,53 million subscriptions



Competition in the broadband market

- Large dependence on TeliaSonera's fixed access network (almost 100 per cent coverage)
- xDSL higher growth than other access solutions
- Deep mistrust in relation between TeliaSonera and its' wholesale customers (competitors)
- Repeated disputes and long court proceedings, refusal to supply certain regulated wholesale products
- Effects for end-users
 - less choice of broadband services
 - unwillingness to change operators, bureaucracy, stop in delivery etc
 - problems occur when transferring broadband subscription

Sweden, former "European champion" in court appeals?



What a wholesale access seeker in the Swedish broadband market has been facing 1 (2)

- Denial of ULL from incumbent, subsequent establishment of incumbent's own xDSL operations
- Incumbent's retail services offered with shorter lead times than for wholesale customers
- Plans for xDSL roll-out made without consulting access seekers
- Doubled delivery period for competitors' end-users compared with incumbent's own retail arm

What a wholesale access seeker in the Swedish broadband market has been facing 2(2)

- Shorter time frames for service and migration of incumbent's own end-users
- Ordering systems – 50 per cent of all orders placed were not accepted (survey made in 2006)
- Refusal to supply bitstream access during 2.5 years
 - No correct reference offer for bitstream access
- Gradually shutting down ADSL ATM resale product (that was provided on commercial terms)

PTS proposal – give the NRA a mandate and a tool to impose functional separation

- In 2007 Government asked NRA to elaborate legislative proposal, amendment to the Electronic Communications Act, aiming at:
 - enhanced protection against discrimination via separation and equality of input
 - a possibility to accept voluntary undertakings
- Separation should target the fixed access network, mainly ULL and bitstream access
- Proposal should fit into the EU regulatory framework
- Study other national solutions (UK, New Zealand, Italy, the Netherlands)

PTS proposal – functional separation and equivalence new SMP-remedy

- Eliminate possibilities to discriminating behaviour and abuse of internal information
- Bottleneck access resources should be transferred to independent entity within the TeliaSonera group ("The access network company", could be a Ltd)
- Obligation for the access network company to treat all wholesale customers (including own retail arm) equally.
- All broadband operators to have access to same services, routines for ordering, information and support systems etc.

PTS proposal - organisational requirements a possibility

- Independent board and managing director
- Requirements on financial audit and compliance control to be revised by external auditor
- Rules on exchange of information, employment, bonuses and incentive programs etc.
- IT-systems separated from the rest of the group's organisation

Next steps

- Parliament supposed to adopt legislation 1H 2008
- Implementation in market reviews during 2008-09
- Market reactions 1:
 - TeliaSonera has initiated certain measures to rectify wholesale problems on ULL market
- Market reactions 2:
 - Wholesale customers slightly optimistic. Underline the importance of Chinese walls to re-establish a confident relation with incumbent.

Actions taken from TeliaSonera

- Creation of independent entity TeliaSonera Skanova Access AB
 - Start of business January 1st, 2008
 - Fully owned by TeliaSonera
- Skanova Access will sell access to copper and related access networks on equal terms
 - All broadband operators will have access to same service level, information and support (including TeliaSonera's own retail arm)
- Introduction of an Equality Access Board (EAB) which will ensure equal treatment and independence from TeliaSonera
 - Assurance that Skanova Access is to treat all wholesale customers (including TeliaSonera retail arm) equally

What is missing in the access network company?

- Independence from rest of organisation (for example an independent board)
- Bitstream products are not included
- Great uncertainty regarding the intentions of TeliaSonera among whole sale customers:
"Why should we trust TeliaSonera this time?"
- The market needs predictability

Thank you for your attention!

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