



Telecommunication Newsletter Switzerland

Strategic Goals for Swisscom AG Collide with Further Liberalization of the Telecom Market

1 Introduction

The Swiss Confederation is by law the majority shareholder of Swisscom AG, the former monopolist. Art. 6 of the Telecommunication Enterprise Act ("TEA") determines that the majority of the capital and voting rights of Swisscom AG vest in the Swiss Confederation. According to art. 6 para. 3 TEA, the Swiss Confederation sets the goals it wishes to achieve as majority shareholder of the enterprise for a period of four years. On November 20, 2013 the Federal Council has determined and published the strategic goals for 2014 - 2017.

2 Strategic Focus

The strategic focus passed by the Federal Council is in substance as follows:

- maintain market leadership in the mobile and fixnet market and maintain a leading role in the broadband sector for private customers as well as SME's;
- build and maintain a significant market position in the broadband sector for large enterprises;
- build and operate a forward looking network and information technology in accordance with the demands of the markets, technological development and security;
- design market oriented offer for IT services, build and maintain a significant market position and achieve customary profitability.

3 Comment

The substantial financial interest of the Swiss Confederation in Swisscom AG and the goals passed, namely to consolidate and to expand its market leadership position, which is predominantly based on its former monopoly, collide head on with the interest of all other market participants to create a level playing field by pushing forward the long overdue revision of the telecommunication act.

On the other hand, for as long as the Swiss Confederation is the majority shareholder, Swisscom AG's investments abroad are limited. Swisscom AG may not acquire participations in enterprises abroad that are under a universal services obligation.

Hence, we believe that it would be in the best interest of all participants in the market as well as the consumers and ultimately the shareholders of Swisscom AG for the Swiss Confederation to give up the control over Swisscom AG and to finally enact a law creating a truly level playing field for the new market entrants.

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