Problem 1. Telecom markets, interconnection and operator strategy (3 points)

Year 2007 the Swedish operators TDC and TeliaSonera had a conflict regarding interconnection fees for fixed telephony. At that time Telia had a market share ~70 % and TDC < 5%. Other background information from newspapers is found below.

Questions:
What was the main driver for the TDC interconnection fee strategy?
In what way could they benefit from the strategy? (1p)
How do you think TDC did motivate the higher prices? (1p)
What is meant by “SMP”?
Provide one example from your HW1 + HW2 country. (1p)

Headlines:
Telia stops traffic of competitor (Veckans affärer Oct 2, 2007)

TDC: “Telia uses maffia strategy” (Computer Sweden, Oct 3, 2007)

Quotes from the newspapers:
“On Monday TeliaSonera will shut down the traffic from its own customers to the (fixed line) customers of TDC, the reason is a conflict about interconnection fees.”

“The background of the conflict is that TDC, according to TeliaSonera, charges too high fees for interconnection. TDC wants to charge 10,4 öre per call (~ 0,01€) while Telia only wants to pay 5 öre per call”

“The conflict has been going on for some time. TDC wants to charge twice the interconnection fee compared to all other operators” (Telia laywer)

“According to the CEO of TDC the Telia actions threatens critical societal functions and swedish telecom services in general. A major part of the Swedish healthcare sector will be paralyzed. The subscribers will not be able to call some hospitals and the county councils.”

“..many hospitals, the Swedish aviation authority and Sveriges Radio (the Swedish public broadcaster) that are customers of TDC will be cut off from the rest of the world and they cannot be reached through the public fixed network”