

**Comments Template on EIOPA-CP-16-005  
Consultation Paper on  
the request to EIOPA for further technical advice on the identification and calibration of  
other infrastructure investment risk categories i.e. infrastructure corporates**

**Deadline  
16.May.2016  
23:59 CET**

Company name:	AB Stokab	
Disclosure of comments:	<p>EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.</p> <p>Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.</p>	Public/Confidential
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <u>Do not change the numbering</u> in column "Reference".</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> <li>○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.</li> <li>○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template to <a href="mailto:CP-16-005@eiopa.europa.eu">CP-16-005@eiopa.europa.eu</a>, in MSWord Format, (our IT tool does not allow processing of any other formats).</b></p> <p>The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-16-005.</p>		
<b>Reference</b>	<b>Comment</b>	
General comments		
Section 1.1.		
Section 1.2.		
Section 1.3.		
Section 1.4.		

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Section 1.5.		
Section 2.		
Section 3.		
Section 4.		
Section 5.1.		
Section 5.2.		
<i>Question 1.</i>		
Section 5.3.		
Section 6.1.		
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Section 6.3.		
Section 6.4.		
Section 6.5.		
Section 7.1.		
Section 7.2.		
Section 7.3.		
Section 7.4.		
Section 7.5.		
Section 8.1.		
Section 8.2.		
<i>Question 2.</i>	<p><b>A) Do you agree with the assessment of the risks of telecom investments as evidenced by the historical price data?</b></p> <p>When assessing the telecom sector and telecom investments in terms of risk, it is necessary to distinguish between the different layers of the value chain, inter alia the infrastructure/wholesale level and the end consumer level, and, in this case, assess the infrastructure/wholesale level</p>	

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separately.

To understand why this is the case, a short market description is needed. For example in Sweden, a large portion (at least 50 %) of Swedish telecom infrastructure is provided by a wholesale-only model where open access to the networks is fundamental for independent operators. This creates an asset-sharing situation that limits risk in the infrastructure business. As most of the access networks within the EU, the Swedish digital infrastructure sector is an access- and price regulated market. The analysis conducted by EIOPA however only assesses risk of vertically integrated companies, such as Telia AB; the Swedish telecom incumbent, as these corporations are listed entities and would be subject to EIOPA's analysis of traded equities. These companies offer a wide variety of services other than digital infrastructure. As such, they are subject to a greater amount of risk. This is not the case when considering the risk assessment of unlisted companies that only provide digital infrastructure. Such companies function in practice as a classic utility, e.g. as water supply or roads.

Against this background, we therefore strongly urge EIOPA to carefully analyse (i) the infrastructure/wholesale level of the telecom value chain separately, not only as a part of the telecommunication industry as a whole, and (ii) the utility aspects of the Swedish digital infrastructure sector. As the Swedish digital infrastructure sector is characterised by a concentration of local, publicly controlled network corporations and a small amount of privately held unlisted companies competing on an access- and price-regulated market, the assessment of the telecom sector in the EIOPA study fails in providing the full picture when portraying risk.

EIOPA states that telecom carriers have performed "slightly worse" than other infrastructure corporates. As most of the companies operating on this market in Sweden are either unlisted or owned by public authorities<sup>1</sup>, the data on traded equities and bonds that form the basis for EIOPA's proposal does not provide a comprehensive fact base on risk assessment from a Swedish market perspective. This is something that must be addressed when moving forward with the risk assessment within the framework of Solvency II.

<sup>1</sup> Svenska Stadsnätöföreningen , **Sweden's Local Fibre Networks**: creating competition and providing consumers and operators with freedom of choice (2014)

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Access to basic fibre infrastructure is a strategic necessity for the digital economy and investments into the infrastructure will have a fundamental impact on the competitiveness of the EU for at least 20-30 years ahead. EU Member States are currently at a critical crossroads regarding how to enhance the incentives for increasing investments in fibre networks, and, not least, how to ensure that access to these networks can be provided on open, equal and competition neutral terms. These investments are crucial to the achievement of the goals set out in the EU Commission’s Digital Single Market Strategy on connectivity and network capacity, including the development of better mobile services, like 5G, which require access to a backbone fibre network due to the inherent high capacity requirements. To quote Europe’s digital Commissioner, Gunther Oettinger, in this regard: “In a nutshell, the advanced 5G infrastructure is expected to become the nervous system of the Digital Society and Digital Economy.”

The deployment of digital infrastructure must remain a top priority for the EU. It is therefore important not to exclude this essential utility of the future, it should be treated in the same manner as water, electric grids etc. If telecom is treated differently in the risk assessment of these crucial investments there is substantial risk of creating, not only a political problem, but obstacles for the development of competitiveness and innovation in the EU.

**B) Are there any segments within the telecom industry that are safer than other segments, which deserve further granular analysis? If yes, please provide a comprehensive justification and supporting evidence including data, ISIN codes and examples.**

Considering the fact that digital infrastructure in Sweden should be considered a utility rather than as an infrastructure corporate sector, this segment is by definition safer than other areas. The following characteristics are all proof points on why digital infrastructure should be viewed as a utility rather than as an infrastructure corporate:

- The market is both price- and access regulated.
- There are high barriers of entry on the market, due to its character of classic terrestrial infrastructure, such as water supply, electric grids or roads, with initial heavy investments and a long-term perspective.

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- Contracts are long-term and provide stability and steady cash flows, which creates a better risk profile.
- Partnership with local authorities provides low-risk investor guarantees.

The fibre network is the basis for a digitalised society and it is already forming the foundation for modern life and business in the Nordics. Access to fibre-based broadband is by most young people seen as an essential utility just like electricity. The Swedish Post and Telecoms Authority has credited the bottom-up network development in Sweden to the Metro Area Networks with a varying degree of geographical reach owned and operated by both a limited amount of private corporations and public authorities<sup>2</sup>. This has also been an important element for boosting investments and bringing Sweden closer to the EU Commission’s goals of fibre net connectivity set out in the 2020 Digital Strategy. However, investments into digital infrastructure must remain a top priority for the Commission. By implicitly favouring other infrastructure sectors such as power grids or district heating over digital infrastructure, we risk setting back the development of the Digital Single Market, which will come at a high political price.

Metro Area Networks owned by private corporations and Swedish authorities serve as the basis for operators and services that use the open access and neutral infrastructure to provide their services to private consumers and business-customers. One example hereof is the fact that thanks to the open and well built-out fibre network in Sweden, there are four 4G-operators on the, in international comparison, relatively small Swedish market. Competition neutrality and openness is furthermore a prerequisite for digital growth, in particular for SMEs who can gain access to the network to provide their services. These services are subject to a higher degree of risk, while the underlying fibre infrastructure is not. It is important to note that even though Metro Area Networks are to a large extent controlled by local authorities, the investments have been subjected to market-terms.

The market model established by the privately and publicly owned Swedish Metro Area-networks is aimed at having as many users as possible of the same basic fibre infrastructure on equal terms. By leaving the fibre infrastructure open, the investment costs can be shared by all market actors using the infrastructure, thereby further reducing the risk. When new fibre networks are being expanded,

<sup>2</sup> **The Digital Single Market Strategy**, The Nordic NRA’s viewpoints (2015)

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the opportunity arises to separate the basic infrastructure from the services. This way, the same basic fibre infrastructure can be "frequented" by everyone, which also enables a lower cost for digital services and a more steady cash flow for the infrastructure provider, compared to multiple players supplying these services on their own networks.

As an example, Swedish digital infrastructure company IP-Only has adopted an infrastructure-leasing model, meaning that fibre capacity is contracted to local authorities, enterprises and service providers on multi-year leases. Customers become long-term tenants on the infrastructure meaning that projects are typically low risk with an attractive targeted return on equity.

**Fibre broadband networks - a strategic necessity**

The EU Member States are currently going through a transition phase into the new digitised era. However, the full potential of the digitalisation is yet to be realised. In order to make it a reality, long-term investments into fibre net infrastructure are necessary. A robust digital infrastructure is essential for future digital services, like 5G mobile connections, that cannot work without fibre connections.

Unlisted companies, such as IP-Only, and Swedish local authorities, almost exclusively do investments into open and neutral Metro Area Networks in Sweden. To build and operate these networks requires a long-term perspective as the new digital infrastructure currently being built needs to have a durability of 50- 100 years. The networks must be designed to carry an increase in digital services, especially as the public sector services such as welfare is becoming increasingly digitalised.

Many metropolitan areas are also on the brink of taking the digital leap with many city services becoming completely digitalised, as part of the "Smart City" concept. This further increases the sense of urgency for investments, as the digital infrastructure must be robust to accommodate these services.

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	<p><b><u>Possible disruption of investments</u></b></p> <p>As pointed out by EIOPA in the consultation paper, the impact of a changed risk assessment will most likely affect the degree of investments in digital infrastructure. This will in turn have a negative impact on the expansion of the fibre broadband network on both a Swedish and a European level at a time when investment in fibre infrastructure is a necessity for competitiveness and growth in most Member States.</p> <p>If the fibre net expansion were to be delayed because of perceived increased risk in such investments, the political price will be high, as this is a top priority among several governments and the Commission. Therefore it is essential to understand the market structure of the telecom sector and thoroughly analyse the wholesale-only market level. As we understand, no companies with a wholesale-only model have been part of EIOPA's risk assessment. This utility market consequently deserves further granular analysis.</p>	
<p><i>Question 3.</i></p>		
<p>Section 8.3.</p>		
<p>Section 8.4.</p>		
<p><i>Question 4.</i></p>	<p><b>Do you have specific examples of infrastructure sectors and corporate structures that would inadvertently fall outside this definition?</b></p> <p>A long tradition of co-using terrestrial infrastructure has moulded the Swedish view on fibre networks. Fibre networks are regarded as any other utility, such as roads and railways. This further emphasises the necessity to reevaluate the risk assessment of digital infrastructure.</p> <p>A wholesale-only model provides a large portion of Swedish telecom infrastructure where open access to the networks is fundamental for independent operators. This creates an asset-sharing situation that further limits risk in the infrastructure business.</p> <p>The analysis conducted by EIOPA only assesses risk of vertically integrated companies, such as Telia AB; the Swedish telecom incumbent, as these corporations are listed entities and would be subject to EIOPA's analysis of traded equities. These companies offer a wide variety of services other than</p>	

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	<p>digital infrastructure. As such, they are subject to a greater amount of risk.</p> <p>By analysing digital infrastructure using the same metrics as listed, vertically integrated telecom companies, the risk profile becomes significantly higher than for providers of open-access networks. Therefore the wholesale-only market within the telecom sector has fallen outside of the analysis made by EIOPA. In Sweden this sector accounts for around 50% of all fibre accesses provided.</p> <p>As an asset-sharing, access- and price-regulated market, the digital infrastructure sector has much more in common with other utilities such as power grids. Being a wholesale-only model with open access for independent operators, the sector creates the foundation for a modern society through cooperation between the public and private sector.</p>	
<i>Question 5.</i>		
Section 9.1.		
Section 9.2.		
<i>Question 6.</i>		
<i>Question 7.</i>		
Section 9.3.		
Section 10.1.		
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Annex I		
<i>Annex I Questions</i>		
Annex III		
Annex IV		
Annex V		