

Broadband services

Method

The price index of broadband services for internet access is based on a methodology defined by the OECD. The method is based on the analysis of the cheapest offering of each operator so as to reflect the consumption habits of three user profiles (light, average and heavy). Another index, which calculates the theoretical cost of each service for a speed of 1 Mbit/s, is presented in parallel in order to make the analysis more accurate. However, this approach does not reflect the budgetary reality of users and thus deviates from what a consumer price index is supposed to reflect.

The detailed methodology can be consulted on the OECD site:

(<http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=dsti/iccp/cisp/2012/13/final&doclanguage=en>).

The OECD has defined several consumption baskets for broadband services which are differentiated according to the marketed speeds and customer usage. OFCOM has selected three out of the ten which are proposed and their composition is presented in the table below. To define the three profiles, the speed categories have been adapted, taking into account the reality of the Swiss market.

| Types of users | Downlink speeds | Monthly usage (Gbit) | Monthly usage (Hours) |
|----------------|-----------------|----------------------|-----------------------|
| Light | ≥ 1.5 Mbit/s | 15 | 30 |
| Average | ≥ 25 Mbit/s | 50 | 50 |
| Heavy | ≥ 100 Mbit/s | 100 | 100 |

Title: *Broadband services user profiles*

Area of investigation

- **Players:** The players considered correspond to the most important broadband service providers active in their respective market (DSL, fibre and cable modem) in the period under consideration. In term of users they represent more than 80% of the broadband market.
- **Period:** The period considered corresponds to the thirty-one days of August in the year under consideration.
- **Products:** The products examined correspond to the entirety of the offerings proposed by the players under consideration and with which it was possible to take out a contract throughout the analysis period.
- **Indices:** The results are synthesised in the form of Laspeyres indices. The calculation of the indices is based on the selection of the cheapest products of the main operators. The prices are then weighted according to the operators' customer market shares. The price indices of broadband services are presented according to two distinct methods: the real costs of the cheapest offering and the standardised costs at a speed of 1 Mbit/s. The reference period (equivalent to 100) corresponds to that of the introduction of the most recent changes to the structure of the baskets.

Limits of the method

- The analysis relates only to the cheapest product per operator, i.e. to the minimisation of the user's expenditure for his consumption profile.
- When a subscription to the telephone service is obligatory in order to subscribe to the broadband service, the latter is added to the price of the broadband service.
- The real prices method corresponds to the budgetary reality of the user, but the prices are not always directly comparable because of the differences in speeds which may exist between the selected offerings. The services proposing the slightest speeds are favoured when it is a question of selecting the cheapest product.
- The method of standardised prices at 1 Mbit/s does not correspond to the budgetary reality of the user.
- We note that several operators offer products which combine different types of services (for example, connection, fixed telephony, internet access, television, and even mobile

telephony). Our consumption baskets are concerned only with internet access services without taking into account any gains in terms of services associated with broadband access.

- The products which are addressed only to users for whom the connection is already unbundled are taken into consideration in the analysis, even if such offerings do not cover the entirety of the operator's network.
- Aspects such as the quality of the network, the quality of customer service, customer loyalty promotion measures or transaction costs are not taken into consideration.