

CHAPTER I

The main areas of the Authority's action in the period 2014-2015

Introduction

The period between the middle of 2014 and the first months of 2015 passed in the wake of the evolution of the digital ecosystem along a route already mapped out by the confirmation of the convergence process taking place in the communications sector, at the relentless pace of technological change. There has been, in fact, convergence phenomena regarding technological platforms, ultra-broadband networks and communication services, social media, video services and smart applications that have permeated the social fabric at world level, generating increased demand for transmission capacity. Together with the technological development, there has been a change in the figure of the consumer who, reaffirming his/her central role in the economic process, has adopted an increasingly active role which can influence the fate of the communications markets and digital technologies.

The emerging broadband-centric environment poses new challenges to legislators and regulators. Alongside the traditional issues of competition, they must also face the new problems of the digital age represented, among others, by on-line fraud, from digital piracy to identity theft, in an economic and social context characterized by new players and by increased consolidation and integration between the leading telecommunications service providers, content providers and content producers. In addition to this, ultra-broadband networks have developed and there has been a separation of services from the underlying physical infrastructure that has encouraged both the development of a new range of innovative applications and services as well as new business models that challenge the previous regulatory systems.

In this area the international community must consider the characteristics of the so-called “*fourth generation regulation*”, which, compared to the previous generations, represents a tool not only for disciplining the newly-liberalized markets or which, in any case, feature structural market failures, but also for supporting the action of governments and parliaments in order to achieve the objectives of economic and social policy, by ensuring adequate consumer protection and increasingly widespread access to broadband and ultra-broadband networks, in order to maximise the enormous benefits that the digital ecosystem promises.

The European Commission - after renewing its leadership at the end of 2014 with the appointment of President Juncker - noted that the benefits of the digital economy in Europe are not fully expressed because of the limits imposed by the differences between the different parts of Europe as a whole. The operational proposals therefore tend to make the reform of the rules on electronic communications even more ambitious, in pursuit of promoting and supporting investments in ultra-broadband infrastructures, of modernising the rules on copyright, of updating and simplifying the consumer protection provisions relative to on-line and digital purchases, of creating a harmonized approach to the radio spectrum on the part of the Member States, of supporting the creation of a high quality digital network, of contributing to activities that encourage digital research and entrepreneurship, and of developing and implementing measures to make Europe more reliable and secure on-line.

The Authority, aware of these trends, in the previous annual report had planned its activities in the various areas of expertise, oriented towards the promotion of competition, the protection of consumers and users, the

guarantee of an efficient allocation of the scarce resources, supporting the development of communication networks and digital services, the promotion and protection of pluralism, and the guarantee of equal access to the media and the promotion of a culture of legality in the use of digital works, combining the principles of transparency, effectiveness and efficiency in its administrative action.

In line with these objectives, in the last year, the Authority intervened, in the telecommunications sector, for both fixed and mobile lines, both by market analyses and the approval of the leading operator's relative offers and by means of mechanisms to foster the adoption of the latest generation technologies, also supervising and examining the regulatory of the accounting of the operators of fixed and mobile networks.

In the audiovisual sector, it proceeded, with appropriate action, to implement and simplify the data acquisition systems of media services in order to perform the market monitoring activities and to control the regulatory processes with maximum efficiency. The Authority has undertaken several initiatives aimed at defending the freedom of information, to promote and protect information pluralism, as well as to ensure the necessary protection to the more vulnerable groups - such as children - in their access to communication services and content. One of the important measures adopted was the establishment of the highlights of the Observatory to protect minors and guarantee people's fundamental rights on the Internet.

At the same time, in the field of postal services, the Authority has put in place activities to redefine the quality objectives and the quantification of the cost of the universal postal service.

By means of the receipt and analysis of reports addressed to the Authority, it has identified the areas in which some of the most critical issues related to the protection of users are concentrated; although technological innovation has favoured the expansion of the range of services available to the consumer, it has also led to an increase in the potential threats for the users of digital services. The protection of users' rights has therefore required a revision of the regulatory framework to answer the evolution of communication tools.

The Authority's work, in a sector characterized by scarce available resources, such as the spectrum, aims to encourage the efficient use of spectrum and the spread of wireless broadband services, promoting shared use and making available new resources. This is the purpose, for example, of the planning of the frequency resources for digital television and of the elimination of frequency interference.

Lastly, adopting precisely the spirit of the 4th generation regulations, the Authority has undertaken many activities aimed at collaboration with the various government sections (ministries, local authorities, the Government's legislative offices) to support, for the various issues under its jurisdiction and in respect of the reciprocal roles, initiatives of economic and social policy undertaken by Parliament and the Government. This activity has transcended national boundaries, since the Authority is present and active in all Community areas (European Commission, BEREC, ERGA, ERGP, etc.) and international areas (OECD, UNESCO, etc.).

1.1 The regulatory and surveillance activities in the telecommunications markets

In the last year, the regulation of the electronic communications sector has continued to develop according to the objectives of promoting competition and consumer protection. In this sense, the evidence that will be presented in Chapters I and II show significant development of the competitive process (with the continuation of the downward trend of the concentration indices of the main markets), as well as a consolidation of the decreasing price trend which has led to enormous benefits for consumers in the last five years. In this context, the regulatory measures implemented have strengthened the position of competing operators, through pro-competitive measures aimed at favouring wholesale access to the fixed network of Telecom Italia (from classic unbundling, to bitstream and VULA on Fibre To The Cabinet - FTTC network) and mobile number portability. In addition, the Authority has developed a series of activities to verify the conditions, also from a regulatory standpoint, most suited to the launch of latest generation broadband services in Italy.

The fact-finding survey on the services of access to Next Generation Networks (NGN)

In order to adopt the most appropriate measures in the field of infrastructure in the NGN access networks, the Authority, together with the Anti-trust Authority (AGCM), therefore carried out a fact-finding survey on the static and dynamic competition in the access services market and on the prospects of investment in broadband and ultra-broadband telecommunications networks (completed in November 2014¹). In the joint survey, several technological and market scenarios were envisaged with the relative consequences in terms of competition. This represented a technical contribution, useful for understanding and evaluating the results achieved through private initiative and it was therefore useful for defining an institutional framework of rules and, more in general, of an effective, consistent and transparent public policy. Taking into account the survey results, the Government's ultra-broadband strategy and the objectives of the European Digital Agenda, as will be described in greater detail below, the Authority consequently focussed its regulatory approach for the next few years on fixed-line access markets, in order to encourage operators to invest in the development of new-generation networks - with Fibre to the Cabinet and Fibre To The Home (FTTH) architecture - and to ensure more competitive conditions.

Access to the fixed network: the coordinated package of regulatory measures

On the basis of the results of the survey on the NGN access services, the Authority submitted to public consultation two alternative regulatory proposals (valid for the period 2014-2017) relative to the analyses of the wholesale markets of the Telecom Italia fixed network, in order to: i) facilitate the spread of ultra-broadband access technologies; ii) promote infrastructures for Next Generation Access (NGA) networks; iii) strengthen the measures on equal treatment and non-discrimination (see resolution no. 42/15/CONS).

¹ See <http://www.agcom.it/documents/10179>

The first proposal (the so-called ALFA scenario), in line with the previous regulatory cycle, confirms the existing national remedies and the pro-competitive measures introduced by resolution no. 747/13/CONS, in order to promote infrastructured competition throughout the country. The second proposal (the so-called BETA scenario) is based instead on the recognition of differentiated competitive conditions in certain areas of the country. In particular, regulatory conditions and differentiated prices are contemplated in the Central area of which at least 70% is covered by two FTTx networks (so-called B Areas), compared to areas where these conditions do not exist (so-called A Areas). Given the greater degree of competition and infrastructure in the B Areas, the Authority's proposal contemplates a mitigation of the price control obligations borne by Telecom Italia for bitstream services and unbundling.

The Authority's proposal also includes a strengthening of measures for equal treatment and non-discrimination, with particular reference to key performance indicators, data bases available to alternative operators, the governance of the equivalence of output, SLA (Service Level Agreements) and fines, as these are key elements to protect competition, especially in the development of new ultra-broadband services.

In order to provide the necessary regulatory certainty for the market, the Authority, in parallel with the analysis of the access markets, completed the 2013 cycle of approval of the Telecom Italia offers (see resolutions no. 69/14/CIR, no. 67/14/CIR, no. 70/14/CIR, no. 68/14/CIR and no. 128/14/CIR) and began the approval procedure of the offers of reference for 2014 (see resolutions no. 135/14/CIR, no. 136/14/CIR, no. 17/15/CIR, no. 29/15/CIR and no. 55/15/CIR).

Always regarding access, to assess the state of competition in the supply of high quality fixed-line services, the Authority began and submitted to public consultation market analysis no. 4 of the European Commission Recommendation 2014/710/EU (see resolution no. 559/14/CONS). The proposed measures submitted for consultation aim, as in the case of fixed-line access market, at the promotion of the latest technologies (such as links to dedicated GBE capacity on optic fibre) and at overcoming the technology legacy (based on PDH and SDH transport technologies).

The Authority, in disciplining the process of technological migration from traditional TDM telephone networks to the new and more efficient IP-based networks, wishes to promote the adoption of the latest generation technologies by scheduling the technical migration and by the introduction of so-called administrative migration (see resolution no. 52/15/CIR). The definition of the technical migration processes provides the necessary regulatory certainty, while administrative migration has the effect of encouraging all players in the market, although driven by different interests, to change over to IP interconnection. In fact, although the presence of inter-district deregulated TDM services constitutes a factor which encourages alternative operators to opt for IP interconnection, the introduction of administrative migration places the necessary pressure on Telecom Italia to ensure that this step takes place without delay. Lastly, with the goal of promoting infrastructure competition, the regulatory measures adopted by the Authority in relation to access to the cabinets and to MOV (multi-operator vectoring), introduced in 2013 and confirmed in the proposed regulation for the next three years, are of particular importance. At European level, this strategy is an innovative choice of opening of the copper network of Telecom Italia precisely near the end customer (so-

called sub-loop), promoting the adoption of high performance broadcasting technologies in terms of connection speeds. To this regard, the activities of the Technical Board specially set up (see resolution no. 747/13/CONS) have continued, aimed at defining the technical specifications of the requirements for MOV (architecture, hardware and software requirements of the equipment, maintenance procedures, etc.). On the basis of the Board's initial results, the Authority (see resolution no. 135/14/CIR) has proposed that operators, from 2015, should be required to install devices that support the new technology, such as MOV-ready line cards and MOV-friendly processor/controller chassis. This provision aims to facilitate the short-term adoption of MOV compatible systems. In addition, in order to allow interoperability between MOV systems, a special work group will be set up with the objective of leading the market to adopt a single international standard.

Annual Telecom Italia Report on the separation between the information systems of network functions and of commercial functions - 2014

The series of measures aimed at promoting competition in fixed-line telecommunications is completed by the implementation of measures for functional separation on the part of operators with significant market power. In particular, pursuant to resolution no. 731/09/CONS, Telecom Italia, through the use of appropriate organizational measures, must ensure sufficient separation between the corporate functions designed for managing the network and the sale of consumer services. In order to verify the persistence of these conditions over time, Telecom Italia must submit to the Authority, in June every year, a report certified by a third party which, in addition to the above evidence, indicates the measures taken to prevent the use of confidential data regarding the customers of OAO (Other Authorized Operators), in possession of the network functions, by the sales department of the notified operator.

In compliance with the above rules, Telecom Italia has presented, for the year 2014, the annual report on the separation of information systems between network functions and commercial functions, together with the technical certification which, also for the year 2014, has been entrusted to the company Ernst & Young Financial Business Advisors SpA. The independent auditing firm evaluated, in particular:

- the criteria by which Telecom Italia authorises and controls access to information systems containing confidential data granted to the OAO and/or their clients;
- the compliance of these criteria with the provisions of the Authority's resolutions;
- the implementation of measures and procedures designed to ensure continued compliance with these criteria.

The conclusions of these verifications showed full respect for the requirements expressed by the Authority's resolutions.

This sphere also includes the activity of the Supervisory Authority which, as will be more fully described in Chapter IV, is an independent body that has the task of monitoring the correct implementation of the

commitments presented by Telecom Italia and approved by the Authority and of ensuring full respect for the principle of equal treatment as well as the achievement of the service quality objectives.

Auditing of the fixed network regulatory accounting

The above-mentioned activities are often accompanied by an analysis of the accounting structure of the regulated operator. The purpose of this verification of the regulatory accounting is to certify that the financial reports produced by the operator comply with the existing regulatory framework. This audit is carried out by a subject independent of the parties concerned, with specific technical skills and which give its professional opinion. After the audit, the Authority, pursuant to a resolution of its own, provides for the publication of the conformity reports drawn up by the auditor.

Due to some legal impediments that occurred in the execution of the tender procedure for the appointment of the auditor to be mandated to audit the regulatory accounting of the fixed and mobile network operators, for the years 2011, 2012 and 2013 the set terms were extended; however, the lost time was quickly recovered and the accounting audit of the fixed network of Telecom Italia was swiftly completed for the financial years 2011 and 2012.

The audits were carried out on the basis of the new regulatory framework of reference in terms of cost accounting and the separation of the accounts, pursuant to the resolutions of the second cycle of market analyses, as well as resolutions no. 678/11/CONS and no. 324/13/CONS, which complete the regulatory framework in the area of regulatory accounting, defining the accounting model for the wholesale markets of, respectively, the access and transport of traffic on the fixed network of Telecom Italia.

Regulation of the mobile telecommunications markets

To promote competition in the market of electronic communications services on mobile networks in the light of the changing market conditions, the Authority, in the fourth cycle of market analyses relative to mobile network termination services (see resolution no. 16/15/CONS) has suggested, for the first time, notifying not only the network operators (Telecom Italia, Vodafone, Wind and H3G) but also four virtual operators (BT Italia, Lycamobile, Noverca and Poste Mobile) in as much as operators with significant market power.

In this context, the mobile telephony operators, being notified in as much as having significant market power in respect of voice call termination on their respective networks, are required to prepare a system of regulatory accounting also of past costs (for the period 2011-2013, this obligation applies to Telecom Italian SpA, Vodafone Omnitel SpA, Wind Telecomunicazioni SpA and H3G SpA) (see resolutions no. 667/08/CONS, n. 60/11/CONS and no. 621/11/CONS). The same legislation also provides for the accounting system to be audited by an independent body, appointed by the Authority, in order to verify compliance with the reporting requirements (see resolutions no. 485/01/CONS, no. 399/02/CONS, no. 3/06/CONS, no. 667/08/CONS, no. 60/11/CONS and no. 621/11/CONS).

The auditing is mainly aimed at ascertaining the correctness of the grouping within joint cost centres at the level of management accounting, the correct integration of the management accounting within the regulatory

accounting model and the correctness of the cost centre grouping according to the categories defined by the Authority. According to the *International Standard on Assurance Engagements* (ISAE) 3000, the purpose of the entire activity is to express an opinion as to whether the information given in the regulatory accounting is correct, consistent and compliant with the relevant regulations.

The auditing of the regulatory accounting documents of mobile networks for the year 2011 was completed in accordance with the agreed schedule and the final reports were sent to the Authority between November and December 2014. Lastly, in January 2015, work began on the audit of the accounting documents relating to 2012.

Compliance with the decisions of the Council of State

Due to certain Council of State judgements pronounced in the two-year period 2013-2014, the Authority has been required to review and, where considered necessary, to amend certain provisions relating to the framework of the regulatory obligations imposed as a result of the market analyses of the previous regulatory period. In particular, they refer to: i) the review of the conditions for the implementation of the obligation to control prices of the regulated wholesale access services for the fixed network for the years 2010-2012 (see resolution no. 86/15/CONS); ii) the re-determination, for the mobile termination service, of the asymmetric tariff conditions in favour of H3G in the years 2008-2009 and 2013 (see resolutions no. 259/14/CONS and no. 365/14/CONS); iii) verification of the fee for naked bitstream services for 2009.

Supervision of electronic communications services, Numbering

The supervisory activity in the telecommunications markets concerned the enforcement, on the part of Telecom Italia, of the access obligations, the adoption of the new numbering plan for the telecommunications sector, and the monitoring of concentrations in local television.

With regard for monitoring the processes for the provisioning and assurance of the wholesale services supplied by Telecom Italia to the alternative operators, the Authority: i) monitored the cases of non-compliance with the provisions in force, identifying possible violations; ii) monitored the quality of the access network of Telecom Italia in the supply of intermediate access services; iii) followed up the operators' reports. The verification carried out concluded with the serving of a warning to comply with the obligations in force (see resolution no. 309/14/CONS).

However, with reference to the adoption of the new numbering plan for the telecommunications sector, an inquiry was carried out on the integration of the National Numbering Plan (NNP) in the telecommunications sector (see resolution no. 8/15/CIR) in order to enable the collection of funds, by 499 numbers, for participation in political life through mobile and fixed network services. The Authority also participated in international technical meetings held within the sphere of the ITU (International Telecommunication Union), the CEPT (European Conference of Postal and Telecommunications Administrations) and the European Commission and it supported the MISE (Ministry of Economic Development) in the definition of reciprocal agreements in the case of NNP requests on the part of foreign states.

Universal service funding: the applicability of the net cost sharing mechanisms

The reform of the European Union regulatory framework for electronic communications networks and services in 2009 reconfirmed the obligation to ensure the availability of good quality services to the public through effective competition and effective possibility of choice, as well as disciplining the cases in which the needs of end users are not satisfactorily met by the market. The National Regulatory Authorities (NRA) must decide, on the basis of objective criteria, which companies are responsible for providing the "universal service" and it must define a regulatory system that ensures that the operators bearing the said obligation provide, together with their request for funding, sufficiently detailed information on the specific elements to be financed. In order to ensure transparency and control of the amounts allocated to the net cost of the universal service obligations, the NRAs carry out supervisory activities.

In this context, the Authority, in 2014, concluded the inquiry into the evaluation of the net cost for 2007, ensuring the non-existence of the conditions for the applicability of the mechanism for sharing the net cost of the service Universal, since it was found that there was no net positive cost (see resolution no. 100/14/CIR).

In the first quarter of 2014, the Authority also provided for opening the relative inquiry procedures for verifying the net cost on the part of the auditors for the years 2008 and 2009, in order to recover as quickly as possible the delay that had accumulated in the assessments of the net cost of previous years. This delay was due to numerous appeals on the part of operators against the Authority's decisions on the net cost of universal service in the years from 1999 to 2005. The appeals, some of which are still pending, generated inevitable repercussions on the timing and on the consolidation of inquiries that had already been closed.

The first instance ruling last January 2015, in which the administrative judge also annulled resolution no. 1/08/CIR, which is the methodological framework on the basis of which all the net cost resolutions from the year 2004 had been approved, led to another suspension of the inquiries in progress, including the start of the public consultation for the assessment of the net cost for the years 2008 and 2009.

Disputes between electronic communication operators and sanctioning activities

In the period of reference the Authority, pursuant to the Regulation in force on the resolution of disputes between electronic communication operators (see resolution no. 352/08/CONS), closed 22 disputes and it opened 22 new cases. In particular, of those closed, 6 were concluded with a conciliation report, 6 with a management resolution, 10 by a resolution of the Commission for Infrastructures and Networks (CIR).

The issues addressed by the Authority in the most important disputes initiated during the period regard:

- the economic conditions of the collection of revenues for land-line transmissions from mobile networks to non-geographic numbers (NNG). In this context 4 new disputes were opened, some of which have already been concluded with a transaction in relation to 80x and 84x numbers. The decisions already taken by the Authority to this regard, also in previous years, are of particular importance in an unregulated market, but they are nevertheless susceptible to anti-competitive conduct by the Mobile Network Operators (MNO). On this issue, the Authority has established the said economic conditions on the basis of transparent criteria, based on the principles of fairness and

reasonableness. Since 2011 the decisions taken have produced an overall reduction in the wholesale price (of more than € 20 cent/min. and of an average of € 5 cents/min.) with benefits for the operators themselves - thanks to higher volumes - and for end customers, thanks to the reduction in retail prices (see resolutions no. 63/14/CIR and n. 131bis/14/CIR). A further dispute was opened regarding the price for access, from mobile network, to services offered on numbering in decade 4 for premium services. Similar disputes, initiated in the previous year with reference to numbers beginning with 4, 178, 199 and 89x, were concluded by settlement agreement;

- number portability. One dispute that was opened regarded the respect, on the part of the main operator, for the number portability obligations towards business customers;
- the mobile network termination price of the Mobile Virtual Network Operator (MVNO): three disputes initiated in the period of reference regard the definition of the termination price charged by the Poste Mobile operator. This issue takes on considerable importance in light of the Authority's approach to the obligations of the MVNO, within the sphere of the public consultation on the market analysis of mobile network termination services;
- interconnection and the economic conditions of the SMS service. One dispute opened regards the conditions for interconnection between fixed and mobile networks for SMS termination.
- The IP interconnection service and administrative migration. One dispute concluded in the year of reference (see resolution no. 64/14/CIR), regarded the technical and administrative migration traffic involving IP interconnection in compliance with the obligations, the timing and the procedures established by the Authority. The decision adopted by the Authority imposed on Telecom Italia a linear administrative migration procedure until August 2014 and the conclusion of technical migration by June 2015. This issue takes on considerable importance also in light of what has been decided, for the entire market, by resolution no. 52/15/CIR on the timing of technical migration and the introduction of the so-called administrative migration.

Lastly, in this area, in order to maximize the effectiveness and efficiency of the administrative activity, the Authority, in line with the objectives set out in the 2014 Annual Report, opened and closed, with the adoption of resolution no. 226/15/CONS, the public consultation on the amendment of the Regulations for the resolution of disputes between operators.

With regard to sanctions, two important cases were opened by the Authority in the period of reference, both against Telecom Italia: the first concerns the breach of the obligations of prior notification pursuant to article 68, paragraph 2, of resolution no. 731/09/CONS; the second regards breach of the obligations pursuant to resolutions no. 274/09/CONS, no. 35/10/CIR and no. 309/14/CONS. In particular the latter procedure follows the report of the competitor operators regarding the fact that Telecom Italia sent anomalous KOs in relation to orders of activation, migration and number portability, regarding delays and anomalies in the provisioning processes of access services, and because Telecom Italia refused to grant or delayed granting number portability to certain types of business customers.

1.2 "Media" services: analyses, rules and controls

The Authority, in accordance with article 43 of Italian legislative decree no. 177 of 31 July 2005, the "Audiovisual Media and Radio Services Consolidation Act" (TUSMAR), is required to verify that there are no dominant positions in the Integrated Communications System (ICS) or in the relative markets, and that the anti-concentration limits laid down in paragraphs 7, 8, 9, 10, 11 and 12 of the same article are not exceeded. The purpose of these provisions is to guarantee "external" pluralism in the information and media system, which implies the presence of a number of subjects (television broadcasters, radio broadcasters, publishers and other providers of non-linear audiovisual media services) which - operating in competition in the integrated communications system - ensure full implementation of the principle of the freedom of active and passive information set out in article 21 of the Constitution.

Despite being based on the analysis of the relevant markets of the communications system, according to a typically antitrust approach, the performance of the tasks entrusted by the TUSMAR to the Authority regarding the economic evaluation of the ICS is, therefore, designed to pursue the pluralism of information and to guarantee democratic freedoms for which the free play of competition is instrumental. In this sense, in 2014, the Authority carried out the annual activities of the economic evaluation of the SIC and of verifying the limits referred to in the Consolidation Act (see resolution no. 114/14/CONS) and, in the current year, within the summer, it will have completed the relative activities (launched by resolution no. 43/15/CONS).

To this regard and with reference to the ban on overlapping of the press and TV, decree law no. 192 of 31 December 2014 (converted with amendments into law no. 11 of 27 February 2015) extended until 31 December 2015 the ban on press and TV overlapping of art. 43, paragraph 12, of legislative decree no. 177/2005 and subsequent amendments and additions.

In addition, always to ensure the presence of a number of economic operators in the information system, including all means of mass communication media, the law gives the Authority the task of carrying out the necessary checks, according to the procedures laid down in the regulation pursuant to resolution no. 368/14/CONS, following the notification/communication of concentration operations or agreements on the part of the subjects which operate in the SIC, reported by any interested party and, periodically, on the Authority's initiative.

The data on the volume of the activity carried out in the period of reference, regarding verification of concentration operations and agreements within the SIC, are given in Table 1.2.1.

Table 1.2.1 - Verification of respect for the principles of art. 43 of Italian legislative decree no. 177 of 31

July 2005 and subsequent amendments and additions

Operations subject to verification	23	Decisions not to open inquiries pursuant to article 5 of the Regulation	11
		Appeals inadmissible in as much as intra-group operations	12

Always in order to guarantee pluralism, the Authority, pursuant to art. 1, paragraph 6, letter. c) no. 13 of law no. 249 of 31 July 1997, authorizes the transfer of ownership of the companies engaged in television broadcasting. The exercise of this function is aimed, in particular, to prevent concentration operations between companies operating in the SIC or in a single relevant market which would allow for the anti-concentration limits set by law to be exceeded or, if dominant positions were to result, in order to take the consequent measures.

For this purpose, operators are required to apply for authorization in all cases in which there is a corporate transfer, or the transfer of units or shares and any other act or fact that has the effect of the acquisition on the part of another subject of the control or of the majority stake of a radio or television broadcasting company, whether it regards the absolute or relative majority, and in the case of any other deed or agreement - regardless of the stipulation method - which determines the same effect in the form of dominant influence as contemplated by art. 43, paragraph 15, of the TUSMAR.

During the reference period there were 8 requests for the authorization of the transfer of the ownership of broadcasting companies, all of which were accepted.

With regard to the anti-concentration limits contemplated in the case of authorisation for the supply of television programmes, the Authority provides for the verifications on its own initiative within and no later than 30 October each year, as contemplated by the Regulation annexed to resolution no. 353/11/CONS.

According to the verifications carried out in the period of reference, on the data reported by several media service providers to the Register of communication operators relative to the year 2013, no supplier or group of suppliers exceeds the anti-concentration thresholds of article 43, paragraph 7.

Frequency planning for digital television and radio

In order to ensure optimal allocation and efficient use of scarce resources, the Authority's institutional tasks also include frequency planning for television and radio broadcasting services.

In particular, with regard to planning activities for the transition to digital television broadcasting, one of the prerequisites is full respect for the restrictions laid down in the plan decided by the Regional Planning Conference, held in Geneva in 2006 (RRC06).

Failure to observe these restrictions on the part of sector operators has led to situations of interference which are prejudicial to foreign Administrations and the continuation of such situations prompted the Government to issue decree-law no. 145 of 23 December 2013, later converted with amendments by law no. 9 of 21 February 2014. The said provision has established stringent provisions aimed at putting an end, within a given date, to the interferences caused to foreign users, both by the voluntary release of frequencies by users and, when necessary, by the use of coercive means together with economic measures of a compensatory nature.

For the implementation of the said provision, the Authority amended the frequency plan for digital television previously adopted, eliminating the interfering frequencies by resolution no. 480/14/CONS entitled "*Change*

of the national frequency allocation plan for radio and television broadcasting in digital DVB-T technology in implementation of art. 6, paragraph 8, of law no. 9 of 21 February 2014".

During the period of reference, a planning provision was also adopted aimed at defining the radio electrical resources necessary to ensure the radio coverage contemplated by the Rai public service contract; planning implemented subsequent to a procedural agreement signed on 1 August 2013 between the Authority, the Ministry of Economic Development and Rai (see resolutions no. 149/14/CONS, no. 451/13/CONS, no. 539/13/CONS and no. 631/13/CONS).

Lastly, the 2015 stability law has assigned further tasks to the Authority in the field of frequency planning for the digital terrestrial television service. In particular, the provision establishes that the Authority must review the frequency planning for the digital terrestrial television service devoted to broadcasting local programs, using all frequencies "attributed internationally to Italy" and "not assigned to the national network operators for the digital terrestrial television service". The provision states that the frequencies thus identified must be planned for making available the relative transmission capacity to the providers of local audiovisual media services; to that end, the relative procedure has been initiated, with resolution no. 44/15/CONS.

Analysis of the conditions and methods of use of the transmission capacity for broadcasting audiovisual content, on the main transmission platforms

Always within the broadcasting sphere, the survey carried out by the Authority (see resolutions no. 438/13/CONS and no. 283/14/CONS), have shown that the transmission capacity for the digital terrestrial television channels is offered nationally to eight national network operators, six of which are vertically integrated with subjects operating in the segment downstream of the delivery of content. These operators, because of the frequency usage rights, handle 19 multiplexes that have different characteristics, both in terms of technical qualities and the efficiency of the services provided, as well as the economic returns generated.

All the evidence gathered during the proceedings showed a broad, well diversified range of transmission capacity available nationwide. Consequently, there were no critical (technical and economic) factors that would justify the imposition of an obligation to transfer 40% of the transmission capacity to the fifth multiplex held or acquired by existing network operators.

Annual contributions for the use of the frequencies

The Authority, at the end of a long and complex inquiry phase which involved conducting a public consultation, approved (see resolution no. 494/14/CONS) the criteria for the determination, on the part of the Ministry of Economic Development, of annual contributions for the use of digital terrestrial TV frequencies, in compliance with art. 3-quinquies, paragraph 4, of the decree law no. 16/2012, converted by law no. 44/2012.

In determining the new contribution model, the Authority took into account the identification and separation, by law and by regulation, of distinct figures in the application of a horizontal entry model. The said model, in place of the one subject in the previous analogue system (the broadcasting licensee) recognises and distinguishes three figures, subject to distinct authorization systems: the network operator, the media service provider and the conditioned access services supplier. On the basis on the said regulatory framework, the obligation to pay contributions for the use of the frequencies bears on the network operator or, at any rate, on the holder of the frequency usage right, on the basis of the authorization specifically granted by the Ministry. In application of the provisions of law, therefore, the Authority proceeded to develop a model for the determination of the annual contributions due by the network operators holding usage rights, appropriate to the national context. For this purpose, the Authority took as a reference the economic value of the resource used such as the production input of the market actors, considering that the model more in line with the goals set by the legislature was that which refers to "commercial transactions", taking as a starting point the value of the radio spectrum calculated for commercial transactions regarding assets as similar as possible to that in question, i.e. the radio-television frequencies. In the final provision, this was therefore considered the base value of the competitive procedure put in place pursuant to resolution no. 277/13/CONS which ended with the award to one of the three networks auctioned. In addition, the Authority set as a reference model for the determination of the contributions not the value of the award, but the base value (minimum), which in the procedure is also the reserve value of the asset auctioned, i.e. the value that the Authority and the MISE considered adequate for the twenty-year use of the frequencies auctioned. For the calculation of the annual contribution, the auction base value was discounted by applying a discount rate equal to the average monthly values of the long-term BTP issued in 2013 and for the duration of the right to use the frequencies.

After identifying the reference value of the frequencies on the basis of the principle of reasonableness, the annual contribution was determined taking into account the additional principles of the promotion of pluralism, non-discrimination and proportionality, as indicated by art. 3-quinquies, paragraph 4, of decree law no. 16/2012, converted by law no. 44/2012. To this regard, the Authority has established: *i*) only for the national network operators, an anti-hoarding type criterion, implying percentage increases to be applied to the contribution for each multiplex owned by the same entity (or entities controlled by or connected to the same), starting from the second. In particular it was considered that the reference value of the annual contribution, for a national network operator, should be increased by a factor of up to a maximum of 5% for the second network operated by the same entity, up to a maximum of 10% for the third, up to a maximum of 15% for the fourth, and up to a maximum of 20% for the fifth. This increase does not apply to network

operators other than Rai and Mediaset operators for a period equal to the duration of the glide path set for the same; *ii*) for all operators, whether national or local, a discount factor for a single network, due to the innovative nature of the technology required for broadcasting the programmes. In particular, it was maintained that the reference value of the annual contribution, for a network operator, had to be discounted by a factor of up to a maximum of 30% for each network, depending on the introduction and the commercial operating, for that network, of innovative technologies for achieving the efficient use of the radio spectrum such as DVB-T2, for at least 60% the relative coverage. The discount factor is determined up to a maximum of 20% for the operators Rai and Mediaset; *iii*) with regard to local television network operators, a benchmark for the annual contribution for each network, discounted by at least 70% and reduced in proportion to the population corresponding to the width of the usage right assigned; *iv*) for all network operators, both national and local, the payment of the annual contribution for each multiplex managed.

Lastly, with regard to the application of the criterion of progressiveness, the Authority considered it necessary to submit every assessment to the competent Governmental organs on the occasion of the concrete application of the annual contribution, considering the potential profiles related to the immediate and future revenue from public financing.

The Authority therefore approved the measure, merely suggesting the adoption of the criterion of the progressive application of the new contribution system, indicating parameters for that purpose that could be used for the relative discipline.

Opinions on the transfer of radio-television frequency usage rights pursuant to art. 14-ter of the Electronic Communications Code

The Electronic Communications Code, under article 14-ter, paragraphs 5 and 6, disciplines the procedure for the transfer of individual rights to use radio frequencies, which are authorized by the Ministry of Economic Development after consultation with the Authority.

More specifically, the Authority checks that the transfer of the usage right does not lead to an alteration of competition and does not conflict with the planning requirements laid down by the relevant resolutions and then, after obtaining assessments of competence from the Antitrust Authority, issues an opinion to the Ministry.

Table 1.2.2 shows the data on the opinions of the transfer of radio frequency usage rights issued in the period of reference by the Authority pursuant to art. 14-ter of the Electronic Communications Code.

Table 1.2.2 - Transfers of radio frequency usage rights

The transfer of radio and television frequency usage rights pursuant to art. 14-ter of the Electronic Communications Code			
		Opinions concluded	72
Applications received	106	Pending the opinion of the AGCM	34

The issue of certificates enabling the supply of audiovisual and radio media services

The Authority, in accordance with the procedures set out in the Regulation annexed to resolution no. 127/00/CONS, provides for the issue certificates enabling broadcasters to transmit television programmes via satellite in a State that has signed the European Convention of Strasbourg on Transfrontier Television, ratified by Italian law no. 327 of 5 October 1991. In addition, under article 21, paragraph 1-bis, of the Consolidation Act and resolution no. 606/10/CONS, the Authority authorizes the provision of linear audiovisual media or radio services via other electronic communication media and, pursuant to article 22-bis of the Consolidation Act and resolution no. 607/10/CONS, disciplines the supply of non-linear audiovisual media services. Lastly, the Authority receives the reports from the providers of audiovisual and radio media via terrestrial networks, satellite or cable, holding the relevant qualifying title currently valid for the purposes of simultaneous integral retransmission via other electronic communication media or satellite networks. The volume of the activities related to this field of competence carried out in the period of reference is shown in Table 1.2.3.

Table 1.2.3 - Authorisations for the supply of audiovisual media services

Programmes and subjects authorised for broadcasting via satellite	23
Re-transmission in simulcast of linear audiovisual or radio media services on other electronic communication means	3
The performance of linear audio-visual media services or radio services on other electronic communications means	11
Audio-visual media services on request	3

For administrative simplification and in order to avoid the duplication of the reports to the Authority from media service providers, it was decided to amend the regulation attached to resolution no. 353/11/CONS and the regulation on the Communication Operators Register attached to resolution no. 666/08/CONS (see resolution no. 565/14/CONS). In particular, the changes introduced mean that the Authority, for the checks referred to in paragraph 7 of article. 43 of TUSMAR, makes use of the information provided by the subjects authorized to provide national and local television programmes in compliance with the Register of Audiovisual or Radio Communications Operators.

Digital radio broadcasting

With regard to digital radio broadcasting in Italy, it should be remembered that it uses the standard called DAB +, which has the potential to constitute, in the future, a strategic resource for the national radio system. The development of the service has already reached a significant level, exceeding the critical point of no return for the development of digital radio in Italy, as evidenced by the areas covered, the increase in the receiver terminals and the interests of car manufacturers in equipping vehicles with digital receivers.

For this purpose, the Authority has continued to carry on its business plan, which began in 2013 with the provinces of Trento and Bolzano (see resolution no. 602/14/CONS).

1.3 The protection and guarantee of rights in the digital system

The Authority, in addition to the activities outlined in the previous section, carries out various activities aimed at protecting individual and collective rights in the media system. These range from the protection of users and minors, to copyright, and to political communications and advertisements. On the following pages, a brief account is given of the main activities carried out last year by the Authority in this area.

Evolution of the audiovisual sector

A first activity carried out by the Authority regards the analysis of the technological environment and the market. In this context, after the "Survey on Internet services and on-line advertising" which was completed in February 2014 (see resolution no. 19/14/CONS), the Authority carried out a specific study on the evolution of the national information system (resolution no. 146/15/CONS), with analysis of consumers' demand for news, the offer of information products (including digital products) and the evolution of the journalistic profession. In Chapter II (paragraph 2.2) the main findings of this survey are presented.

Another fact-finding survey regarded "Television 2.0 in the era of convergence"; it was completed in early 2015 (see resolution no. 19/15/CONS) and revealed the existence of significant regulatory asymmetries between television and Internet service operators, as well as the question concerning the availability, accessibility and traceability of media content. There has been an increase in the degree of competition between linear and non-linear services, between which it is increasingly more difficult to distinguish, which makes legal provisions difficult to implement. The fact that, in many circumstances, there is no legal system in line with the technological process in place, raises the need to redefine, at national and Community level, the discipline in question.

In the light of the results of the survey on TV 2.0, as well as the problems that came to light in the performance of supervision in the field of the so-called European quotas, the Authority has launched a survey in the field of audiovisual production with specific focus on European and independent production (see resolution no. 20/15/CONS). The transition from analogue to digital, combined with increasing transmission capacity and specialised theme channels, has in fact created the need to question the suitability of the rules on the so-called "European quotas" of programming and the current restrictions on independent production.

To this regard, it can be noted that in 2014, the activities of the European Regulators Group for Audiovisual Media Services (ERGA), composed of national audiovisual regulators of the European Union member states, began. The ERGA acts as advisor to the European Commission for the implementation of the Audiovisual Media Services Directive (SMAV). In this context, the Authority plays the role of leader of the subgroup on the independence of national audiovisual regulators whose objective is the analysis of the principle of independence for national regulators.

The public radio and television service

In the new digital environment, public service broadcasting continues to play a key role in the supply national information. Over the last year, the Authority has exercised its supervisory role on the public broadcasting service, assigned to the same by art. 48, paragraph 1, of the TUSMAR, with reference to the Service Agreement 2010-2012, which is still in force having been extended as from 1 January 2013, pending the approval of the 2013-2015 Service Agreement.

With regard to its supervisory role, in compliance with the existing contractual provisions, Rai periodically reports and transmits information to the Authority on the economic-financial results of each financial year and the contents of its broadcasting. With regard to content, the Agreement imposes reporting obligations on the monitoring to be conducted every six months/year, on the offer of the television and radio public service, on the web offer, on television programmes for children, and on the offer for users with sensory disabilities.

The complaints reported have mainly concerned technical matters regarding the persistence in some areas of the country of reception problems relative to digital TV channels and, to a lesser extent, radio channels. Complaints from local authorities, associations and private citizens, were often accompanied by protests against the TV license. Other reports complained of specific types of programs (games).

In this context, the Authority launched an inquiry into the alleged non-compliance by RAI with the public service broadcasting obligations (pursuant to article 22 of the 2010-2012 Service Agreement) for the non-availability of its public service programming on the Sky satellite platform. The complex inquiry focused on the application of the principle of technological neutrality to television content. The process was completed in March 2015 (see resolution no. 128/15/CONS): the Authority, in application of the provisions of paragraphs 2 and 4 of the said article. 22 of the Service Agreement in force, has dictated the Guidelines to be followed in the negotiations between the parties on the agreement for the sale of public service programming.

Copyright

In 2014, with the entry into force of the "Regulations on the protection of copyright on electronic communications networks and implementation procedures pursuant to legislative decree no. 70 of 9 April 2003" attached to resolution no. 680/13/CONS, the Authority initiated the activities of enforcement (of a procedural type) and those of the Committee for the development and protection of the legal offer of digital works aimed at promoting greater awareness in the use of digital works and at spreading the mentality of legality to protect the various markets of the digital culture market, heavily damaged by piracy.

In terms of enforcement measures, 209 complaints were received in 2014 (excluding those withdrawn or filled out on-line and never completed by following the prescribed procedure), of which 207 regarded Internet sites and 2 regarded audiovisual media services.

On conclusion of the preliminary inquiries, the Authority opened 134 procedures, which ended, in 53% of cases, with spontaneous compliance by the providers or the site managers. This figure may well be interpreted as an indicator of the effectiveness of the Regulation, spontaneous compliance being certainly

more desirable from the viewpoint of fostering legality. In 35% of cases, which were mass violations related to Internet sites with servers abroad, the Authority has instead ordered the mere conduit operators in Italy to disable access by blocking the DNS, in respect of the criteria of gradualness, appropriateness and proportionality required by the Regulation.

Table 1.3.1 gives an overview of the Authority's action to protect copyright on electronic communications networks, showing the proceedings opened, those dismissed by the Audiovisual Contents Department, and the measures adopted by the Committee. All the Authority's measures can be viewed on the website www.ddaonline.it.

Table 1.3.1 - Key statistics of copyright activities

Cases reported according to type of work	Number
audiovisual	86
publishing	24
photographic	49
literary	8
software	6
sound	30
video-games	2
Cases dismissed for administrative reasons before the opening of the procedure	40
Cases under inquiry	4
Cases opened	134
of which, with ordinary procedure	76
of which, with summary procedure	58
Cases dismissed due to the withdrawal of the complaint	2
Cases dismissed for administrative reasons and for spontaneous compliance	70
Cases concluded with dismissal on the part of the CSP	12
Cases concluded with access disablement orders	46
Cases in progress	4

Figure 1.3.1 shows the number of cases in the reporting period broken down by type of procedure.

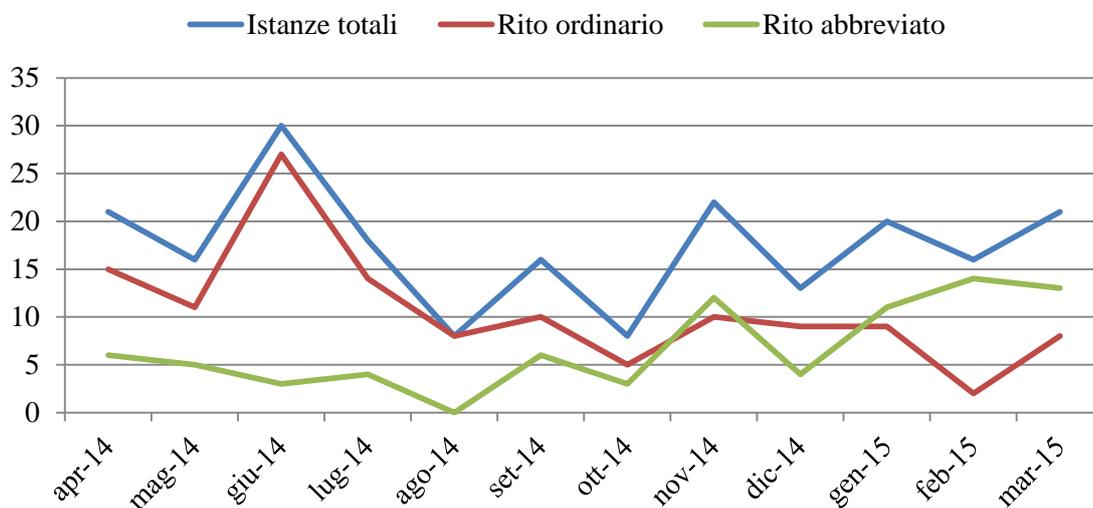


Figure 1.3.1 - Number of cases per month and per type of procedure

As it is known, the Committee for the development and protection of the legal offer of digital works consists of one representative from each of the major category associations of the sector, of consumers, authors, artists and performers, publishers, producers, distributors, media service providers and service providers of the information society, and one representative of the following organisations: the Italian Society of Authors and Publishers (SIAE), the Permanent Advisory Committee on Copyright at the Ministry of National Heritage and Cultural Activities, the Technical Committee against Digital and Multimedia Piracy at the Department for Information and Publishing of the Prime Minister's Department, the Committee for the Implementation of the Self Regulating Code for Media and Minors at the Communications Department of the Ministry for Economic Development, the Postal and Communications Police, the Special Broadcasting and Publishing Unit of the Financial Police, the Sections specialized in the field of industrial and intellectual property. The Committee also includes 5 representatives of the Authority.

With regard to the activities of the said Committee, the balance of the initiatives is very positive. The activities carried out or promoted in the course of 2014 include, in particular, the development of certain analyses regarding the legal offers to the public of digital content in the main markets of the cultural industry protected by the Regulation (audiovisual, musical, daily newspaper and magazine publishing, photography, video games, the drafting of the criteria for the bases of the Authority's decisions, which will be compiled annually), the definition of some preliminary criteria for the evaluation of the impact of the Regulation and the development of a proposal for a landing page for the re-direction of links to the sites subjected to inhibition orders, the approval of an information campaign aimed at secondary schools, the identification of minimum standards for the signing of a "notice and take down" code, and the in-depth examination of specific aspects relating to the so-called "follow the money" approach which implies cooperation from advertising operators to contrast the illegal exploitation of works protected by copyright.

Sports rights

In 2014 the Authority approved the Guidelines on the sale of audiovisual sports rights, pursuant to decree no. 9/08 (the so-called Melandri Decree) for Professional League Football, the National Professional Series B League Football and for the National Basketball League. The Authority has defined a procedure for exemption from the ban imposed by Melandri Decree, with the sub-licensing of the television rights to the Series A Championship, with reference to the package of exclusive rights relative to 132 matches on all platforms in the 2015/2016, 2016/2017 and 2017/2018 sports seasons. The exemption allows the original assignee to sub-license the package to another entity, recognising that the flexibility of the exploitation rights can be a significant benefit for end users with more opportunities to access the events in question. The Authority has also continued with the routine inspections and imposition of penalties, as shown in detail in Table 1.3.2.

Table 1.3.2. - Sanction procedures relative to sports rights.

Type Infringement	Broadcaster	Charge	Dismissed	Injunctions	Amount of fine (Euro)
LIVE RADIO REPORTS OF SPORTS EVENTS	Radio Centro Suono	16/13/DISM/UDIS	-	182/14/CONS	6,197.46 (paid)
	Radio Verona	02/14/DISM/UDIS	-	3/14/PRES 604/14/CONS	53,711.32
	Radio Verona	04/14/DISM/UDIS	-	-	2065.82 (paid)
SALIENT IMAGES LINKED TO SPORTS EVENTS	Gruppo Air Srl - Telex	03/14/DISM/UDIS	-	-	6,197.46

The protection of individual rights: minors and users

The digital ecosystem poses new challenges for the guarantee of fundamental rights. The protection of children is an institutional objective of primary importance, and so much so that last year the Authority presented its Media and Minors White Paper. The document presented guidelines and operational practices which take into account the new digital environments with which children interact daily. The last year has been a test bench for assessing the effectiveness of the Regulations approved in the previous year, which identified both the technical requirements of the receiver devices to enable the activation of the parental control function and to inhibit, on request, the viewing and listening of certain broadcasts on the part of children (see resolution no. 51/13/CSP), and the criteria for the classification of transmissions seriously damaging to minors (see resolution no. 52/13/CSP).

The two measures have had a considerable deflationary impact in respect of the relative infringements, leading to an alignment of the behaviour of issuers to the indications contained therein. This result was also achieved by the preliminary investigation conducted within the sphere of the sanction procedures, during which the technical specifications were examined and the degree of suitability of the system of parental controls installed in digital terrestrial receivers (see Tables A1, A2 and A3 of the Appendix).

In this framework, the Authority decided to establish a permanent observatory of the forms of guarantee and protection of minors and of fundamental human rights on the Internet (see resolution no. 481/14/CONS). The goal is to provide for a more coordinated approach to the various problems related to the use of the Internet and social networks by verifying the effectiveness of the procedures and measures taken by the operators. To

achieve this objective, the Observatory will ensure periodic monitoring of the data relative to users' behaviour in respect of the Internet and social networks, as well as the policies adopted by operators to safeguard personal values and users' rights. In the first implementation phase, the phenomena monitored regarded the protection of minors and the analysis of behaviour designed to instigate hatred and spread of deplorable content.

Political communications

In addition to the task of the protection of individual and collective rights in the media system, the Authority must also deal with the regulation of the communications. This institutional function encompasses the entire spectrum of media communications, from political and institutional to commercial communications.

With regard to political communications, the Authority, downstream of the activities for the revision of the provisions for the implementation of law no. 28 of 22 February 2000, relative to non-electoral periods, has transmitted a draft regulation to, and has been consulted by, the Commission for the general guidance and supervision of broadcasting services. Pending the definition of the relative regulations, the Council of State has pronounced two judgements which annulled two of the Authority's resolutions relative to information programmes broadcast in a non-electoral period, producing effects in terms of the criteria for evaluating respect for pluralism in information programmes. The interpretation of the judgements will affect the text of the regulation for non-electoral periods.

With regard to equal conditions relative to elections, the discipline adopted for all local referendums (see resolution no. 89/14/CONS) - except those constitutionally required - has been applied in the various types of local advisory, proactive and repeal referendums that took place in the period, without giving rise to additional regulations. In 2014 the European elections (resolution no. 138/14/CONS) took place on a single day (May 25), the elections of 4,096 town councils (resolution no. 139/14/CONS) and the regional elections in Abruzzo and Piedmont (resolution no. 140/14/CONS); the latter two regulatory resolutions were applied, respectively, also in local elections in Sicily and in the Province of Trento (16 and 17 November 2014) and in the regional elections in Emilia Romagna and Calabria (23 November 2014). The elections in question do not include those for the renewal of the Provincial Councils (9 October 2014), now considered as second level bodies. During these electoral campaigns, the Authority adopted provisions mainly regarding institutional communications and equal treatment of the political subjects in information programmes (see Figure 1.3.2).

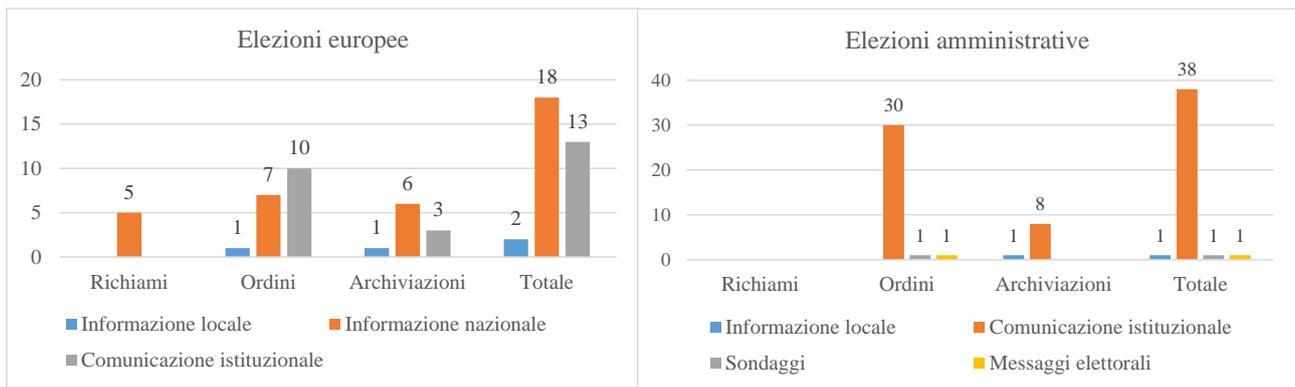


Figure 1.3.2 - Activities relative to *par condicio*

Television and radio advertising

The exercise of the Authority's power of sanction in the field of audiovisual advertising is based on the exercise of its duty to supervise and monitor television and radio programmes. This monitoring is entrusted to an external company, selected by a European public tender. At local level, the Regional Communication Committees (Co.Re.Com.) are mandated by the Authority to carry out the monitoring of local television broadcasting.

In the period of reference, sanctions were imposed against local broadcasters for violation of provisions relating to overcrowding limits, the positioning of advertisements and their distinction from the rest of the programming and - also for national audiovisual media services - for breach of the restrictions in force on the transmission of television sales of goods and of astrology, fortune telling and similar, and services related to predictions concerning the lottery (see Table A4 in the Appendix).

The exercise of this power of sanction has been more effective since the entry into force of the Rules of Procedure relative to administrative sanctions and commitments (see resolution no. 410/14/CONS).

Product placement

The activities of the Permanent Observatory relative to product placement, in accordance with article 40-bis of the TUSMAR, regarded, in the last year, the formulation of specific self-regulatory provisions relating to specific cases of product placement: branded content and naming. Regarding the first case, the self-regulatory rule fully protects the editorial independence of media service providers from undue compression dictated by advertising goals. In the second case, the identifying trademark of a product, represented with all distinguishing features including the graphics, was not considered eligible for inclusion in the title of a programme. The main national television broadcasters, on the result of the Observatory's work, have updated their self-regulatory codes on product placement.

Institutional advertising

Public administrations and public bodies are also required to comply with the provisions contained in article 41 of the TUSMAR regarding institutional communications. During the period of reference, the Authority carried out sample monitoring on the Regions, for the financial years from 2010 to 2013: this verification resulting in the opening of 17 sanction procedures for breach of the provisions in force.

During the period of reference, the Authority carried out a number of initiatives to improve the application procedure and the effectiveness of the provisions of art. 41 of the TUSMAR; to this regard, there is constant dialogue with the public bodies concerned, in order to clarify and facilitate the application of the said article, which took place both informally, through direct telephone contact with the bodies which requested assistance on problems of a technical nature (requests for registration, access to the website for the electronic submission of declarations, etc.), or regarding the interpretation of the existing legislation, both formally, through the electronic submission of the regulations and the forms of reference, on the opening of sanction procedures, or in response to the various requests received for clarifications.

Audience ratings and broadcasting penetration of communications media and the publication and circulation of surveys

The Authority has monitored the methods and governance of the main subjects which carry out surveys on audiences and on the diffusion of the communications media, integrating general identity data, the composition of the shareholding structures and of the boards of directors, the statutes and all the information required by resolution no. 130/06/CSP. Particular attention was paid to checking on the methods adopted by the institutions (Table 1.3.3).

Table 1.3.3 - Methods of the subjects which measure audience ratings and the diffusion of communications media

	Auditel	Audipress	Audiweb	Audimovie
Object of the report	the viewing of TV channels(digital terrestrial/satellite/cable)	the reading of newspapers and magazines	the use of the Internet via computers mobile devices (smartphones and tablets)	cinema audiences
Research base	24,000 interviews	---	10,000 interviews	---
Analysis units	families	single readers	single surfers	single spectators on the basis of tickets sold
Sample	5,697 families	three levels: towns, town districts, electors	PC panel (41,000 cases) smartphone panel (3,000 cases) tablet panel (1,500 cases)	cinema auditoriums measured by Cinetel
Measuring tools	<i>people meter</i>	PERSONS: 33,000 interviewed relative to newspapers, 21,000 interviewed relative to magazines	Software meter in PCs and mobile devices + census systems and catalogue data	physical count of cinema audiences
Period of the survey	365 days a year	three cycles of 35 weeks every year	365 days a year	365 days a year organised in cycles

With regard to radio audiences, however, the Authority acquired the results of the functional tests that the Ugo Bordoni Foundation carried out on portable meters, made available by the institutions participating in the trial. The final report has established that all the technologies used are appropriate for ensuring correct identification of the broadcasters surveyed. The Authority has also taken into due consideration local conditions, the adoption of an integrated methodology based on meter data and data from the CATI (Computer Assisted Telephone Interviewing) survey. The holder of the survey will be a new type of consortium, able to represent radio companies (public, private, commercial, non-profit, national and local) and advertisers.

With regard to the publication and circulation of surveys on mass communications media, the Authority has continued its supervisory activities on compliance, in terms of the completeness and accuracy of both the informative note published by the leading national television and radio channels and newspapers, and the documents prepared by the opinion surveyors for publication on the Authority's website. In the reporting of reference, the documents published on the Authority's website totalled 575, an increase of about 24% over the previous year.

1.4 Competition and rules in the postal sector

The postal market is a recently liberalised area which has needed deep and structural action by the Authority in recent years. A necessary first aspect concerns the regulation of access to the market.

Rules on market access

The new regulatory framework of reference for subjects which intend to enter and operate in the market, is represented by the provisions authorising the public offer of postal services (see resolution no. 129/15/CONS). In addition to the conditions (requirements and obligations) for the release by the Ministry of Economic Development (MISE) of the authorisations, the Authority, with the Regulation, considered it appropriate to solve certain problems in the last year, arising in the application: i) the violations that result in the suspension or revocation of the authorisation have been indicated, outlining the relative procedural processes; ii) the cases in which operators can legitimately take avail of third parties to perform the service have been indicated as well as the conditions to be met for the protection of consumers; iii) a criterion has been outlined to distinguish mail transport from transport not subject to the provisions of the Regulation, in line with the indications contained in the Community directive (2008/6/EC).

All together, the rules on market access define the essential elements for recognizing the quality of the service provided by the suppliers, thus supporting a virtuous development of competition in the postal sector. The rules aim to ensure minimum requirements of consumer protection, guaranteeing the necessary information to users, in line with the standards set by European legislation.

To this regard, the Authority has taken a central position in the European debate on market regulation. In fact, it is actively involved in the activity of the European Regulators Group for Postal Services (ERGP). In the context that currently characterizes the postal services sector, an important role of coordination is entrusted to the Authority, together with the Swedish Authority and the group on the "Implementation and development of the Universal Service", whose objective is to assess if, in the light of changes taking place in the postal markets - in particular the drastic reduction in the volume of mail in recent years - it is necessary to amend the current legislation on the universal service in order to make the cost more sustainable. The Authority is also active in other ERGP groups regarding the regulatory accounting of postal operators, the forwarding of packages for electronic commerce between the Member States, service quality and consumer protection.

General Conditions of Service

Two aspects, market competition and protection of users, characterise the inquiry initiated by the Authority to define the legal and economic conditions for the return of postal items entrusted by senders to operators other than Poste Italiane and included in this latter's network (see resolution no. 564/14/CONS). The current regulations (article 18 of the General Terms of Service, resolution no. 385/13/CONS) entrusts to an agreement between operators the definition of the conditions for the return of items and submits the decision to the Authority only if negotiations fail. The decision to initiate regulatory action on this issue is justified by

the objective, and not occasional, relevance of the phenomenon and the difficulties that there have been in negotiations between the parties to reach agreements on returned mail items.

User protection and the guarantee of universal services, on one hand, and the need to limit the relative costs, on the other, are the two aspects that the Authority has reconciled through the modification of the distribution criteria of Poste Italiane post offices (see resolution no. 342/14/CONS) previously laid down in article 2 of the 2008 decree of the Ministry of Economic Development. In an environment of due containment of the costs of the universal service and necessary rationalization, the Authority's attention has focused on the need to safeguard, in particular, the situation of the more remote geographical areas of the country: rural and mountain areas and the smaller islands. The goal that the Authority pursued with the adoption of this measure, by modifying the access points to the postal network, was that of avoiding additional costs for those areas of the country already penalized by objective orographic obstacles. In fact, European Union legislation requires solutions that, in the awareness of the general context, can ensure maximum economic and social cohesion, avoid whole areas from being disadvantaged compared to the rest of the country.

In intervening in the criteria for the distribution of post offices, it was deemed appropriate to include specific bans on the closure of those offices that serve users who live in remote areas of the country. The need to ensure the availability of the service in the disadvantaged areas was therefore considered a priority, even considering the very low volumes and high operating costs. The closure bans, of which Poste Italiane must take into account when preparing the plan for the rationalization of post offices, contemplate special guarantees for towns in mountainous areas and in scarcely populated areas, protecting situations identified on the basis of objective parameters taken from ISTAT classifications and demographic data. The pursuit of the goal of containing the costs of the universal service is nevertheless guaranteed by a reduction of minimum opening hours for a limited number of offices (from three days and 18 hours per week to two days and 12 hours per week).

In terms of the necessary relations with local institutions, resolution no. 342/14/CONS obliges Poste Italiane to inform the local institutions in due time of rationalisation measures: this should allow for opening discussions on the possibility of limiting the inconvenience for the local populations, identifying alternative solutions that are more suitable to the specific local context.

Verification of the costs of the universal service

On the question of the cost of the universal service, an important survey was carried out by the Authority (see resolution no. 412/14/CONS), which estimated the said cost at about Euro 381 and 327 million respectively for the years 2011 and 2012, sustained by Poste Italiane, for the mandate conferred on the company until 2026.

This result was reached by developing an operational method for calculating the net cost of the universal service based on the criterion of the so-called "net avoided cost" established by Directive 2008/6/EC, relative to which there were no consolidated precedents, indications or guidelines from the European Commission.

Annex I, part B, of the directive in fact rules that the net cost should be calculated as the difference between the net cost incurred by an operator subject to the universal service obligations and the net cost incurred by an operator not subject to such obligations. Two different scenarios were therefore outlined (factual and counterfactual) within the sphere of which, in one case the costs incurred and the revenues obtained by Poste Italiane as the provider of the universal service were examined and, in the other case, the sustainable costs and revenues achieved by Poste Italiane in the case of absence of the universal service obligations were analysed.

With regard to the applicability of the mechanism for the allocation of the costs of the universal service, the Authority considered that the operators of the sector should not be burdened with the obligation to pay any contribution to the compensation fund established by the MISE pursuant to article 10 of Italian legislative decree no. 261/99.

Forecasts of the 2015 Stability Law and the Authority's actions

Market regulation and the strategy already identified last year by the Authority have had to take into account the legislation in force. In fact, in the first months of 2015 the Authority was particularly engaged on the implementation of the provisions concerning the postal sector, contained in the 2015 Stability Law. The said law has significantly changed the regulatory framework for the universal postal service, by focusing on three goals: 1) the evaluation of Poste Italiane also consequent to the reduction of the maximum value of the cost of universal service recognized to Poste Italiane starting from the current year; 2) the need to continue to ensure the economic sustainability of those costs in the coming years, following the progressive contraction of mail volumes and the consequent rise in the cost of providing the service; 3) the need to maintain sustainable service levels in the specific technical, economic and social contexts of reference.

The inquiries that the Authority has launched thus fall within the broader framework of public policies aimed at responding to the changed situation of the postal services market and, in particular, at pursuing the goal of balancing the economic efficiency of the operator in charge of providing the universal postal service (in a situation of declining demand, partly due to e-substitution) against social needs and needs of general interest satisfied by the collection and delivery network of the company Poste Italian.

The recent legislative intervention, in addition to providing for a five-year duration of the programme contract stipulated between the MISE and the universal postal service provider, has introduced measures for the rationalisation of the service and the rescheduling of the weekly collection and delivery over the entire country, and has granted to the Authority the difficult task of defining new statistical quality goals and a new determination of the tariffs for priority mail and other universal services, also taking into account the available public resources.

On the basis of these legal prescriptions, the Authority, in April this year, launched two public consultations relating, respectively, to the definition of new quality objectives and new tariffs for the universal services (see resolution n. 164/15/CONS) and to the approval of a new delivery model on alternate days (see resolution no. 163/15/CONS). Both consultations started after the Authority had assessed the content of the

proposals made by Poste Italiane, as contemplated by the Stability Law. The Authority's assessments were carried out with the aim of reconciling the economic efficiency of the operator in charge of providing the universal postal service and the satisfaction of the basic needs of users, in a market situation characterized by a decline in volumes, also due to the so-called e-substitution phenomenon.

1.5 Consumers: a category to be protected

In the new digital ecosystem consumers play a key role, more active than in traditional markets, always worthy of careful protection activities by the institutions. A first, indirect form of guarantee regards the positive effects of the liberalization of the markets. As will be detailed in Chapter III, the liberalization of the markets, regulated by the Authority, has assured in Italy more than elsewhere a significant reduction in tariffs with important effects in terms of improved social welfare and, in particular, benefits for consumers.

There is also a complex set of coordinated regulatory measures, aimed directly at protecting consumers against possible market failures. In this context, the action taken by the Authority last year was priority oriented: in addition to the ordinary activities of enforcement and dispute resolution, it updated the existing regulatory framework and introduced new consumer protection measures to meet the needs of consumers, now more changeable than in the past in the light of the new digital communication tools, as well as solving specific problems identified in the course of the supervisory activity.

Regulatory initiatives

During the year of reference, the Authority carried out public consultation on four measures revising the regulatory framework, for which approval is being defined.

The first concerns the definition of the new "Regulations for contracts for the supply of electronic communications goods and services" (see resolution no. 645/14/CONS), which contains many innovations including those designed to ensure in practice the right of users to choose, particularly with respect to the time of the termination of contracts, and the provisions which govern and restrict operators' possibility of unilaterally changing service features and conditions. Further measures are aimed at increasing the level of user protection against the phenomenon of the activation of unrequested services or activation under conditions other than those proposed by telephone, with specific guidelines for the procedures to be followed in the interaction between user and operator for the conclusion by telephone of contracts for the supply of electronic communications goods and services.

The second measure, however, regards the transparency of the terms of the supply of services (see resolution no. 23/15/CONS) in order to update the provisions on the transparency of telephone bills and selective call blocking. The points that characterize this measure include: i) the clarity and completeness of billing documentation (known as the "*Bolletta 2.0*"), giving evidence of the user's transfer and information on the quality of Internet access services; ii) the simplification of complaint and cancellation procedures and, in any case, of communications between users and operators; iii) the availability in audio format for blind users or users with severe visual impairment. To effectively contrast the phenomenon of the undue or concealed activation of premium services, measures have been proposed to guarantee the effectiveness of the agreement by the purchaser and a procedure for the prompt deactivation of the service and the refund of sums unduly levied.

A further measure of the Authority regards the revision of the legislation on tariff transparency, with the aim of fostering greater understanding on the part of users of the economic conditions and on the use of

telephone and pay-TV services. The availability of multiservice commercial offers thanks to the technological evolution of communications services requires, in fact, an adaptation of the information provided to users, as regards both manner and type. In addition to the simplification and updating of the already existing regulatory framework, new regulatory measures are envisaged in relation to special offers and withdrawal costs. Furthermore, the measure that completes the process that will lead to the development of a calculation engine of the Authority for the comparison of commercial offers.

Lastly, to consolidate the principles developed during the years of experience of settling disputes between users and operators and to ensure the uniform application throughout the country of the criteria for calculating compensation, resolution no. 227/15/CONS has also started the process of the revision of the rules of compensation that users can obtain through the Authority or the Co.Re.Com. on the occasion of the definition of disputes. The proposed amendments are designed to clarify the criteria for the application of compensation, also in order to implement the automatic indemnity mechanism on the part of the operators and to reduce the risk of unfair decisions (likewise providing for differentiated rules for pay-TV in respect of electronic communications services). In particular, more adequate compensation is proposed based on the severity of the inconvenience; therefore higher indemnities are contemplated for problems that affect customers of ultra-broadband networks, in order to ensure the supply of high performance services and, consequently, to foster greater use of the same.

The supervisory and sanction activities for user protection

The need to adapt to the evolutionary scenarios of communications in the digital age is also felt in relation to the supervisory function and duties. On this occasion, we wish to emphasize not only the possible existence of market failures (especially in liberalized contexts), but also the large quantity of activity carried out by the Authority to safeguard the correct functioning of market mechanisms, particularly for consumer protection.

For this purpose, the computerised complaint form (the so-called D form) has been revised and functions have been put in place that allow for the forwarding of users' messages directly via the Authority's website, improving the promptness and the effectiveness of the supervisory action.

During the period of reference, 4,066 complaints were received from citizens via the D Form which, together with those received from consumer associations, have given impetus to the inquiry activities (see Table 1.5.1).

Table 1.5.1 - Complaints broken down according to subject matter

	Object of the report	n. D Forms
A	activation of unrequested services	604
B	suspension of services contrary to the provisions in force	190
C	failure to respond to complaints in the prescribed manner	95
D	problems of migration to another operator	1,032
E	non-compliance with general directives on quality and service charters	157
F	changes in contractual conditions without the notice required by law	66
G	the application to users of prices above ceilings imposed by the Authority	4
H	other new types	32
I	infringement of the provisions of Italian law no. 40/2007	168
L	disagreement on traffic to added value numbers and international numbers	395
M	universal services/removals	24
N	contractual problems	1,216
R	unfair trading	67
OTHER	complaints not of the Authority's responsibility	16
TOTAL		4,066

The verification, inquiries and audits focused on the more serious, current and widespread cases: for fixed telephony, disruptions in migration procedures, termination and number portability; for mobile telephony, the activation of unrequested services and unilateral changes in economic conditions.

Problems in the transfer of fixed lines, also in this reporting period, were among the most reported, with an increase of 13% compared to the previous period. A series of targeted inspections at major operators, carried out in collaboration with the Postal and Communications Police, allowed for identifying the critical issues affecting the users' interests and the behaviour of companies in breach of the law which requires, on the one hand, maximum limitation of disruption for those who change their provider and, on the other, the avoidance of unjustified suspension of the service. The inspection findings led to the adoption of both fines imposed on operators for breach of sector provisions, and the establishment of a special work group to monitor migration processes and to seek solutions to improve the efficiency of procedures and reduce disruptions for users. Many of the penalties imposed for non-compliance with the service reactivation orders issued by the Authority or by the Co.Re.Com. are related to service outages occurring during utility transfer procedures (Table 1.5.2).

Table 1.5.2 - Complaints broken down according to type of service (%)

Type of service	%
Fixed telephony	38.6
Mobile telephony	29.9
Internet	26.2
Pay TV	3.2
Other	2.1

The activation of premium service subscriptions on mobile devices, mainly via the web, also shows an increase in reports in the last year (7%). The verifications carried out led to the identification, due to the complexity of the phenomenon already the reason for previous fines, of a regulatory solution - proposed within the sphere of the "Bolletta 2.0" - aimed at improving transparency in the activation of such services and more rapid and effective repayment of the sums unlawfully charged.

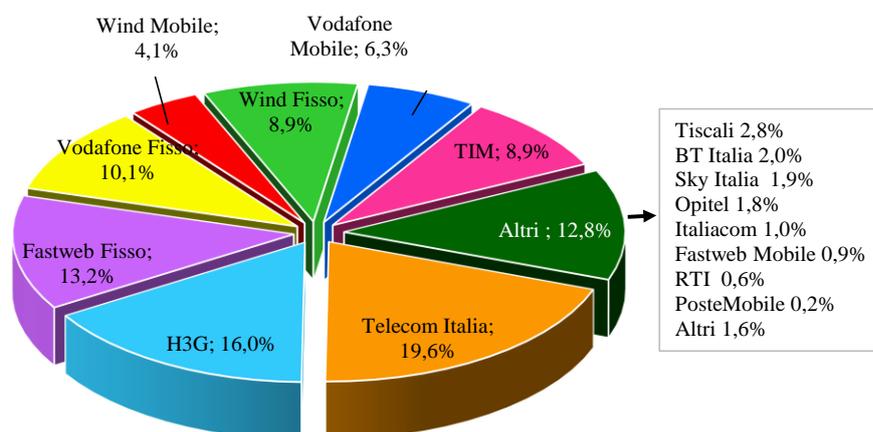


Figure 1.5.1 - Complaints per operator

With regard to sanctions, the Authority, also based on the application of a standardised and aggregate procedure to similar cases, opened 21 new sanction procedures for breach of consumer/user protection provisions (Table 1.5.3). In the same period, 26 procedures were completed, 10 of which had been opened in the previous reporting period. Of those procedures, 23 were concluded with the adoption of injunctions, 1 were closed with the payment of a reduced penalty and 2 were dismissed on the merits. The total amount of the fines imposed or paid at the reduced rate was Euro 2,646,404.00.

Table 1.5.3 - Sanction procedures opened and relative provisions adopted

Actual cases	Sanctions	No. of new procedures	In progress	Dismissed	Fines	Injunctions
Failure to answer a complaint	art. 1, section 31, l. 249/97	1			1	
Non-compliance with temporary provisions	art. 1, section 31, l. 249/97	11	2	1		8
Non-compliance with orders <i>ex</i> l. 481/95	art. 1, section 31, l. 249/97	2				2
Non-compliance with orders	art. 98, section 11, of Italian legislative decree no. 259/03	2				2
Disruption in migration and number portability procedures	art. 98, section 13, of Italian Legislative Decree No. 259/03	2	2			
Non-transparency in information	art. 98, section 16, of Italian Legislative Decree No. 259/03	2	1			1
Non-respect of quality targets	art. 98, section 16, of Italian Legislative Decree No. 259/03	1				1
TOTALS		21	5	1	1	14

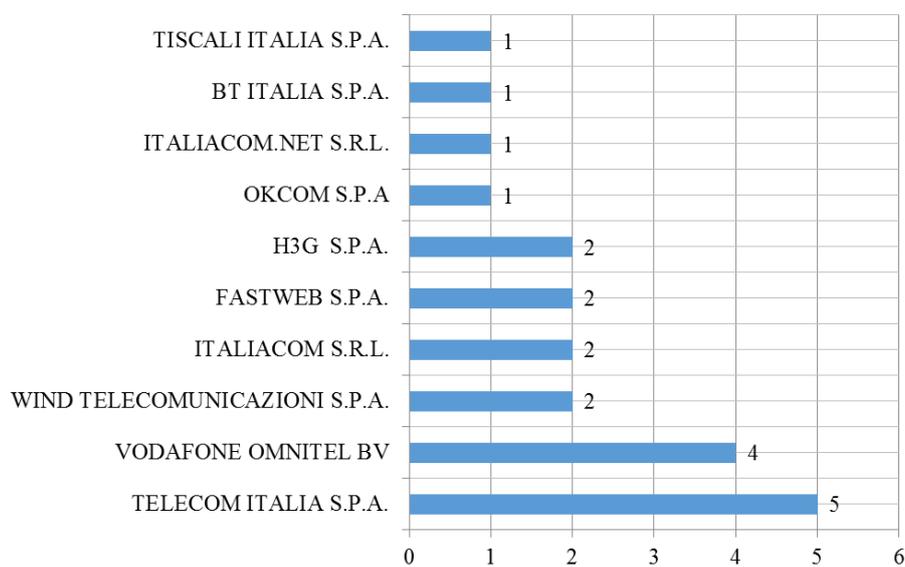


Figure 1.5.2 - Sanction procedures opened per operator

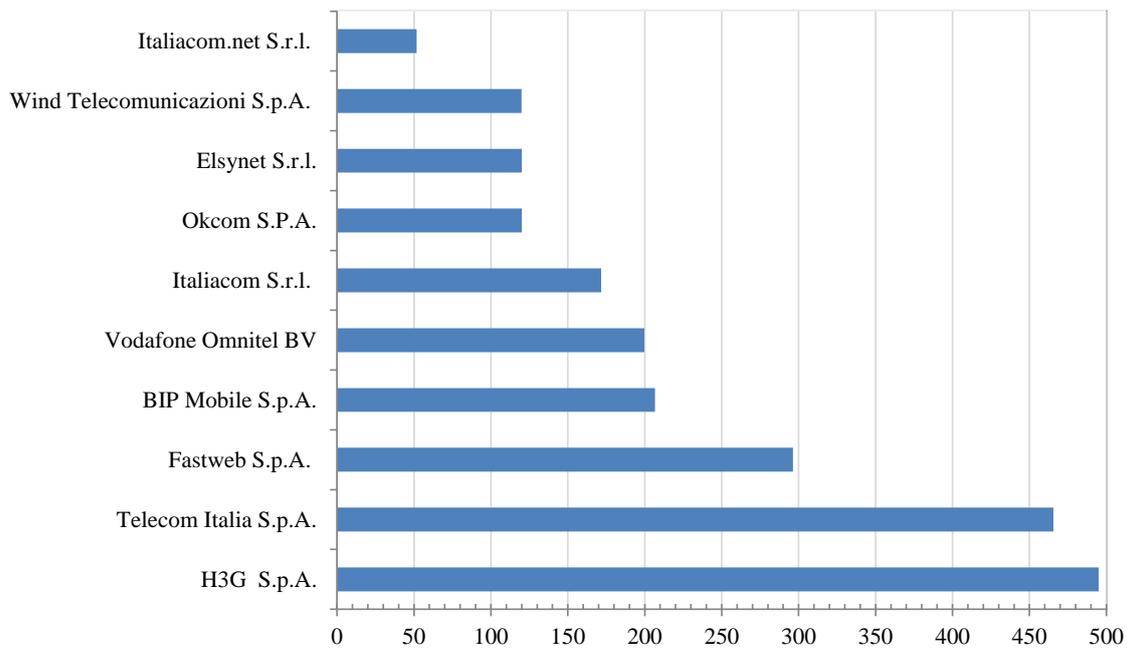


Figure 1.5.3 - Amount of fines per operator

The protection of postal service users

As illustrated above, the postal market is a newly liberalized area (as of 2011, while the fixed telecommunications segment was liberalised in 1998) and therefore requires a special protection activity.

The guarantee of adequate levels of protection for users and greater responsibility of all postal operators are the objectives of the general directive on service charters (see resolution no. 413/14/CONS), which stands in clear parallel with the safeguards already provided for users in the electronic communications sector and meets the goal mentioned in the previous Annual Report of strengthening the guarantees for users in the postal sector.

The directive aims to introduce, in a sector that legislation unquestionably considers to regard services of general economic interest, minimum requirements for the protection of essentially informative content in favour of users. The obligations reflect not only European Union legislation, but also the principles of national legislation: law no. 481/95 and, most recently, decree law no. 1/2012. 27/2012 converted by law no. 27/2012, reaffirm the fundamental importance of the services charter by highlighting the importance of the close relationship between the obligations of the service provider and a system that allows for reasonable satisfaction for the user through the provision, in the charter, of rights also relative to indemnity.

All postal operators were asked to comply with the directive, adapting their own service charters and making them available to the public, also through their own websites. The directive establishes the minimum contents of the service charters and the fundamental principles that should underlie the same, particularly with regard to the management of relations with users and the supply of the postal services. With the service charters, revised in the light of the general directive, the postal service provider must: acting in accordance with the principles of transparency, objectivity, fairness and impartiality; offer services on a regular and

continuous basis; and ensure equal treatment for users, indicating all forms of differentiated use for specific categories of users. Each operator must also: indicate for each service the features and the availability of additional services; set quality indicators for each service (explicit definitions and measurement methods) and the relative general and specific standards of the calendar year of reference; specify the system of reimbursement and/or compensation for users, in case of failure to meet the quality standards and indicate the cases of compensation recognised on request and those with automatic compensation and the relative amounts; ensure the user the right to present, without additional charges, complaints, reports and requests for conciliation in view of the Authority's regulations (see resolution no. 184/13/CONS). Lastly, with regard to customer assistance, the postal operator must ensure that users can report service problems, obtain information on the characteristics and prices of the services, and make billing inquiries and obtain information on complaint and conciliation procedures.

The resolution of disputes between users and operators

The Authority, in addition to ensuring coordination and correct conduct in the resolution of disputes brought before the Co.Re.Com., also through the assistance and support of the latter to stem temporary emergency situations, directly provides for the activity of resolving disputes relating to users of regions where the Co.Re.Com. have not yet acquired the authority to carry out this function (Aosta Valley, Campania, Sardinia, Sicily and Veneto).

During the reporting period, 1,625 requests were received for the settlement of disputes between users and operators, and in 1,071 cases (65% of the total) the relevant proceedings have already been concluded. Of the proceedings concluded, in 70% of cases the parties reached a settlement agreement at the hearing or, in any case, during the procedure, while in 21% of cases the procedure concluded with a final order (just over half of these with management resolutions being worth less than € 500.00).

The Authority has maintained a high standard for the duration of the procedures which has remained, on average, below the prescribed period (180 days) (Table 1.5.4). In addition, the value of refunds and compensation paid by operators to users after the definition of the procedures is estimated at Euro 1 million.

Table 1.5.4 - Cases closed and the outcome of proceedings

Outcome of the dispute	No. of procedures concluded	% of procedures concluded	Average duration (in days)	Regulatory term	Average value of refund/indemnity (Euro)
Agreement reached at hearing	461	43%	75	-105	1,589.00
Decision	117	11%	118	- 62	214.00
Resolution	92	8.5%	110	- 70	960.00
Transaction	234	22%	-	-	465.00
Withdrawal	97	9%	-	-	-
Not subject to the procedure	70	6.5%	-	-	-
TOTAL	1,071				954,702.00

Special projects for service quality

During the year, work continued on the projects already under way to promote the quality of services and a more widespread awareness of their features through the transparency of information related to the performance of the networks.

The "Measuring the Internet" project, which allows for the verification and certification, free of charge, of the fixed-line broadband Internet access service, reached 200,000 users, 30,000 in the last year, who subscribed to the site *www.misuraInternet.it*. A total of 39,000 certificates have been issued, of which 78.3% for non-compliance with the contractually guaranteed minimum bandwidth, thus ensuring users the possibility of presenting a complaint to ask the operator to restore the agreed standards or to withdraw from the contract without cost. About 90% of users have seen an increase in the connection speed from their own network operator and the remaining were the subject of compensatory caring activities which led to a reduction in the monthly fee.

With a recent provision (resolution no. 656/14/CONS), the Authority, in directing the evolution of the measurement system towards the new ETSI ES 202765-4 standard, has introduced important innovations for users, such as the possibility of requesting, as an alternative to free withdrawal, a commercial downgrading of the offer and the extension of measuring to connection with speeds of over 30 Mbps. This extension is of particular significance with the approval of the document "*Strategia italiana per la banda ultralarga*" [Italian ultra-broadband strategy] of the Presidency of the Council of Ministers, which expressly contemplates the use of Ne.Me.Sys. software for monitoring the penetration of ultra-broadband and the evaluation of the actual connection speed in the areas concerned by the Government Plan.

The "Measuring Mobile Internet" project (resolution no. 154/12/CONS), takes measurements in the field (test drive) to obtain data on the performance quality of the networks of the major mobile operators (H3G, Telecom Italia, Vodafone and Wind) with reference to data transmission services. Over the last year the results of the second measuring campaign, which took place between November 2013 and March 2014, were

published. A further measuring session took place from May to September 2014. In the latter campaign, more test points were examined (from 1,000 to 1,200) and the geographical area covered was expanded involving more cities (40 instead of 20), with an increase in the population represented and the surface explored. The plan for the functional development of the measuring for the two-year term 2015-2016, approved by the Technical Board on mobile quality (resolution no. 154/12/CONS), involves the use of smartphones as terminal devices for the test, the enlargement of the test to the 4G networks (LTE technology), the introduction of video streaming tests and publish the results of the dynamic measuring, i.e. that carried out during trips in and between the cities.

Lastly, with regard to the quality of the universal service, with resolution no. 620/14/CONS, the targets for the year 2015 have been set. Also for the current reporting period, the positive trend of the global index (IQG) used for the evaluation of the quality of universal service has been confirmed. Since its introduction in 2010, the indicators of which it is composed have improved significantly (by about 70% according to estimates).

Relations with consumer associations and the public

The ongoing dialogue with individuals and with consumer associations is an indispensable element of knowledge and a stimulus to carry out the user protection duties assigned by the law. Relations with the consumer associations and with users, particularly useful in respect of both the supervisory and the regulatory activities, are maintained by periodic meetings that foster the exchange of information, immediacy of the supervision and the direct involvement of the said associations.

Relations with the public have always been carried out by the Authority through the contact centre, which has so far played a strategic role in attending to and guiding relations with users and it has turned out to be the best body through which to swiftly understand inconveniences and to thus inform the departments responsible for regulation and supervision. Contact with users takes place through a front-office with the task of receiving the reports and requests for clarifications from the citizens and of providing indications for the correct management and resolution of problems with the service providers.

In the period from 1 May to 31 December 2014, there were an average of 135 contacts a day there were a total of approximately 22,500 requests from users and consumer associations. The most widely used means for contacting the Authority was the telephone: 58% of contacts took place by phone; about 23% by e-mail at the address info@agcom.it, and the remaining 19% were by fax and ordinary mail. 20% of the contacts regarded general information on the Authority's activities, reports not related to electronic communications services, requests for information on proceedings in progress and assistance relative to the obligations connected to system economic information and the register of communications operators. The remaining 80% of the contacts regarded reports on telecommunications and pay-TV.

Since 1 February 2015, pending the award of the new contact centre service, the Authority has been ensuring a service for users by means of contact via e-mail (info@agcom.it).

1.6 The new regulatory generation: analyses and surveys

Regulation, especially concerning such innovative fields as those of the Authority's competence, implies a careful phase of study and of the analysis of technology and market trends. In recent years, the Authority has therefore carried out analyses, research, and fact-finding surveys that involved, among other things, Internet services, on-line advertising, new ultra-broadband communication networks, machine-to-machine (M2M) services, 2.0 television, new media and digital information. In addition, the study of these issues has inevitably also affected the regulatory part. The Authority has therefore focused on several occasions on what the new generation regulation should be, which, for example, will simultaneously stimulate market competition, investments in infrastructure on the part of the operators, information pluralism and the journalistic profession.

Verification of the technical and economic replicability (Price testing)

A first aspect concerns the assessment of the technical and economic replicability of all land-line offers, and in particular those relating to next generation broadband and ultra-large access services. During the period under review, the Authority carried out the contemplated replicability verifications of the retail offers of Telecom Italia for both private and business customers, including access to the fixed network, on the basis of the provisions of the relevant resolutions (resolutions no. 731/09/CONS, no. 499/10/CONS, no. 1/12/CONS and no. 604/13/CONS). This activity aims to verify compliance, on the part of Telecom Italia, with the non-discrimination obligation relative to the wholesale provision of regulated services, to ensure equal internal-external treatment and, consequently, to prevent any behaviour that would harm the correct functioning of the competitive mechanism, with negative repercussions also on the welfare of the end customers.

In particular, the activity also includes assessing the new retail offers of broadband and ultra-broadband access services in FTTC and FTTH technology, carried out on the basis of the methodology established by resolution no. 604/13/CONS. This resolution has laid down the technical-applicative methods of the new offers on optical fibre access infrastructure, prescribing, among other things, as previously for the assessments on the prices of ADSL services, the use of the criterion of the so-called product mix, understood as the weighting of the costs of the various system solutions available to alternative operators at the wholesale level. The values of the product mix used for verifying the replicability of the ultra-broadband service offers have been updated, downstream of a complex monitoring activity carried out jointly with the operators. In particular the values of the product mix for testing the economic replicability of the ultra-broadband retail offers of Telecom Italia in FTTC technology (30% NGA bitstream; 58% VULA; 12% sub-loop unbundling) have been fixed and the values of the product mix for testing the replicability of the economic offers in FTTH technology (30% NGA bitstream 30%; 70% VULA) have been updated.

With regard to the verifications of the ADSL offers on copper network, the ordinary assessment activities have continued with the aim of checking on the presence of reasonable margins for the competitors who purchase essential inputs from Telecom Italia on the wholesale markets. Also in this case the Authority has

carried out appropriate replicability assessments; the latest updated production mix values (65,32% for narrowband access services and 66.85% for broadband access services) were recently confirmed.

In addition, the new joint offer from Telecom Italia and the SKY satellite operator, which provides for the joint sale of access services on Telecom Italia's fixed network and of the audiovisual content of the SKY offer, transmitted by means of the IPTV platform, was also verified.

In 2014 approval was also granted to Telecom Italia's first offer of a bundle of services on fixed and mobile networks, which required a series of discussions aimed at assessing, in particular, the correct allocation methods, for test purposes, of the costs of the unregulated mobile services.

For the purpose of checking on the continuance of the replicability conditions, routine monitoring was carried out to measure the degree of the distribution of the offers already approved and the consumption developed by the customers of the said offers, as well as data analysis relative to the number of activations, in order to verify the impact on the market and on competitive dynamics.

Lastly, in line with the general strategic aim of strengthening the supervisory activity in order to prevent margin squeeze practices, the Authority monitored the NGA retail offers of various operators, initiated in 2014.

Strategic ultra-broadband plan

Still on the subject of new generation fixed networks, the Authority, in line with the strategic network development objectives, participated actively in the debate on the development of the Italian Digital Agenda. To this regard, the Authority presented its own contribution to the Government on the ultra-broadband strategy, during the public consultation carried out in November and December 2014, expressing general appreciation for the document approved by the Cabinet. The Authority agreed with the need to define public policies for the recovery of the delay relative to the spread of broadband infrastructures throughout the country and which, at the same time, look to the future of the economy and of society. The Authority also considered positively the synergistic approach of the strategy and the coordination of the institutions in the implementation, through the Committee for the spread of ultra-wideband (COBUL) aimed at fostering extensive cooperation in order to achieve the targets to be reached by 2020.

In line with European Commission guidelines on state aid, the strategy acknowledges the central role of the Authority, which will make a technical contribution, essential to ensure competitive conditions and to protect consumers. The Guidelines contemplate, in particular, that: *"[...] NRAs should also be consulted with regard to determining the wholesale access prices and conditions and solving disputes between access seekers and the subsidised infrastructure operator [...]"*. Consistently the Cabinet document (the Italian Ultra-Broadband Strategy) states that, *"The Communications Authority [...] has the task of defining the regulatory framework within which ultra-broadband develops, now and in the future, and the technical and economic conditions of access, and of managing the regulation of the sector"*. For this purpose, the Authority has started up activities aimed at defining the general criteria (in the form of guidelines) for the wholesale pricing of access

to the subsidised infrastructures, which guidelines intended to provide the contracting body with a useful reference for the preparation of calls for tenders and for the analysis of the offers.

The Authority will also be called upon to determine the actual speed of connection in the areas concerned by the various investment projects, and the trend of ultra-broadband subscriptions at least 100 Mbps. In addition, the Authority is currently involved, through constant coordination with the MISE and Infratel, in the construction of the "National Joint Information System of infrastructures above and below the ground."

Lastly, the Authority will be involved in the work of recovering any excess profits from the beneficiaries of the public funding (through the so-called claw-back mechanism). In particular, the strategy foresees that after the first four years, the contractor operator will be required to repay a portion of the contribution if actual revenues exceed a certain threshold specified in the call for tenders. The refund rate will be defined on the basis of the Weighted Average Cost of Capital (WACC) established by AGCOM.

Radio spectrum management and the use of the frequency bands for wireless broadband services

With regard to mobile telecommunications, the Authority's activities relative to the regulation of the use of the radio spectrum for electronic communication systems has continued in line with the objectives of the Community framework and the strategic planning of the Authority, in order to encourage the development of broadband and ultra-broadband services. The Authority's activities, as required by the 2015 Stability Law, include those aimed at defining the procedures for the allocation and use of the available frequencies in the 1452-1492 MHz band (see resolution no. 18/15/CONS). The new regulation will allow the MISE to publish the auction notice and to proceed to assign the band in the autumn, as contemplated by the said legislation.

The MISE was then provided with an opinion on the updated draft of the National Frequencies Allocation Plan, contemplated by the establishing law, indicating, among other things, the need for constant monitoring of current usage, in order to allocate promptly all the available band for wireless broadband services, in line with the European policy plan on the radio spectrum drawn up pursuant to European Parliament and Council decision no. 243/2012/EU, the targets of the European and the Italian Digital Agenda for 2020 and, most recently, the Government document bearing the Italian ultra-wideband strategy.

The Authority examined the requests for the extension of the duration of the GSM usage rights in the GSM 900 and 1800 MHz band presented by the operators Vodafone and Telecom Italia, which would have expired on 31 January 2015, also launching a public consultation (see resolution no. 233/14/CONS), after which it sent its favourable opinion to the MISE for the extension of the duration of the said rights until 30 June 2018 - the date of expiry of the authorisation of the third national GSM operator (WIND) - aligning the expiries for all GSM operators.

Over the last year, the request of the Wind to start the partial refarming of 900 MHz, already allocated for use in GSM technology with 3G type broadband systems, in particular for UMTS, has also been positively assessed.

In application of the provisions of resolution no. 282/11/CONS, continued the nationwide roll-out of mobile networks in 4G-LTE technology (Long Term Evolution) continued on the part of all mobile operators, both

in the newly allocated bands (800, 1,800 and 2,600 MHz) and through the refarming of some portions of the 1800 MHz band already used for GSM. The simultaneous use of several frequency bands in LTE technology, with the aggregation of multiple carriers, has also allowed for the launch of mobile services using LTE-Advanced.

In terms of spectrum management at Community level, the Authority has continued its participation, with the MISE, in the two main bodies of the European Union, the Radio Spectrum Committee² (RSC) and the Radio Spectrum Policy Group³ (RSPG). The main issues addressed by the Committee during the period of this report were: a) the updating of decision no. 2007/131/EC for the use of frequencies for low-power UWB (Ultra Wide Band) type devices; b) the adoption of a decision on band harmonisation for use by PMSE (Programme Making and Special Event) type systems including radio microphones, video cameras, etc.; c) the continuation of activities for the creation of the spectrum inventory contemplated by the European policy agenda; d) the start of work on a new harmonization of the UMTS TDD band at 2 GHz; e) the start of work on the adoption of a harmonization measure for the 2.3 GHz band; f) the adoption of a decision (about to be published) for the harmonisation of the so-called L-band at 1.5 GHz.

Two important opinions have been adopted by the RSPG. The first regards a strategic analysis carried out the short, medium and long term of use of the UHF television band, both at 700 MHz, already identified for probable use for broadband systems, and for the rest of the band, offering a series of recommendations to the Commission and to the Member States. In particular, the opinion recommends proceeding quickly with the refarming and harmonization of the 700 MHz band for wireless broadband systems, to become effective at the latest by 2020, with the possibility, in the case of valid reasons, of delaying the process up to two years. The second opinion analyses the various issues on the agenda of the next World Conference on the radio spectrum, to be held under UN auspices in November 2015 and it recommends not proposing changes in television use of the UHF band below 700 MHz and of allocating additional bandwidths for wireless broadband at 1.5 and 3.7 GHz. In addition, works have started on other opinions or reports concerning respectively efficient awards of spectrum, wireless backhauling and review of the radio spectrum policy program, which are expected to be completed during the year.

The adoption of so-called "good offices", institutionalized by the RSPG, is of particular importance for Italy, as a form of Community assistance to countries that have problems of coordination with their neighbours. The good offices represent activities to assist Member Countries carried out by a work group coordinated by an expert in a third country, which conclude with a technical opinion which the RSPG then submits to the European Commission in order to facilitate the resolution of coordination problems. This mechanism was inaugurated precisely with Italy, for the difficulties of coordinating the television bands with Malta, and it was then used for Italy's problems with France, Slovenia and Croatia, and it has recently been used also for

²The Radio Spectrum Committee, established by the European Parliament and Council decision no. 676/2002/EC of 7 March 2002, pursues harmonization within the Union in the management and use of spectrum, providing for the definition and adoption of the relevant technical implementation measures.

³The Radio Spectrum Policy Group - RSPG - established by European Commission decision. 2002/622/EC, as amended by decision no. 2009/978/EC, will be aided by opinions and technical reports providing strategic advice for the Commission, and possibly other European institutions (Parliament and Council), on issues of spectrum policy and European coordination of implementation measures.

the FM radio frequencies. Other countries, such as Switzerland, have also taken part in the negotiations with Italy. During the period covered by this report, several meetings were held under the leadership of France and a number of initiatives were launched by the parties involved, and the progress achieved gives good hopes for the resolution of disputes by negotiation.

Lastly, it must be mentioned that the Authority has actively participated within the BEREC, in analysing and commenting on the legislative initiatives being developed by the European Parliament and Council on the planning and management of frequencies related to a proposal from the European Commission known as the Telecommunication Single Market. The Authority holds the chair, together with the Swedish Authority, of the work group of national experts on the spectrum, which has led to the publication of a common position on the issue. The group led by AGCOM also organized, in November 2014, a workshop in Brussels, focused on the experiences and best practices of spectrum allocation in the twenty years of liberalization and in view of the upcoming challenges that regulation will have to face.

Supervisory activities regarding international roaming

Always regarding mobile communications, the Authority is responsible for ensuring the enforcement of EU Regulation no. 531/2012 on international roaming (the Roaming Regulation). In the last year this task involved the performance of a series of supervisory activities in order to verify correct application of the provisions regarding: (i) the Eurotariff, (ii) tariff transparency, (iii) the development of roaming agreements and (iv) infrastructural competition. The Eurotariff fixes the maximum ceiling for prices for voice calls, SMS and data traffic, in all European Union countries. All users can benefit from the Eurotariff, or they can opt for an alternative roaming tariff proposed by the operator. The following figure shows the Eurotariff thresholds.

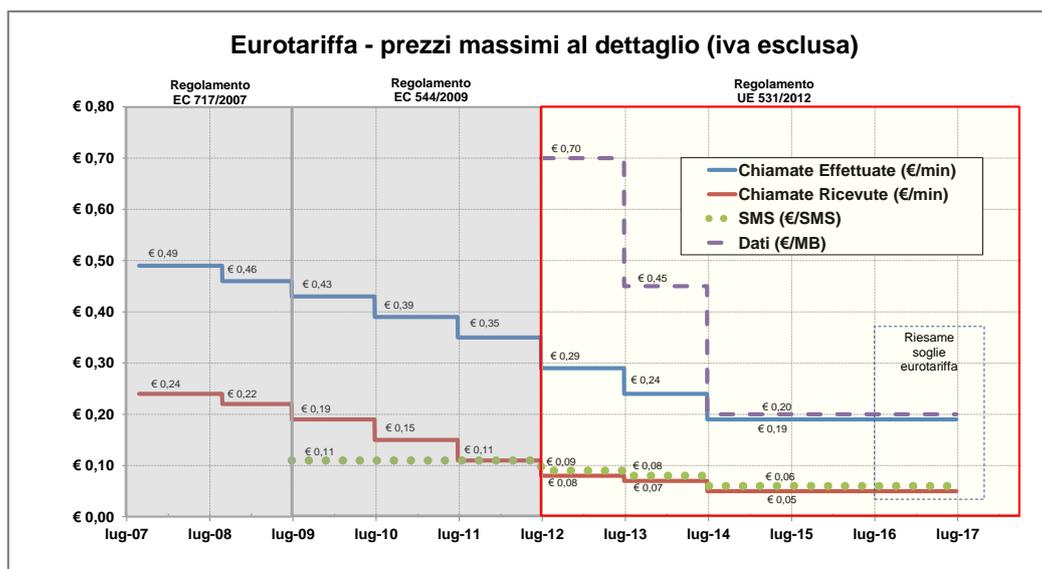


Figure 1.6.1 - The Eurotariff

It can be seen that in 2014 European regulation imposed a significant reduction in the retail unit price for data transmission (from Euro 0.45 to Euro 0.20 per Mbyte) and for voice calls (from Euro 0.24 to Euro 0.19 per minute of every call).

The supervisory activity on the regulated prices was carried out by the Authority by monitoring the evolution of wholesale and retail roaming prices and retail prices of voice calls, SMS and data transmission. The surveys conducted have shown that the values of the prices charged to users in Italy are in line with the main European countries.

In particular:

- - at retail level, the prices in the Euro area are close to the maximum ceilings while in the non-Euro area there has been an increase in the prices applied with the CAPs being systematically exceeded; in addition, there has been a tendency for retail prices of data traffic to decrease in the Euro area, although the value is very far from the corresponding wholesale prices, especially those applied to pre-paid system users;
- - at wholesale level, prices are significantly lower than the maximum ceilings.

The monitoring has revealed growing competitive dynamics accompanied by a significant innovation of roaming charges, in which the presence of voice/SMS/data bundles, typically for a day or a week, promotes the use of smartphones, safeguarding and protecting the user from the risk of bill shock. Some operators, in order to differentiate their offers, propose tariff models of the roaming-like-at-home type which give the chance of economic conditions very close to those applied to the traffic carried in Italy.

Fact finding survey on Machine to Machine (M2M) services

The most innovative aspect of the Authority's activity regards the analysis of the evolution of market trends and technologies. In this sense, surveys have been carried out in recent years into the main innovative aspects of the communications markets. In the last year, as pointed out above and as will further mentioned in the next chapter, the Authority concluded a survey on the static and dynamic competition in the market of access services and on the prospects of investment in broadband and ultra-broadband telecommunications networks (par. 1.1), a survey on "Information and the Internet in Italy" (par. 1.3) and another on "Television 2.0 in the era of convergence" (par. 1.3).

In this framework, the Authority also carried out a survey on machine-to-machine (M2M) communication services, completed in March this year (see resolution no. 120/15/CONS). It is one of the first surveys carried out at European level which, thanks to the participation of numerous and qualified stakeholders, examined the factors that influence the development and usage methods of M2M services and, more generally, the Internet of Things, identifying critical aspects and areas of intervention on the regulatory level. The M2M world includes a wide and diverse range of electronic communications services, ranging from the connected car, i.e. cars that use the connection for the safety equipment and for infotainment services, to smart metering; from the smart grid which, in the electricity sector, allows for eliminating the electromechanical meters and for efficient and rational network management, to smart cities in which the

application of ICT technology to the city infrastructures and services leads to greater efficiency and quality in the use of services to the benefit of citizens and businesses. M2M services can also be used for domestic use, for the remote management of vehicles and as a secure system of payments, i.e. for a large and growing number of services of the so-called digital life.

There are an estimated 225 million M2M connections in the world in 2014, of which 27% are in Europe, with a growth trend of over 20% per year.

The M2M ecosystem includes many subjects: communication device manufacturers, network operators, platform operators, content producers, service providers.

The survey revealed several critical issues related to the development of M2M services. For example, due to the configuration of the service and the vast range of different subjects involved, M2M services are changing the relationship between the main telecommunications operators which, from the typical Business-to-Consumer (B2C) model, are evolving towards Business-to-Business (B2B) and Business-to-Business-to-Consumer (B2B2C) models, losing the direct relationship with the end user, which instead becomes the prerogative of the "M2M service provider".

This phenomenon has a significant impact in terms of contractual guarantees and data protection for end users.

It also emerged that the infrastructures currently used to provide M2M services are inadequate to meet the transmission requirements, and that the technological solutions are highly fragmented and platforms are predominantly proprietary, so it is necessary to stimulate the development of standard platforms, possibly through government intervention.

At the transnational level, M2M services are pushing mobile operators to develop important international alliances. On one hand forms of consolidation can lead to important efficiency gains, but on the other it is necessary to guard against the risk of raising barriers to the entry to the market, especially to the detriment of the national operators that are weaker in global competition.

Lastly, it came to light that there was also a need to classify M2M services in respect of the current regulatory system, in respect of international roaming, licenses and numbering: these elements are being investigated for possible action at national and European level. To this regard, to identify any regulatory action that can encourage the development of M2M services, the Authority will set up a special committee open to the participation of all stakeholders, institutional and others, involved in the development of such services.

1.7 Inspection and registration duties

The Communications Operators' Register (COR)

Last year the Authority further improved the COR operations, introducing both innovations in the management of the information system and a significant reduction of the administrative duties bearing on companies. The new automated information system acquires the identity data, the data relating to the administrative bodies and the data on the corporate structure of the communications operators directly from the Companies Business Register, reducing the reporting burden bearing on the obliged subjects. The function that allows for automatically acquiring changes filed with the Chambers of Commerce by the parties listed in the Companies Register, resulting in the updating of the COR data, has thus enabled further developments in the information system, aimed at simplification.

With regard to the set strategic targets, an agreement for access to services performed in cooperation for the exchange of data held respectively by the information system of the Register and the Revenue Agency's databases has also been made operational. The agreement, at present, allows access to a service to check on the correctness of the tax codes reported to the COR. As a result of the pending award of the contract for the maintenance of the back office of the Register and of the national database of frequencies for the years 2014-2016, coordination will be started between the Authority and the Ministry of Justice to define the mechanisms for the integration and sharing of the electronic data banks and the procedures with the Courts and the COR.

The stipulation of an agreement is being reviewed for the computerised cooperation with the national data bank of public contracts (AVCPASS system) held by suppressed Authority for the Supervision of Public Contracts, whose functions have been transferred to the National Anti-Corruption Authority (ANAC). The agreement should be for the sharing of data between the computerised systems of the COR and of the national data bank of public contracts, in order to reduce the verification costs of contract awarding subjects within the public administration.

Talks have been opened between the Authority and the Ministry of Economic Development, General Directorate for Electronic Communications, Broadcasting and Postal services, for cooperation in sharing the data banks in use by the said bodies in view of the overall efficiency the PA.

From an operational point of view, the normal management of the COR is carried out by the Authority's Register Inspection Service and the delegated Co.Re.Com. throughout the country, of which the delegation process is almost completed. In the last year, the system handled more than ten thousand contacts (registrations, cancellations, changes, certification, etc.). The number of operators who have requested registration shows a decline of 17% from the previous year, closely related to the market trend. The full operation of automatic monitoring has enabled the real time acquisition of changes filed with the Chambers of Commerce and the bulk updating of the positions of all the enterprises registered and their shareholders. The update of the subjects registered has been hindered by the effect of two bulk cancellation operations decided in 2014, published on the Authority's website, which became effective in early 2015. A further bulk

cancellation notice was recently published, relating to more than three thousand workers, and this will lead to another operation in October 2015.

During the reporting period, a total of 33 sanction procedures were opened. In particular, 3 procedures were opened for failure to notify the COR of situations of control, in breach of art. 1, paragraph 8, of law no. 416/1981, and 30 procedures for failure to transmit the annual communication to the Register.

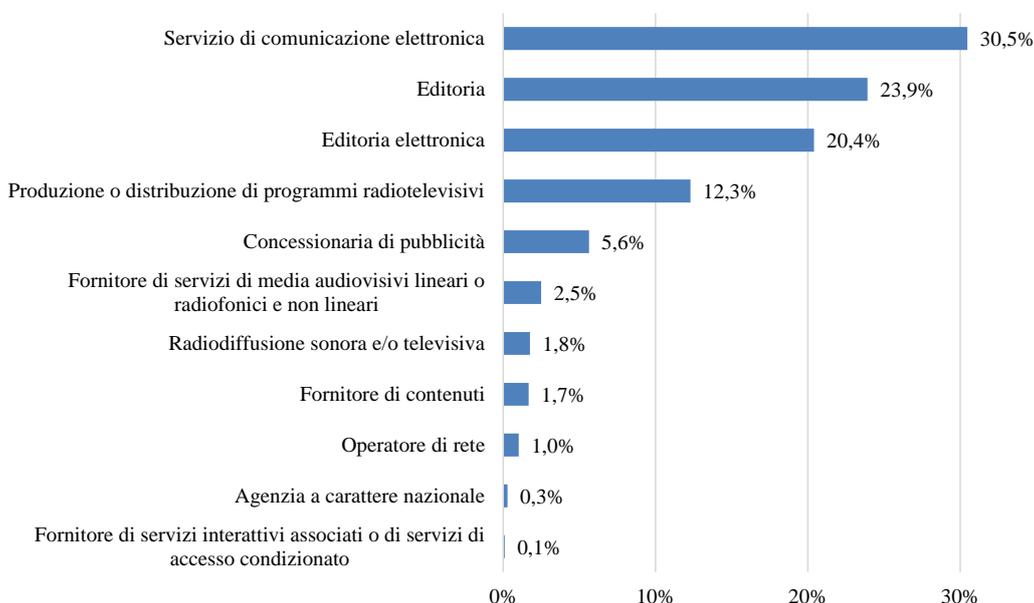


Figure 1.7.1 - Type of business declared to the COR by the operators who have applied for registration

Checks relative to publishing on the companies applying for grants

With reference to the activity of maintaining the COR, on the basis of Presidential Decree no. 223 of 25 November 2010 and the Memorandum of Understanding signed between the Authority and the Prime Minister's Office, Department for Information and Publishing, checks have been carried out on the statements made by the publishers requesting the grants pursuant to law no. 250 of 7 August 1990, on the interest subsidies and fee grants pursuant to law no. 416 of 5 August 1981 and law no. 62 of 7 March 2001, and the contributions to the Italian press abroad pursuant to Presidential Decree no. 48 of 15 February 1983. During the reporting period the above-mentioned Memorandum of Understanding was renewed for the period 2014-2017, in accordance with the strategic objectives for 2015.

The supervisory work regarded a total of 181 companies listed in the Register.

The National Register of Broadcasting Infrastructures

For over six years the Special Section of the COR relative to broadcasting infrastructures (national register of radio and television broadcasting frequencies) has been managed on the Internet; the system has now become established, also thanks to its public-access section, as a consolidated tool of information on the complex system of Italian television and radio broadcasting, consulted on-line by many local governments. The National Register is the main point of reference for many technical and administrative activities including, in

particular, those related to frequency planning processes and to international coordination, to ascertaining the transfer of concessions and changes in ownership of plant between operators, and to the monitoring of radio operators that broadcast in digital technique (DAB). On 30 April 2015, the Register contained 19,828 active systems, of which 19,610 were of the digital television type and 218 were of the digital radio type.

During the reporting period there were about 1,800 accesses in the course of which almost 1,300 registrations were acquired by the Register and automatically validated, in a completely computerised manner, relative to more than 12,000 changes to plants including new entries, technical/administrative changes, and plant sales, takeovers or closures.

Inspections

The Inspection Service, the Register and the Co.Re.Com., subject to specific requests of the other departments of the Authority, carry out checks in accordance with the procedures defined by resolution no. 710/13/CONS, which is complementary to resolution no. 220/08/CONS, to allow for inspections also in the postal sector.

The inspections, during the period, regarded, in particular:

- verification of respect on the part of the communication services operators (telephony and data) of the applicable regulations;
- verification of compliance with legislation on the correct exercise of radio and television reporting rights, the audiovisual rights of broadcasters and the right of access on the part of communication operators;
- verifications in the postal sector.

These include, among other things, checks on the payment of the contribution/fee by radio and television broadcasters. These checks, on the correct payment of the contribution/fee by national and local broadcasters, are carried out with the assistance of the Special Broadcasting and Publishing Unit of the Financial Police and on the basis of a series of desk investigations into communications sent by operators in 2014, referring to the 2013 contribution/fee 2013. Coordination with the competent Directorate of the Ministry of Economic Development was carried out, essentially in order to share the checks to be carried out. With regard to the verification of telephone and data services, the Consumer Protection Department inspected large and medium sized electronic communication operators, including virtual mobile operators.

The activities carried out with the Media Services Management to check on respect for the provisions of the sector regarding the correct exercise of radio and television reporting rights, the audiovisual rights of radio and television broadcasters, and the access rights of communications operators, regarded 4 sports events included in the "Series A Tim" and the "Bwin Series" championships.

With regard to the regular payment, on the part of the subjects operation in the communications sector, of administrative fines imposed by the Authority, a total of 139 cases were processed and 106 cases of refusal on the part of the single subjects to comply spontaneously were placed in the hands of Equitalia S.p.A. for the recovery of the unpaid fines.

