Autorità per le garanzie nelle comunicazioni

(Communications Regulatory Authority)

Annual Report

On activities carried out and work programmes

2009

Presentation by the President of the Authority

Corrado Calabrò

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(Communications Authority)

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1. **Information and par condicio**

This year, too, a long electoral round has characterized the country from April to the second half of June, with the simultaneous carrying out of the European , administrative and referendum elections.

The Authority has, as usual, played its role, through orders, warnings, actions of rebalance, sanctions, as well as a constant exercise of the *moral suasion*.

However, this time, more than in the past, the Authority faced with interpretative issues stemming from the changing scenario compared to the date of enactment of the law on *par condicio*[1].

All the competing lists, by appealing to the law, call for the access equity. But this principle, dictated by the programmes devoted to the political communication, is not suitable for the information programmes, aimed at spreading newer and newer news, as well as diversified news.

Thus, it is just in this kind of programmes that the candidates aspire to appear, given the low *appeal* of the others.

And they are not altogether wrong, given the influence that the TV news and the programmes of informative examination have on the voters[2]. The politics is by now telepolitics.

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[1] Law 22 Februry, 2000, n. 28

[2] According to an enquiry carried out by Censis, "during the electoral campaign for the European elections, 69,3% of voters gathered information through the news and the comments broadcast by the TV news, in order to choose the candidate to vote.
The TV news remain the main way of orienting the vote, mainly among the less educated (the percentage, in this case, rises to 76%), the pensioners (78,7%) and the housewives (74,1%).
At the second post, there is still the TV, with the examination programmes ("Porta a porta", "Matrix", etc.), which have been chosen by 30,6% of the voters. These are mainly educated persons (the percentage, in this case, rises to 37%) and people living in big cities, with more than 100.000 inhabitants, while the youngest are less involved by this kind of TV format (22,3% of the 18-29 age bracket).
Newspapers rank third: they have been influenced 25,4% of voters (34% among the most educated and the percentage rises to over one third of voters in the northeast area and in big cities, by reaching 35% of independent workers and freelances).
The *all news TV* channels have been followed by 6,6% of Italian voters. A percentage higher than that referring to those people who have used the radio programmes to gather information (5,5%).
The non media relations, such as those between friends and relatives, remain fundamental for 19% of voters, mainly for the youngest (18-29 years old: 26%), living in the South of Italy (22,2%) and in the minor urban centers (cities counting 10.000-30-000 inhabitants: 22,5%). The propaganda material for the political parties (leaflets, posters, etc.) has been used by 10,9% of voters, with an high percentage in the Northeast area. On

On the other hand, the TV presents more and more programmes of informative examination which use *format* similar to those used by the real politics, thus making it very difficult to combine the principles of publishing and journalistic autonomy and of current events – typical of information – with those of equity of access and treatment – typical of political communication.

Therefore, I propose to think about a legislative reform[3] which can take into consideration the occurred changes, by ensuring pluralism and balance in a modern and more diversified context, compared to the context in which the law was enacted.

At the same time, a problem of completeness and objectivity of information emerges, mainly in TV news, also beyond the electoral period[4].

The need of the Rai's reform[5] remains skeptically pending. This reform should be taken into consideration in order to give higher efficiency[6] to the management and higher independence from politics to the newspapers.

2. **Over the last year, two events have strongly marked the activities carried out by the Authority:**

- The reorganization of the TV system
- The rebuilding of the access in the communications' sector.

3. **Come in, there is room for everyone**

The situation we found when we arrived in this Authority, four years ago, was the result of thirty-yearly lack of preventive adjustments in the radio television frequency spectrum. A situation which the Constitutional Court[7] defined as a situation of a de facto occupation of

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the contrary, the direct participation of the parties to public manifestations represents a preferential lane for a resting share of voters (2,2%), which further diminishes among the youngest (18-29 years old: 0,7%).
In Italy, Internet does not succeed in the political communication. During the electoral campaign, just to have an idea, only 2,3% of adult Italians used the websites of the political parties in order to gain information, and only 2,1% visited blogs, discussion fora, Facebbok's groups, etc. however, the percentage increases among students: 7,5% of them used the websites of the parties and 5,9% surfed on other websites concerning politics" (Censis, 2009 Elections. How the Italians gathered information, June 9, 2009).
On the contrary, in the Us presidential elections, internet influenced 30% of voters.

[3] Already suggested in the 2008 annual report, pag.4
[4] The liberty guarantee and the pluralism of the media are considered by the current law (art. 3 of the Single Act of radio television) as "the fundamental principles of the radio television system", together with the objectivity, the completeness, the loyalty and the impartiality of information, in the respect of the freedoms and the rights, in particular of the human dignity, of its privacy and reserve, and in the respect of the harmonic development of the minors.
[5] It has been more than once included in the previous annual reports (2008, p.12; 2007, p. 13; 2006, p. 22).
[6] Since years, Rai does no longer carries out adequate investments and training is no longer provided.
[7] Sentence 20 November, 2002, n. 466

frequencies, ratified by *ex post* concessions and supported by laws which – by foreshadowing but not preparing the transition – have strengthened the transitory trend.

A structurally duopolistic situation of the market was emerged, based on the dominant position of the two *incumbent* analogues, namely RAI and Mediaset. In 1990, the first two TV groups owned 86% of the audience, ten year later this value reached 91%.

It is now clear how, after the vain warnings by the Constitutional Court concerning some sentences in the '90s and at the beginning of this decade (the last sentence dates back to 2002), THE EUROPEAN Commission launched an infringement procedure[8] which involved national laws approved between 2001 and 2004, during two terms of office (so, both by center-right-wing government and by center-left-wing government), by believing that these laws were an obstacle to the free deployment of the market forces in the Italian TV sector.

In order to make things clearer, we firstly conducted, in 2006 and 2007, together with the Minister of Communications, a census of the entire radio television frequency spectrum, thus creating the frequency land register.

In September 2008[9], then, the government, agreed with the Authority, set out the calendar of the move from the analogue system to the digital one.

That was the right occasion for reorganizing the sector.

It was needed to do it in harmony with the European Commission, since an infringement procedure -as I have already said - was pending. A deep communication with the Commission's officers started. At the end of this communication, the Authority passed a deliberation[10] dictating the criteria for the move to the digital system, by solving at the same time the *country specific* situation.

Mediaset and Rai will reduce their networks from 5 to 4; Telecom Italia, too, will pass from 4 networks to 3. On the contrary, other national broadcasters will keep their networks. Eyropa7 has its network, by putting an end to a ten-yearly controversy[11].

The local broadcaster, which in Italy more than elsewhere plays an important role, has not been forgotten. At least a third of the available broadcasting resources has been devoted to local broadcaster.

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[8] Procedure n. 5086/2005.

[9] Ministerial Decree 10 September 2008 by the Minister f the Economic development.

[10] Deliberation n. 181/09/CONS of 7 April, 2009.

[11] From July 1, 2009, thank to the VHF-III broadband re-channeling, Europa7 can broadcast on channel 8.

Thanks to the "diet" imposed on the *incumbent* broadcasters and given the higher efficiency in the use of the radio spectrum stemming from the planning of isofrequential networks, a national dividend of 5 networks will be available, under criteria and corrective measures[12] which will ensure the opening of the concurrency, the arrival of new operators and the valorization of the new programmes[13].

In the basis of our scheme of deliberation, the dialogue with the Commission has been carried out and successfully closed by the deputy Minister Romani: as a result of this dialogue, with a letter dating back to April 3, the commissioners Kroes and Reding[14] expressed their appreciation to the content and to the method, thus interrupting the infringement procedure which had been opened against Italy, by stating that they will officially renounce it when our deliberation will fully enter into force.

The Commission have set out a condition: our deliberation should be transposed in a law, without changing its core issue[15].

This is what has occurred thought the 2008 Community law[16].

4. The changing television

The TV sector is living a period of radical changes.

The dynamics which – at a global level – are characterizing the audiovisual sector are mainly marked by the affirmation of a plurality of broadcasting platforms, by new ways of fruition of the audiovisual contents and by a renewed range of contents offered to the audience[17].

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[12] Asymmetric measures have been planned, such as: the sharing of TV infrastructures of the *incumbent* broadcasters; 40% access of the broadcasting capacity of the *incumbent* broadcasters if they succeed in gaining a fifth multiplex in the tender (three multiplex have been reserved to the new entrants).

[13] Given the starting situation, the current one represents a turning point. However, it does not represent, according to us, the final point. In next years, we should find further room of manoeuvre for the creation of a foreign dividend which could leave resources to other communication services (among which the *mobile broadband*).

[14] Respectively persons responsible for the European Antitrust and the Information Society and Media.

[15] Another condition imposed by the Commission is to launch, as soon as possible, the competitive procedure for the assignment of the digital dividend. The rules of the competition race set out by the Authority will be in line with the European best practices. The consultations by the operators are going to start.

[16] Conclusively passed by the Chamber of Deputies on June 23, 2009.

[17] The ether is still the main platform, as for the distribution of radio television services, by reaching about 1,1 billion households (among which, 43% is reached by the terrestrial broadcasting, 38% by the cable TV and 17% by the satellite).

The programmes with the IP protocol still account for a marginal share (2%), but they are accompanied by the boom of the fruition of audiovisual contents on the web, mainly chosen by the new aggregators of the contents (YouTube and Facebook).

A third of the households owning the TV already benefits from digital services, independently form the chosen distributive platform (terrestrial, cable, satellite).

In next three years, in all the western European countries, the analogical TV will be completely replaced by the multi-channel digital one[18].

In Italy, the move to the digital TV is underway and it is working[19]. The Sardinia's switch-over[20] – which is already the *all digital* area with the highest rate of analogical users in Europe – has been followed by the one in Aosta Valley, Trentino Alto Adige and part of Piedmont and Latium. Within the year, Campania will experience the switch-over, too.

The method chosen to put in place the switch-over, suggested by the 2006 report to the parliament and included in the White Paper of the Authority, is succeeding in reaching its aims[21].

I can also admit that the process could be accelerated, by anticipating the final date of November 2012: in doing so, the gap between the rest of Italy and the regions of Sicily and Calabria (which will be the last ones to move to the digital TV) could be bridged; moreover, the costs of the transition could be reduced.

Moreover, the move to the digital TV should be accepted by the population, and not immediately. Users must be fully informed about the current process, because the regional switch-off process will have an inevitable impact on citizens who will be obliged to purchase the STB and to re-tune their TV sets.

Besides some facilitations for purchasing the STB for the economically weakest persons, it is needed to pursue a constructive dialogue with the local Authorities for targeted communication campaigns.

The European and global trends also characterize Italy. For the first time, the number of the digital households overcomes the number of those households receiving only the analogical TV.

The move from the analogical system to the digital one has provoked, and still provokes, even in Italy, a redistribution of the audience[22], with a 9% reduction (starting from 2000, namely a percentage point per year) of the terrestrial analogical generalist channels.

In 2008, the growth rate reached 25%, even if with different modalities among the global geographical areas (in the North America, about 75% of households own a digital TV; in Japan, 72% and in Europe, 47%).
In Europe, whose market is made by 255 million users with a total turnover, in 2008, of 87 billion Euros, the growth rate was of 4,6%, with a substantial continuity with the previous year.

[18] The process of the signal digitalization in Europe s steady growing: in 2008, 118 million accesses to the digital TV services on several platforms have been recorded: a penetration percentage close to 50%. The leader in this process of digitalization is the United Kingdom, with around 24 million digital users, followed by France with 19 million, Italy with 14,7 million and Spain with 11 million.

[19] Obviously, with some inconveniences and discomfort, even if lower than those registered elsewhere, also in a technological advanced country like the USA.

[20] The switch-over is the selective switch-off of Rai2 and rete4. Within the end of 2009, the total switch-off of the analogical TV will be realized in those areas.

[21] The method consists in proceeding with homogenous technical areas, coinciding with the regions, and at the same time by defining the agreements with the bordering countries.

The audience trend has also impacts on the resources distribution between platforms and operators[23].

The advertising turnover decreased, by leading the total share to 46,4%, while – following the global trend – the pay component has steadily increased (+12%).

The profits per operator are distributed as follows: Rai 2.723 million Euros, Sky Italia 2.640 million Euros, RTI 2.531 million Euros.

Rai is still the main Italian media company with over 2,7 billion Euros in profits, even in this figure is decreasing compared to 2007, because of the advertising flexibility (-3,6%)[24].

Sky also strengthens its position, by even becoming the second TV group in terms of profits.

Mediaset group 8at the third place, with a 0,3% decrease in advertising) strengthens its pay offers on the DTT platform (by passing from 125 to 199 million Euros).

The result is a structure dominated by three subjects, with a symmetric position in terms of total profits in the TV sector. Within this structure, RTI is the leader in terms of advertising and the new concurrent in the pay offers; Sky is the leader in the pay TV and the new concurrent in the advertising; Rai keeps its original position thanks to an high share in the advertising sector and by acquiring the resting resources from the subscription fee.

5. …and what it is needed and what it is not needed…

The new trends in the TV audience reveal an underpinning inclination: the possibility to choose among a plurality of programmes, without being linked to few schedules. The viwers, in short, tend to be no longer passive viewers.

The pay programmes fulfill this aspiration, programmes which are limited to those persons who have the economic availability to buy them.

But BBC offer several programmes, also interactive[25].

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[22] The seven terrestrial analogical generalist channels – Rai Uno, Rai due, Rai tre, Canale 5, Italia Uno, Rete 4 and La 7- have recorded, in 2008, total audience inferior to 85% 883,9%), with a 10% reduction starting form 2000, namely more than one point percentage per year. At the same time, the audience of the “other channels” passed form 7,3% to 16,1%, by underlining the spreading of the new digital platforms, in particular the satellite.

[23] In 2008, in Italy, the total profits in the TV sector, reached 8,4 billion Euros (+4,1% compared to 2007).

[24] The returns stemming from the licence fees, vice verse, register an increase (8+2,3) because of the increase in the relative unitary amount.

[25] In the UK, the public service represents the main Driver for the development of the digital TV, through the launch of the thematic channels and the introduction of the HD TV.

The fact is that the growing gap between our TVs and the foreign ones, is deeper and deeper, because of the wealthy of information on different countries and because of the qualified examination of the treated issues.

According to the data coming from the survey carried out by the Atirity, in 2008 the TV news of all the national radio television broadcasters, be they public and private, devoted to the news 25,5% of the broadcasting time. Politics follows with 25%, economy and jobs with 8,4%, sport with 6,9%, entertainment with 4,1%, habits and society with 2,4%, and culture wuith 1,6%.

But one could wonders: which should be the main issue of a TV news?

A TV news, we could answer by quoting Arthur Miller[26], is a world which is explained.

The TV is an open window on the planet.

Our TV is often a window open on the yard. It deals with our domestic events, especially our crime news. It is a bit local TV.

This leads to a kind of mental closing, because most of the viewers consider the TV as a tool having the function to validate the reality: the facts which are not broadcast by the TV are often considered irrelevant. And vice verse.

It was also the case during the European elections.

Investing part of the resources stemming from the fees in order to improve the quality of the TV information is one of the main objectives of the directives which the Authority will enact in the new service contract[27].

In the context of the overlapping between representation and reality, there is the transformation of judiciary proceedings (often linked to the crime news) in the media proceedings.

This is the "mimesis of the process" in the TV which I have already mentioned and strongly denounced last year, and which has been the object of an Act toward the Authority[28].

The issue is very delicate so we preferred to follow the moral suasion course, by proposing to concerned subjects to adopt a code of self-regulation based on the principles set out in the above mentioned Act.

It is a very satisfactory fact that, after 18 months of hard work, in which the Agcom experts took part), on May 21, the code has been signed by the TV broadcasters and by their

[26] "A good news, I think, is a nation which talks".
[27] In the UK, in the Digital Britain context, a public consultation has been launched, concerning a fund aimed at improving the TV information quality.
[28] 2008 Annual report, p. 11-12

representative associations, by the national Order of journalists and by the Press national federation.

The code is based on the right, ensured by the constitution, of freedom of thought and by the respect of personal rights, by acknowledging the duty to safeguard, in the full exercise of this informative function, the rights to the personal dignity, to the respectability and to the privacy.

The model of the self-regulation for the TV proceedings is a successful one, to be taken into consideration again. The “good information” is the one which results from the respect of the professional deontology.

6. The radio

The radio remains a mean which benefits from a great appeal among citizens and it is characterized by an innovative and competing trend, able to exploit the potentialities offered by the multimedia development.

The new availability of the frequency resources permits the real development of the digital radio. After the positive conclusion of the technical table with all the operators, the Authority will pass the new regulation by ensuring equal opportunities to everyone.

After our interventions in the governance of Audited and in the TV audience, we redefined the structure of the Audiradio society and we established criteria for the radiophone audience ratings, whose examinations is up to a third subject.

The frequency land register will be followed by the land register of the radiophone spectrum.

7. Publishing

More than the other media, the publishing sector suffers the context of financial crisis which affected the advertising world.

The overall returns of companies show a considerable decrease which affects both the daily and the periodical publishing: this decrease can be ascribed to the reduction in advertising expenses and to the decline in the sales of newspapers and by-products[29].

The Authority is monitoring with particular attention the allocation to the press of 60% of the expenses for activities of institutional communication from public Administrations, starting from Ministries, in order to reverse a trend which causes concern[30].

[29]Instead, a good trend of electronic goods has been registered which, however, accounts for only 3.9% of the overall returns of the sector.

In case of noticed violations, the Authority will impose the consequent sanctions.

A debate on the future of the press media is ongoing all over the world. The fundamental element to survive to the rampant spreading of the Internet is the quality of journalism. Such journalism is all the more needed as the bulk of news which continuously floods the web becomes more and more indiscriminate and unrefined, thus the risk of a new form of ignorance looms on the horizon, due to the inability to evaluate and form a reasoned opinion.

Therefore, we welcome the renewal of the national contract of journalists.

While France has gathered the Etats Généraux de la presse écrite, which have formulated proposals deserving of consideration (I refer for instance to the free subscription to a daily newspaper for those who have just turned 18), in Italy, the press reform stands at the starting blocks. Yet, there is a common thread which links the three reforms: TV information, radio and TV public service and press reform.

The pluralism and the freedom of information can be guaranteed by improving the quality and the sources of information.

8. Telecommunications

The crisis which is shaking the world economies – maybe the worst from the postwar period until today – could not spare the sector of telecommunications, which, however, gives signs of be stronger than the other sectors of the economy[31], also thanks to the reaction of the operators who have spurred the market with price cuts, the introduction of innovations both in the sectors for users and in the converging offered services, as well as through the extension of the distribution and commercial offer[32].

For its part, the Authority[33] passed a maneuver aimed at progressively reducing the mobile telephony call termination charges which will lead, in 2012,to symmetric charges for all operators which will be equal to 4.5 Eurocents per minute; this amount involves a more than

[30] The actual al location of such resources to the daily and periodical press is important for the rebalancing of commercials in favor of the sector and for enabling the necessary investments, above all in this particular stage of economic situation.

[31] Telecommunications is an example, maybe the most successful one at a European level, of identifying and dynamically modulating balanced rules, based on a careful analysis of costs and benefits for the entire community.

[32] In the mobile telephony sector, the entrance of virtual operators (by now, they are about fifteen) has further brightened up an already very competitive situation – our market is one of the most open ones in the world – by avoiding that the previous market positions crystallized.

[33] Already in summer 2005, coinciding with the arrival of the new Council, the Authority had passed an emergency measure to reduce prices by taking them back below the European benchmark.

50% reduction compared to the present levels and a more than 70% reduction compared to the levels fixed before 2005[34].

The Italian maneuver found appreciation by the European Commission[35].

In order to facilitate mobility, we have imposed the reduction in times for the number portability in case of a passage from one operator to another. In March 2009, more than 20 million lines were transferred, and such amount ranks us second in Europe after Spain.

In the fixed telephony, the reduction in the market power of Telecom Italia is considerable, both in the over all sector (from 78% in 2005 to 66% in 2008) and in the single segments of the market, from the access (-14 percentage points over the last four years) to the broadband (from 74% in 2005 to 58.7 in April 2009). The competing operators establish themselves with their offers, also thanks to the tools arranged by the Authority, above all the unbundling, where we have reached more than 4 million active lines, an amount which ranks us second in Europe after Germany.

This does not mean that everything is working fine.

In Italy, it is difficult to eradicate a bad habit linked to certain commercial practices, to behaviors aiming at swindling the good faith of consumers, like the insertion of unfair unilateral contract clauses, against the activation and billing of unrequested services, retention activities despite a different will expressed by the customer.

The sanctions imposed by the Authority for the protection of users amount to more than six million Euros.

In order to cut short the pathology of illegal calls, the permanent block of calls for the surcharge numbers proved to be solving: indeed, notifications and complaints in this regard dropped by 90%. The resolution by the Authority[36] has however been cancelled by the administrative judge. We are waiting for reading the grounds for the judgment to know which are the margins for a revival of our measures.

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[34] Resolution 667/08/CONS of November 26, 2008 (Market 7).

[35] These days, the European Commission has opened an infringement procedure towards Germany, after having invited it more than once to comply with the EU regulations, *following the example of the Italian Authority.*

[36] Resolution 348/08/CONS of June 19, 2008. Judgments by the Regional Administrative Court (Tar) of Latium nr. 11194, 11195 and 11197 of December 10, 2008, all these decisions were the object of appeal from this Authority before the Council of State, which with the directories nr. 449 and 450 of May 13, 2009 has partly upheld the appeal, by rejecting (directory nr. 451 of the same day) the rest of the appeal.

We will promote, also through search engines, transparency in the information of the telephone operators so that consumers have a real control of their phone expenses and can make a conscious choice[37].

To the consumers' Associations goes the merit of denouncing with a continuous attention the episodes of bad habits, thus providing a sensible indicator of the relationship between operators and users. In order to have a closer and more fruitful cooperation with them, a memorandum of understanding has been formalized, which I signed together with Minister Scajola in 2008, who pays particular attention to the relationship with consumers.

In order to make such relationship more effective and direct, we activated last march a multichannel Contact Center, which can be reached through a toll free number, and which has already registered about 5000 contacts with users already after the first two months.

But the relationship with the users passes also through the action of the Regional Communications Committees (Co.re.com.), which ensure us a strong protection on the territory. AGCOM is the only independent Authority to have such a territorial structure: therefore, we are an Authority, whose head is in Europe[38] and whose body is functionally structured region by region. This is essential for keeping an eye on local TVs; and it is fundamental for the contact on the spot with the users and the operators of telecommunications. The appeals for settlement presented in 2008 to Corecoms[39] were 38,590. The result of the settlements reached a percentage of success of 50%.

The functions of the Corecoms will be further strengthened with the decision-making power we are delegating them[40].

[37] While at a European level, the new regulation on the roaming introduces transparency and clearness in the phone costs, in Italy the offers with charges per second and without charging unit are still rare and the highest prices of SMSs risk to be higher than the European ceiling.

[38] The ongoing EU rules aim at confirming and strengthening the role and the prerogatives of competence, independence, impartiality and transparency of the National Regulators of the sector. Moreover, by continuing the aim of progressive regulatory harmonization to the purpose of building a real internal market of electronic communications, the EU reforms aim at strengthening the weave of relationships between the EU level and the national level of regulation, through the creation of new multi-level procedure tools.

Against this backdrop, the national Authorities will be called more and more often to act as a hinge among the regulation levels and to play, in exercising their daily competences, a fundamental role in coordinating the national sectional regulations, so as to ensure at the same time an ever more regulatory integration and the full compliance with the principle of subsidiarity.

It is a relevant institutional responsibility which poses the Authority in a position of hinge between a traditional model of public administration and a new Pan-European – so to speak – model of administration.

[39] 1,800 appeals addressed directly to the Authority and 15,000 requests for settlement in the field of telecommunications arrived in 2008 to the Chambers of Commerce have to be added to this number (source: UnionCamere).

[40] The Corecoms are being invested with the tasks of monitoring the local TV broadcasting and the decentralization of holding the Registro degli Operatori di Comunicazione – ROC (Register of Communications Operators).

In order for our interventions to the incisive and timely, the action by the Special Units of the Guardia di Finanza and the Postal and Communications Police Service proved to be very useful.

9. The turning point: Open Access

However, in fixed telephony – as I noticed in my previous reports[41] – there still was a lack in transparency and smoothness in the relationships between the incumbent operator and the competitors, an atmosphere of suspiciousness and a fierce quarrelsomeness which led to a wearing out of the relationship which was both exaggerated and ineffectual.

Furthermore, from a structural point of view, despite the good functioning of the unbundling, there still was the knot of access[42].

Therefore, we set up, with the commitments signed by Telecom Italia, a radical reform involving the whole system and able to cut at its roots the knot of controversies and the disputable nature, by ensuring from a structural point of view conditions of an effective equal treatment (equality of access) between Telecom and the other operators.

The basis for such reform is the organic separation of the management of the access network from the marketing of the services provided by Telecom.

Therefore, a new process for the delivery of wholesale services, a new system to manage customers, monitoring services and the equal treatment through precise comparisons[43], new rules of regulatory accounting and determination of transfer charges, a system of incentives and awards for the management of Open Access detached from the general organization of Telecom and linked to an ad-hoc behavior code. The Authority chairs the functioning of all this, and we collaborate with it through two independent Surveillance bodies (the so-called Board and the OTA).

Since I have long been committing myself in this radical reorganization of the access network, I might have a biased opinion. But I ensure you that, also from the comparison with the corresponding Authorities and with national and international experts, it is a unanimously agreed opinion that this passage represents a turning point which, if properly implemented, will guarantee also in the sector of fixed telephony a competitive context over time, with more freedom of choice for the final consumers who will benefit from more innovations in charges and a better quality of service.

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[41] In particular, the 2006 report where I had urged Telecom Italia to "make a step forward on the direction of separation".

[42] In which, despite the decisive and fast decline of the concentration rate, the share of Telecom Italia (the legacy of the vertically integrated public monopolist which, lacking cable operators, had only the fixed copper line which was widespread in all the territory) is still very high, being equal to 80% (in 2005 it was still equal to 94.2%).

[43] Analysis and comparison of the Key performance indicators (KPI) and the Key performance objectives (KPO).

10. The missing broadband

In the short term, therefore, we can be rather satisfied with the sector of telecommunications (even if there is a lot of work to do with the conclusion of the second cycle of market analyses).

But if we look at the long term, some shadows loom on the horizon.

The voice service, which is really developed in Italy[44], has started the declining phase. Instead, the data service has registered a progressive increase, which in order to support itself and develop, requires investments already in the present networks and all the more so in the network of new generation, which is necessary for the high speed transfer.

Instead, the investments are decreasing[45]. In 2005, the fiber connections amounted to 200 thousand; at the end of the past year, the overall number reached barely 300 thousand active users[46].

Strengthening of the copper network through the xDSL technology, wireless and satellite technology, broadband in the mobile telephony[47]: these are all competing initiatives to follow for the high speed transmission, but whose results, functions and perspectives over time are limited and subject to conditions.

At the current state of knowledge, there is only one technology which allows us over time to adequately meet the needs of the areas with high density in traffic and to comply with the increasing requests for the following years thus providing a valid intervention for the next 50 years: this is the fiber optics (or better, FTTH – fiber to the home).

But is such an expensive model in times of crisis as the moment we are living in feasible?

Well, jest in this period of crisis, the European Commission and most countries of the G8 think that the investments in IT and communication technologies are a priority because they

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[44] Italy is the country where the mobile telephony is most widespread, with 152% of mobile phones per inhabitant and it is the world leader in innovations, such as the mobile TV and the 3G.

[45] In 2008, the investments in the fixed network decreased by 8.9% and those in the mobile network by 6.8%, thus with an overall amount of -7.9%.

[46] In Europe, the broadband connections overcame in 2008 100 million users, with a penetration in the first fifteen countries of 25%. The most developed nation in terms of spreading the high speed Internet connections is Denmark, with a penetration which is close to 40%. Holland ranks second, followed by Sweden, Finland and the United Kingdom.

[47] In the mobile broadband, Italy is at the forefront in Europe and in the world. More than 7 million Italians connect to the Internet via their mobile phone, with a penetration of 31%, higher than the European average (equal to28%). This phenomenon has been favored by the widespread dissemination of devices of the last generation, which in our country have reached a diffusion of 41%, compared with 32% on the European average.

are the ones which produce the major effects on the growth of the gross domestic product of the advanced countries[48].

These investments guarantee positive externalities (the so-called spillovers), which radiate on all the economic and productive system: increasing the productivity of the work, the employment and the domestic product, reducing the costs of the market transitions and enabling the introduction of innovations of products and process, with applications which today range from health care to the energy savings[49].

Investing in the broadband, therefore, is necessary, more than ever in the phase of the crisis we are going through. The crisis can act as a spur.

Is it not enough to see that China, Japan, Australia, the United Kingdom, Germany and Holland are projected in this direction? And that President Obama, who also has to face a devastating financial and economic crisis, has placed the high speed in transmission among the main points of the government program? We appreciate the plan which recently has been announced by the Deputy Minister Romani for the total amount of 1.5 billion Euros aims at spreading within 2012 the broadband coverage in the entire country. Overcoming the digital divide is fundamental and it is also important from an economical point of view. But this should not distract us from the other step which our system has to make, the step towards the ultra-band that is the optical fiber. The two kind of interventions are complementary. Francesco Caio has rightly stated in his June report that the risk of realizing too late that the infrastructure is not able to cope with the demand is possible. The scarce literacy of Italians represents an obstacle to the diffusion of the broadband use.

But the level of literacy is doomed to rise because new generations are growing up. A strong impulse can come from an efficient computerization of the public administration, which is important for a right relationship with citizens.

In Italy there are initiatives set out by regions, municipalities and provinces.

But without a coordination, these segments risk to not create a unique system: the industrial policy is up to the government, but the technical implementation is up to AGCOM. Last June, the European Commission published a new scheme of recommendations on the new generation networks. These recommendations concern the passive infrastructures and the new broadband wholesale service. Also the agreements among companies for the entrepreneurial risks and costs sharing are encouraged because they aim at promoting the investments and at providing informative service to the benefit of European citizens. The Authority already approved some rules on the access and the sharing of infrastructures and

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[48] Cf. N. Oulton (2002), ICT and popularity growth in the UK, in *Oxford review of Economic Policy*, and OECD, (2008), Information Technology Outlook. A multiplier of 3-4/1 (1 Euro invested is equal to 4 Euros of growth in the GDP) of the project fiber optics has been established in the US and in England.

[49] In this sense, for example R.Katz, (2009), The economic and social impact of telecommunications output, in Intereconomics.

on the spreading of the new generation networks of access intermediated services already provided by old infrastructures. In Europe and in the world, the models of the development of the optical fiber project are essentially two-folds:

1)the main operator of communications fully funds the project (Spain, the UK and Germany)

2) A group of investors creates an intermediate society which funds the project.

Italy has embraced an open model of network development and so the more feasible way seems to be the second one: an intermediate society created a strong core of industrial partners with a mix of entrepreneurial capacities to develop the fiber project. This should aim at an open network, by replacing the phone duplex cables in those areas where there is a possible profitability.

A series of territorial areas can be identified where to implement the replacement of the phone duplex cables with the optical fibers. The first group of these areas should necessarily involve rich households and then it could be further expanded.

In line with the EU directives, we will examine the regulation options which by ensuring the competitiveness will further encourage and will adequately reward the investments in the fiber sectors.

11. A fiber nation for the information society

The broadband infrastructure represents the backbone of the advanced country's future. Despite of the difficulties in the current recession phase and despite of the high costs, I think that the optical fiber is not renewable. This is why last year I launched the idea of a big project, a big national mission of fiber nation. The idea is today more actual than in the past.