

Autorità per le garanzie nelle comunicazioni

Annual Report
On activities carried out in
2007

Presented by
The President of the Authority

Corrado Calabrò

Communications Authority

President

Corrado Calabrò

Members

Nicola D'Angelo
Giancarlo Innocenzi Butti
Michele Lauria
Gianluigi Magri
Stefano Mannoni
Roberto Napoli
Enzo Savarese
Sebastiano Sortino

General Secretary

Roberto Viola

Vice General Secretary

Antonio Perrucci

Head of Cabinet

Guido Stazi

This year is the Authority's tenth anniversary. (1)

The Authority's course certainly began uphill. At the time Italy was in fact considered the worse among the then growing European telecommunications liberalization process.

Today Italy is among the most liberalized countries in Europe, and the fifth market in the world in terms of pro capita earning, the second for mobile telephony voice services, and for which Italy represents the highest rate of penetration (140%). We are the first country in Europe for third generation mobile services (17 million UMTS users) and the second in the world after Japan.

This record accompanies that of the diffusion of mobile television services; Italy was the first country in Europe to commercially launch the service (technically known as DVB-H). The countries that most experience a growth of converging VOIP(voice over internet protocol) and IPTV (internet protocol television) offers are France, Italy and Japan. (2)

In this context of technological change and development of the market framework, the regulatory framework must also make a step ahead.

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1. *The Authority was established by law n.249 dated July 31, 1997, and entered into force on March 10, 1998.*
 2. *Minister Maccanico's intuition of instituting the Italian Authority as a converging element was therefore correct, attributing to a single body the regulatory and overseeing functions in all communications sectors: telecommunications, audiovisual, publishing: a set-up which is considered a benchmark throughout Europe.*

Telecommunications and the protection of consumers

Sustaining the increase of demands of telecommunications services is an objective that cannot be separated from the respect that corporations must have for the rights of the citizens. The disappointment for the lack of transparent initiatives and the quality of the offer causes damage not only to consumers but to the whole productive system. The vast number of complaints for disservices, for delays in assistance, for the activation of services never requested, and the charging of wrong fees, that the Authority receives, is becoming a primary social problem.

The Authority's new council has made consumer protection a cardinal point of its strategy

The enforcement of the regulation concerning consumer protection has been based on two main points in the institution's organization: the reorganization of internal activities and the decentralization of decisional powers.

As acknowledged by the European Commission, the Authority's efficiency has increased in the past two years. (3) A specific Department dedicated to consumer protection has been established, and inspection services have been improved. We have analyzed over 5000 consumer complaints in the past year, with over 1.100 of these verified directly on site, and we have sanctioned operators for several million euros for infractions against consumers. Furthermore, provisions of suspending services in case of default have become more punctual; the simple protest of categories on the phone bill cannot lead to the total suspension of the service.

3. *EU, XI Report on the regulation and the electronic communication markets, vol.1, pag. 159.2007.*

We are at the same time involved at improving the quality of the relationship between the citizens and the telecommunication corporations. More severe laws have been dictated to fight the curse of unrequested activations. We want to establish qualitative standards for call centers.

The increasing contribution provided by the Co.Re.Com is precious (the regional communications Committees), both with regards to the protection of plural sources of information and for their overseeing and resolution activities in disputes between operators and service users. With this year's approval of the extra-judicial procedure aimed at solving disputes we intend to decentralize all of those matters that may be of territorial jurisdiction.

The relationship with consumer associations is important, and with which we have established a permanent working table. With the aim of simplifying procedures the Authority has also approved the "equal conciliation" procedure , defined through agreements with consumer associations, as well as the possibility of on-line conciliation.

Thanks to the Authority's regulatory actions as of end 2006, the fees for telecommunication services have decreased by 18%, compared to a 20% inflation increase: Telecommunications have significantly contributed to the containment of costs , a unique case among sectors subject to the regulations.

During the first 2007 quarter tariffs have further decreased by about 8%, also thanks to legislative interventions, leading to an estimated annual saving close to two billion euros.

The consumers' well-being is certainly interrelated to the level of prices, but completely declines in three areas: the availability of communication services, the consumer choices, and the actual power the users possess, before and after having made a choice, compared to the operators.

We pay attention to all of the three aspects. The Authority among other things, has imposed the adoption of new information tools aimed at implementing the Bersani law-decree. Thanks to these users can now compare and will soon be able to use search engines that will allow them to better decide on consumer choices. But for the consumer, it is also important to change the choice he has made. Italy has made major improvements in telephone number portability. With regards to mobile in particular, the regulatory tool has given 12 million clients the possibility of changing operator, while maintaining their personal number. This figure puts us in the front line in Europe. But we want to further decrease the waiting period.

We have pointed out to the Government that the abolition of the concession tax on mobile phones can contribute to increase competition and innovation with regards to tariffs for mobile phones.

2006 was an important year: we have concluded the market analysis which complete the understanding of the European framework.

The mobile represents a competitive context and which in these past years has produced excellent results in terms of the services offered to the public, for tariffs and innovations introduced into the market. However, in order to prevent crystalizations, the Authority has promoted access to the market for virtual operators, leading to situations which must be implemented by year's end. The Authority will verify that the market evolves in an increasingly competitive manner, intervening if necessary.

With regards to land lines, the situation is more complex. This year we have begun a fine tuning regulatory activity: a necessary activity aimed at defining detailed remedies for the supply of new services introduced from the result obtained with the market analysis (like the bitstream and wholesale line rental).

This competitive issue is specific to the land line, for which a single operator exists, - former monopolist- and which has available to it a highly extended network. We are therefore experiencing a permanent asymmetry, which substantially cannot be removed, one that derives from the legacy of the historic operator of all telecommunication services.

The strategy pursued by the Authority aimed at fixing the lowest European fees for unbundling has led to positive results. As of June of this year, the direct accesses controlled by the LOL have exceeded 3 million lines, and thereby decreasing Telecom Italia's market share from 94% in 2005 to 89% in 2006.

At this point however, we must keep in mind that the constant progression of the unbundling in its different facets, although still fundamental, does not appear to be the definitive solution.

The market evolution shows in fact that the measures carried out by the Authority in the 14 land line markets, although efficient at the single market level, are not able to completely cope within a certain time frame, the system's competitive limits, or rather, the bottle neck represented by the access to the network by the vertically integrated incumbent operator.

The more so in the current phase of technological leaps in which the bottle neck mentioned above is accentuated in the passage to new generation networks (NGN), with the risk of experiencing once again a re-concentration of the final market.

The Authority has therefore deemed necessary an additional step towards this access, in the sense of equal treatment to accessing Telecom Italia's local network (equality of access).

Last year I invited Telecom Italia, on the basis of the first European experiences (then it was only Great Britain, but today Sweden as well), to be accepting of a system that "leads

to a course, of separation of services, both regulated and non, acting both on the function of governance and independent control."

Since then we have coherently proceeded in this direction, first by instituting in September of 2006 a Task Force that has launched a positive relation with society, and then on May 2, 2002, by opening a public consultation (4), which has recently concluded and which has seen the participation of corporations, social bodies, consumer associations, universities.

We are now examining the results we have received. The path is delicate and complex; and we want to understand these by the end of the year by discussing with everyone, Telecom above all, in an open and detailed confrontation.

Telecom's new ownership is not yet perfected; and this leads to longer discussion times. But the network separation is positive for all of the operators, and it is in Telecom's interest as well. But what is even more important, is that it is in the interest of the general public. In a market like ours, the functional separation, also characterized by a competitive structural deficit, is the most efficient remedy in order to resolve issues pertaining to competition, issues pertaining to market access, transparency, eliminating disputes, and at the same time - , of market development, even in light of the new generation networks. The functional separation of the access network, id proportioned and of the right size, is a win-win situation, a game with positive results.

We are not the only ones who think so, the highly competitive effects demonstrated by the measures introduced in England prove it as well; and the financial market thinks so too, if it we see that the BT stock has outdone the sector since the company has proceeded to breaking down the access network into a separate division (Openreach).

4. *Resolution n.207/08/CONS.*

The audiovisual sector

Within the audiovisual sector the postponement and uncertainty of the passage to digital has further increased the state of imbalance of the television system's pluralistic assets .

The television markets are in fact still characterized by a high concentration. In 2006, the share for advertising collection was primarily in the hands of two groups, Mediaset (55%) and RAI (29%), and was still equal to 84%.

In Italy the weight of tv advertising compared to the total advertising is still predominant: it represents 53%, while the printed press is at 32%. Although there has been a slight decrease for Tv during the first five months of this year (-2,7%) and a certain increase for the daily printed press (+3,6%), the rate between press and tv in our country remains unbalanced compared to other European countries.

With regards to paid contents, SKY holds 91%, reaching and exceeding the revenue income obtained by the RAI subscription fee (about 2 billion euros against 1,5 billion euros of the public subscription fee).

Overall, the share of Rai's and Mediaset's presence in the tv sector was equal to 34% for the first and 29% for the latter in 2006, while SKY reached 28% of the market's total proceeds.

Traditional tv confirms itself as the primary communication means, with 85% of the Italian population viewing it and an average consumption that is still about four hours a day. (5)

5. At the European level analogue TV is still at 57,7%, but digital tv overall, has a 42,3% penetration.

But an important economic and social transformation process is taking place; new perspectives have come up in 2006. It is not a chance that the new European Directive on radio television, whose final resolution is expected by the end of the year, has changed its name from Television without Frontiers to Audiovisual Media Services without Frontiers.

Italy is also taking part in this phenomenon: the "convergence" is radically transforming the media industry, but the tv system is giving this transformation a slow and marginal contribution.

The date indicated for the switch-off by the Gentiloni bill of law n. 1825/C is November 30, 2012, but the date established by the current law is still 2008.(6) We must therefore first have legislative certainty with regards to this.

The subject is under the jurisdiction of the primary legislator. Following the ultimatum issued by the European Commission (which in turn follows the repeated warnings from the Constitutional Court) the political thoughts I hoped for in last year's report must be accelerated, so that it will be possible to begin those actions considered necessary to unblock the situation and make our institutions comply with both the Communitarian and international limits: the rational and non-discriminatory use of scarce resources and the pluralistic development of the system.(7)

Establishing a date is not sufficient for achieving success towards the digital switch if it is not accompanied by measures and strategies aimed at promoting actively and promptly through the conversion of plants, the organization of programs, the application of both technological and human resources.

6. *In Holland, the analogue switch-off was completed in December 2006. Germany has also foreseen its switch-off in 2008 and should be able to respect this date. A similar situation is seen in Northern*

European countries. The situation of countries like the UK is more complex, but which has however already reached 75% in 2006, Spain and France have a higher number of homes to convert to digital. These countries are revising the switch-of date between 2010 and 2012.

7. *EU Directive 2002/77/ on competition in the market concerning electronic communications, art.4*

The experiment's positive results in Sardinia and Valle D'Aosta of the transferring of two ddt networks is encouraging. Furthermore, I have already communicated to the Parliament (8) that the most productive method towards the all digital, meaning the progressive switch -off of all of the analogue networks based on geographic areas, as France will do beginning 2008, is the best option.

Important steps have been made by Mediaset towards the organization of systems leading to the digital.(9). The public service network- which has an important role within this process- at first protested against our resolution on the passage to digital (then rejected by the Lazio TAR); and now appreciates our work, and states its intention of planning for a digital terrestrial platform as a strategic platform for the evolution of its offer. And last week the Minister of Communications assigned Rai 33 million euros for 2007 finalized at the development of new technologies within the national territory.(10) These initiatives are heading in the right direction. But the hybrid norm which sustains the Rai, further complicating its management, render its operations difficult

We hope that the legislative initiative on the reform of the public service that the Parliament is about to discuss finally clarifies Rai's independence from politics, in the furrow of the criteria dictated by the Constitutional Court's jurisprudence, and at the same time identifies a governance model within the company that will bring about a clear separation between the public service activities and commercial activities, according to the European directives. The accounting regulations we have adopted based on the current law, for the distinction of Rai's public services is only an initial indication of the trend. .

8. *February 7, 2007 hearing on the Gentiloni bill in front of the Parliament's VII and IX Commissions*

9. *Mediaset has 975 digital plants against the 4523 analogue ones; the Rai only has 143 digital plants against the 5871 analogue ones. Telecom Italia Broadcasting has 236 digital plants; Telecom Italia media has 1115 analogue plants.*

10. *During my 2006 report, based on a precedent, I supported the compatibility with the communitarian principles with incentives for the purchase of decoders for the passage to digital insofar as these would respect the principle of technological neutrality, meaning that the contribution be granted regardless of the fact that the decoder be used to receive terrestrial channels, cable, or satellite. The EC has now given the go ahead to measures, contained in the financial laws 2006 and 2007, in support of the purchase of tv sets equipped with an integrated digital tuner or digital decoder. The provision in support of the above adopted by the Minister of Communications must naturally be communicated to the EC.*

In the mean time we have proceeded as we could based on the current legislation:

- a. the creation of a national radio-television database
- b. the revision of the frequency allocation plan
- c. the rules for access by third parties to 40% of the broadcasting capacity

Before any precise assessment can be made on the market's current state, priority must be given to the frequency database, which to date has not been done.

It is a joint initiative with the Minister of Communications, and whom we thank for his commitment and for his insight on this and other issues of common interest with the Authority.

The first phase of the implementation of the frequency database, has been completed with the input of an overall number of 24.000 plants. We are now verifying the congruence of the acquired data with territorial checks.

After thirty years of negligence, the system we have created, aimed at supplying the actual number of frequencies used, will make available the information for the passage to digital technology.

The Authority has in addition began the revision of the frequency allocation plan approved in 2002 in order to adapt it to the commitments agreed to in Geneva in June 2006 and maximize on the available resources through the technique of single frequency networks.

We ask for a concrete commitment for the implementation of the plan by all operators, all institutions, as well as local bodies, so as to ensure that the plan does not once again remain an abstract exercise.

On August 2 the Authority will examine a review plan for the digital plan, which through the creation of iso-frequency networks, will allow for a better use of the radioelectric spectrum and solve the issue of the current situation of frequency concentration, redundancy and waste of broadcasting capacity. In light of the Authority's open spirit of confrontation the proposed plan will be made available for public consultation.

For the access of 40% of the broadcasting capacity for the major operators' digital multiplexes (11), we have already dictated rules and are now elaborating the tender procedure.

Within the new multiplatform context, the content increasingly becomes more important than the container. It increases the network's capacity, but there is no direct significant effect with regards to the content offered, nor is there an improvement in quality.

A decisive element for accessing 40% is that content producers be truly independent and that the content be attractive. It will not be the broadcasters choosing content suppliers: there will be a public selection process.

The objective we are aiming at with the overall activities is that of allowing an effective launch of the new broadcasting digital platform through a content offer that will be perceived by consumers as being qualitatively higher (programs), higher quality (more creative and pluralistic), and modernizing (coverage of the digital networks). And which may be easily used by tv viewers through a user friendly electronic guide.

Radio shows more innovations and original offers than television does. All of the main radio networks offer their own internet sites, which especially for young audiences are a meeting point where to gain knowledge. Radio continues to be one of the most listened to communication means; and we are experiencing an increase in the integration of important multi media groups who invest in the radiophonic sector, thereby diversifying their offer, with an intensification of competition among networks.

We however note a stalemate in the passage to digital technology here as well (12) ; radio must also adjust to the evolution if it wants to avoid- in the long run- to be marginalized compared to other media, yet it possesses all of the characteristics needed to maintain its central position, exploiting these to enter people's lives without disturbing them.

The new scenarios

a. The media

In the past ten years both the media and audiovisual worlds have been subjected to deep changes. The prevailing internet model has also changed social relations, especially among the youths, while the tv offer has been enriched with hundred of channels through the multi-platform offer (satellite, dtv, ADSL).

Tv's influence on customs and opinions is still great. For many tv represents a confirmation of reality; and for many it is reality, a substitute for actual experiences, as is shown with the success of reality shows (which are a caricature of reality).

For a great number of the population tv is still the principal, if not the only, means of information. This justifies the upholding of a specific legislation with an ex-ante limit aimed at guaranteeing pluralism, yet while maintaining the principles of proportionality and free initiative form both the Communitarian and national professional orders.

Within a diversified panorama in which several broadcasting platforms operate, a correct measurement of audience numbers is a pre-condition for the deployment of competition

and for the protection of pluralism. We intervened with Auditel by beginning a process of reform which has already given important results: as of this year all of the satellite channels are monitored and the company measuring the shares has modified its charter, aiming at the independence of the measurement of the technical activities and at opening the social capital to all of the companies most represented within the sector.

12. With the aim of developing digital radio, the Authority has launched a public consultation (resolution n.163 dated march 22, 2006) with the aim of verifying if there is an interest in Italy in introducing new technologies to update the current regulation of digital radiophonic services based on the DAB, in compliance with the "technological neutrality" principle of innovation and pluralism.

But the prevailing of tv does not in turn correspond to the quality, which has progressively decreased, with the particular element - false if we look beyond what we see- that the lower the quality of a program the higher the tv audience target. The advertisers in fact look only at the audience (and children watch tv for hours on end while sipping soft drinks and gnawing on snacks, potatoe chips, biscuits, targeted by advertising that stimulates their desires in a captivating way....)

The National Consumer Council and the TV and Minors Committee carry out their duty of signalling out infractions with passion and efficiency. The connection which may link antisocial behaviours to bad tv worries greatly. We have sanctioned vulgar tv, and in particular those programs which infringe on the rights of minors.

The RAI's public service mission is indeclinable. Public service mission means quality programming and the diffusion of cultural stimuli targeted to the vast tv audience. We deem that thorough information also means diffusion and sensitizing people to culture. As well as the use of new technologies aimed at renewing production processes and contents distribution, with a strengthening of access possibilities. This is what we have asked RAI in writing their guide lines on public service obligations: increased quality, increased culture, increased innovation and a rating aimed at measuring the quality of the programs offered.

With the passage to digital technology an element which in upcoming years will become fundamental has been especially growing in the American markets : access to audio visual

contents. The new digital platforms push towards pay per view contents; the ownership of rights is becoming increasingly strategic, as the experience with football has shown.

We must seriously reflect on the fact that a part of the contents must remain freely accessible to everyone, independently from the broadcasting platform utilized, and from the payment choice.

We must acknowledge that to date, we are experiencing a diffused creative stagnation. In order to recover the role of original and creative support of independent production, the Authority will soon open a table with the different producers, Rai, and other broadcasters, concerning investment quotas in favour of both European and independent productions. The Authority will review the regulation to assure independent producers increased protection when negotiating their rights.

The press appears to be characterized by competitive market structures and ex-ante limits-still considered valid- which ensure its pluralistic activities. But in order to simplify administrative procedures, as well as stimulate technological development and intervene on the bottleneck that conditions the distribution, reorganizing the sector seems nonetheless opportune (13).

The deep changes which have taken place within the media evokes such a radical change to lead one to believe that traditional media will be overcome by new forms of polycentric information, intolerant of any form of cultural mediation.

We do not believe in these apocalyptic forecasts. The role of cultural education, that of the press and professional journalism, is and will remain true to freedom of information, intended as true communication. We should not confuse the quantity of information that can be accessed with the cognitive process, as the cognitive process assumes that there exists a capability in selecting, organizing, evaluating, elaborating the massive amount of data, with the aim of finalizing it into a knowledgeable output.

The role and function of the journalist remain as important as they are, not only within traditional sectors of communications but also within the new communication means. The journalist continues to be the information mediator, the first information guarantor; and

there are no existing technological means that can replace him. The active defence of freedom of information is a fundamental principle of the European Union.

13. The bill of law elaborated by Undersecretary Levi is aimed at this.

The new scenarios

b. broadband and new generation networks

According to EC data 50% of the EU's productive growth between 2000 and 2004 was obtained thanks to information and communication technology

Between 1998 and 2006 telecommunications in Italy have increased at a rate greater than 4,5% yearly in actual terms, during a period in which the Italian economy was stagnant.

The telecommunications sector is now completely headed towards an integrated quadruple play with regards to communication services (telephony, land-mobile, internet and audio-video contents): that is where its development lies. Traditional services are now more or less saturated, the profitability earned from voice services is decreasing, but new services are offered and set a new trend.

This means the use of the internet. Internet now offers everything: news, messages, weather forecasts. And advertising rides the wave, progressively turning towards the net(14), rather than to the traditional media.

Second generation internet services are increasingly in use, especially among the youths, as is internet navigation through mobile phones (internet on the move): the figures pertaining to traffic have tripled. Access to blogs, You Tube, and even the use of new sub-note books, with monitors that allow for navigation, are increasingly being used.

Access to audiovisual contents and interactive services by both citizens and companies requires an increasingly growing broadcasting capacity.(15) The traffic generated by the networks will always be more complex and demanding. We can say as Shakespeare said(16)"we only discourage the original figure of the gigantic mass of things to come."

14. *With an increase equal to 13% in 2006 and superior to 40% in the first five months of 2007.*

15. *High speed broadband allows for a better access to business services, it maximizes and extends these without limitations on distance, it develops and maintains the rapport with suppliers, as well as with clients. It makes public services less expensive and efficient potentially reaching citizens in real time, with a savings of hundred of millions of for the public administration; postal services enter the mobile phone; the post office now manages 20 million transactions in real time; even health services, transportation, touristic services, educational functions obtain great advantages from these.*

16. *Troilo and Cressida*

The Italian market broadband situation does not appear to be satisfying: the coverage, diffusion, the level of competition of the offers set the pace compared to the more vious European countries.

With a 14,5% diffusion in Italy, broadband is very much behind, not only compared to the other G7 countries (Italy is in last place) and other developed countries of the European Union (Holland, Denmark, Finland); but also compared to the European 15 (18,7%); even compared to the European 27 (16,2%). (17). In recent yeras the diffusion of broadband in Italy initially showed a hike, with an increase of over 100% in 2004, then a more modest growth of 50% in 2005 and 25% in 2006, reaching almost 9 million connected users as of April of last year (eigh place in the world and fourth in Europe). But in France users are now 14 million!

The current situation is influenced by the prescence of structural obstacles with regards to the demand (the scarce computer literacy of both Italian families and companies), but also by an Italian anomaly (this connected to the offer) deriving from the (almost) complete absence of alternatives to the Telecom access network(18).

In addition to this, another aspect to consider, unlike the other countries, is that Telecom Italia's retail market share in broadband remains above 50%, and that offer fees are still distant from the European best practices. The next approval on behalf of the Authority for the bitstream offer will soon improve the situation.

To date, the development of broadband technology in Italy has almost completely derived from ADSL technology (97%), which amplifies the network's potential. But this is now being pulled to its limit(19).

Being on the net means shortening geographic distance, but with high velocity broadband (the so called 20 mb very broadt band) we will end up in a bottle-neck: just like lining up today's modern 200 km cars onto a mule track.

Here the Italian anomaly risks becoming a handicap that may suppress development. Up until now, we have had a problem of digital divide, with about 11% of the Italian population not being able to access broadband services. Now, it is the majority of the country that risks being cut-off from the innovative services provided by high and very high velocity broadband (second generation digital divide).

The most pervasive technology for bradband connection is wireless technology (Broadband Wireless Access), and in particular Wi-Max. The Authority has done its part by encouraging the Government the free up the frequencies, and then by approving the regulation for the frequency assignment through a transparent public procedure. But more radio resources are required.

The frequencies reserved to use by the State are too many and subtract vital resources from the economy.

17. In Jan 2007 the number of bradband connections reached 80 million in the European 27, 20 million more than 2006. Five European countries are considered state-of-the-art in the world: Denmark, Sweden, Holland, Finland, Belgium, are even more advnaced than the US and japan.

18. Currently the other broadcasting technologies- fibre optics and satellite, barely reach 1% of the total land lines (equivalent)

19. Not only because it allows the maximization of results up to 24 Mbit/s, but because when its use exceeds 60% of the lines, there may be interference problems.

20. -3% with a decisive decrease in the mobile network ones (-7%) and stability of investments in land at 0,4%.

Furthermore, considering the current state of radio technology and the availability of frequencies assigned to these services, wireless technology, where on the one hand it is a benefit for nomadic applications and connecting remote communities, on the other is complementary and not a substitute for an infrastructural transformation of the land line, which can not do without fibre optics.

And fibre optic broadband requires massive investments (no less than 8 billion euros).

Viceversa, here, operator investments are within the millions and are less compared to 2005 (20). These are therefore not sufficient, not even to ensure an adequate servicing of the current networks.

In Europe many initiatives are carried out at the national, regional or even local level in order to favour the development of access services to high speed internet, and the interrelated creation of broadband and very broad band infrastructures: in the UK for instance, broadband has been considered a strategic objective for the country since 2001. And specific interventions have been identified and analyzed at different levels_ central Government, Regional, Local, Authority- both with regards to the demand and the offer. Greece as well as promoted through the EC's *placet* , a project that will integrate broadband development.

The building of a fibre optic structure is therefore so important that elsewhere, it was deemed necessary to exclude the operator who built it from abiding with the regulation. This occurred in the USA (in a different context), and in Germany.

This possibility is however contrary to communitarian rules: and infact an infraction procedure has been initiated against Germany.

We do not have any intention to take this course.

The Authority, as with the Federal Communications Commission in the USA and the OFCOM in the UK, identifies broadband as a priority within its strategic actions. In the past year we have carried out a market analysis from whose results we are elaborating coherent regulatory tools.

Our interventions are based on the Communitarian principle of technological neutrality for the various broadcasting technologies.

With this in mind, following the public consultation we have carried out, we will define a continuum of regulatory tools specific to technology types (21) and geographic areas. In other words, we are re-elaborating what has been defined at the Euroepan level as a ladder of investments for the NGN networks, so as to make it compatible with the new technological and market context, and create incentives for operators to make choices concerning investments in infrastructure. Central to our strategy will be establishing remuneration investment scale of all of the opeartors involved with the new generation networks, so as to allow the sector to take a leap forward in innovation and competition.

We are evaluating the possibility of favouring pool investments, meaning the possibility of allowing several operators to join in coordinating investments in the NGN networks.

We ask ourselves if public incentives are possible: *it is a delicate subject as public support may produce altered effects with regards to competition.*

21. It is a one-stop strategy which will allow the operators to chose the tools, among the most developed within the infrastructure (access to cable ducts and turned-off fibre optics, sub-loop unbundling) and the less developed (new generation bitstream).

With regards to this, the EC makes a distinction between white areas - scarcely populated ones or entirely lacking a broadband connection-; grey areas - those in which basic broadband services are already present, but not yet supplied within a competitive system -; black areas- those in which broadband services are supplied within a competitive market.

Public support is possible for the white areas, and with limitations for the grey areas. It is not compatible for the common market with the black areas (we must point out that public support does not mean the State as an entrepreneur, but rather a tool to stimulate demand, and provide fiscal incentives to operators who invest in new generation networks, as well as interventions on passage rights and existing cable ducts).

If direct public support is therefore only possible for limited areas in the country, the intervention of local and regional Administrations is hence necessary in a more general sense in order to reduce the high costs of building new networks and stimulate the market in investing in innovation. If we consider that investments in new generation networks mostly involve (around 70% of the total!) activities related to civil works (excavations, laying down of the fibre optic lines), the importance of the moment in which the licences and authorizations are granted for the works by local Administrations is very important. It is mainly in this area that both Government and parliament could intervene, providing for prompt and automated procedures aimed at surpassing hesitations, time delays, local issues, which we unfortunately experience.

The role of an independent regulating Authority

Conclusions

Free competition is a sort of lay religion of our time. But like all religions it requires writ, and so our market requires rules. That only when the market is mature can these rules be the general ones that oversee the obtained freedom.

Until then rules that promote competition and development are needed. And when we then consider that it is a quickly developing technological and commercial sector, the rules - even more necessary in order to avoid compression and ostracism of new initiatives - must be dynamic so as they can promptly adjust to the innovations.

This is the main reason for the existence of the regulating Authorities, based on Communitarian directives.

For quick regulatory action - ready, constant, dynamic, modulated - the law is not sufficient as a tool due to the lengthy procedures and the legislator's aptitude of dictating norms of principle, rather than detailed directives. Regulatory actions on the hand hand requires a continuous activity and fine tuning: the devil is in the details.

Not only, Communitarian principles also impose a certain procedure in elaborating rules: a pre-emptive in-depth exploration of the market which is regulated through specific analysis; the constant consultation with the those to which the guidelines are destined, so that every aspect be considered before hand; the evaluation of regulations' costs/benefits.

This is the only way to avoid surprises, that even if at the monet may lead to a reduction of fees, they provoke repercussions that can alter competitive conditions in the medium -long period

Hence, rules must be born from within the market, not from external interventions.

As stated, the Authority has began establishing the conditions an dictating clear rules, providing juridical and regulatory certainty to operators. Our rules comply with the best Communitarian standards and are equal for everyone, Italians and foreigners. The concerns that have been expressed with regards to foreign shareholders entering Telecom Italia's stock are completley uncalled for and misleading. In Italy we have English, Swiss, Egyptian, Chinese, Australian entrepreneurs, as well as multinational funds. And the rules are the same for everyone.(22)

The Authority is highly sensitive to technological innovation and has proven this by favouring developing through the definition of a few simple pro-competition rules, so as to provide juridical certainty to operators and at the same time safeguard competition with by creating incentives for investments. This was the case for the Voip, Wi-Max, DVB.H(23), the broadband offers and the integrated fixed-land ones.

The comparison and the verifications of these results are carried out by the ERG in Europe (a group of the 34 independent Authorities of the EU and affiliated countries), where the best practices are examined, and which are generally then applied by the single Athorities as examples to be followed. The recognition of quality- at the Communitarian level- of the regulatory activities we have carried out has been rewarded with the election of the Italian Authority to ERG's chairmanship for this year.

The Authority will proceed along this path.

We will bring the functional separation of Telecom Italia's access network to its completion. More generally, we will proceed with the regulations aimed at guaranteeing the access, to be divided into four categories: access to land and mobile lines-new and old-; access to the operators' broadcasting networks; access to pluralistic information by the citizen; access to communication services and products by the consumers.

Access is the magnetic needle in our compass.

We are working to create the conditions for a communications sector that is structurally competitive and remains such in time, one that is innovative and pluralistic.

But the Authority cannot go further as it would enter into art 41 of the Constitution, reserved for the freedom to private economic initiative.

I will say it clearly, regulation is not enough on its own.

From that point on, entrepreneurial initiative must push further.

And to me it seems unreasonable if it does not do so once it has assured the right remuneration for investments in the new generation networks. World wide, financial markets seem to reward those companies that are most investing in network and service development , both in broad and very broadband (this is the case for instance for the great US operators and KPN in Holland).

The next ten years will be a very tough challenge for our country.

In this context, the new generation networks are the highways to technical development, as well as for the country's economic and social growth, they are the spines in which the use of galloping innovations are transmitted, and one in which the the world of younger generations is projected.

22. The electronic communications markets is increasingly characterized by its pan-European dedication. The technologies that allow the construction and supplies of trans-national services are testimony of this, as are the subsequent commercial choices made by the operators. This dedication is also reflected on the sector's proprietary assets.

23. *This technology (Digital Video Broadcasting-handheld) is now favoured by the EC as strategic in strengthening the internal mobile tv market as the single Communitarian standard. With regards to this, the Commission has asked the member States to reserve a part of the digital dividend to mobile tv, and which will be made available for the passage from analogue to digital tv. As far as regulatory matters are concerned, the EC considers mobile TV a growing service, and as such has invited the member States to adopt a light touch approach; which is what the Italian Authority has done.*

We are in a transitional phase that can be compared to the one experienced in the 1960's, and which was testimony to the socio-economic transformation of our country with the construction of the great highways that united Italy, and Europe. The same industrial effort awaits us now.

As I said, everyone's contribution is needed: Corporations, Parliament, Government, local Administrations.

Only in this way will Italy be able to sustain the competitive challenge connected to the affirmation of the new scenario.

An increasingly evolving scenario, a train of initiatives on which you either promptly jump on or you remain grounded. Our children have the right to think of the future.

We cannot look at the future through the rear-view mirror.