Italy

10 May 2013

During the last few years, Italy continued expanding broadband network coverage by upgrading its copper infrastructure and rolling out fibre based networks. To tackle ‘the digital divide’, in 2009 the government announced a project aimed at providing 95.6 per cent of the population with up to 20Mbps broadband. The remaining 4.4 per cent in areas with low population density are to be covered with up to 2Mbps using wireless broadband technologies. The government pledged EUR 1.471 billion for implementation of the project planned for 2009-2012.

The digital divide is also tackled at the regional level. Almost all Italian regions have initiated or implemented projects in this area. In many cases these are based on agreements concluded by individual regions with the Ministry of Economic Development. While most of the regions are focusing on providing up to 8Mbps broadband, some are already initiating the rollout of the next generation, fibre based broadband services. Of particular interest are projects initiated in Lombardy and in the Autonomous Province of Trento, which are expected to create a model repeatable in other regions. For example, Lombardy is developing a plan for the development of ultra-fast broadband which will be made available to 50 per cent of the population in about 160 municipalities. Following an investment estimated at between EUR 1.1 billion and EUR 1.5 billion over 5-7 years, a new fibre network will be built to complement and later replace the existing copper network.

One of the factors behind good DSL coverage in Italy is the average length of the telephone local loops - around 75 per cent of them are shorter than 2 km. In addition, Italian cities are densely populated with a significant number of inhabitants living in apartment buildings. This offers a good opportunity for FTTB solutions and puts operators in a strong position in terms of deploying next generation broadband technologies.

Incumbents

The Italian telecommunications market is dominated by the incumbent Telecom Italia (TI), one of the largest players globally in the fixed and mobile sectors, albeit with deteriorating market shares. In 2007 the incumbent underwent a change of ownership, after a consortium led by Telefonica bought a 23.6 per cent stake in TI becoming its largest shareholder.

In 2011, Telecom Italia invested more than EUR 4 billion, of which EUR 1.2 billion was spent on the acquisition of LTE (Long Term Evolution frequencies. In future, the company intends to continue investing in the next generation networks.

Mobile

Telecom Italia is involved in the mobile market via its subsidiary Telecom Italia Mobile (TIM). As of Q4 2011, TIM was still leading the market with a 33.6 per cent share in terms of active SIMs. It was followed by Vodafone which served 31.2 per cent of the market. Wind held a 21.8 per cent share while H3G (Three Italia) served 9.6 per cent of all mobile subscribers. Vodafone and Three Italia saw their market shares deteriorate slightly since end-2010, while Telecom Italia and Wind gained slightly.

In 2011, the mobile market grew by 2.4 per cent from 93.6 million subscribers at end-2010 to 95.9 million at the end of 2011. This figure includes 83.4 million residential customers at the end of 2011, compared to 81.8 million at the end of 2010. [87842]
Regulatory Developments

The Italian regulator is the Communications Regulatory Authority (AGCOM), an independent body, established in 1997. Its functions include liberalisation and monitoring of the telecommunication market through regulation and supervision activities and through dispute resolution, application of antitrust rules in the field of communications, inquiries on dominant positions and similar tasks.

To promote fibre network rollout the government passed a law in 2008. It aims at facilitating fibre deployment, simplifying administrative procedures and formalities for authorisation and reducing the costs of installing the new generation networks. The law states that, without any additional cost for the public administration, operators can utilise existing civil infrastructure to build their new networks, generally without any specific authorisation.

When it comes to fibre networks, AGCOM has been coordinating a series of external studies on different aspects of NGA (next generation access) and it had formally given the NGN Italia Committee (a multilateral advisory working group open to all interested operators) the task of defining the migration procedure towards NGA. The Ministry of Economic Development had launched a study to examine various regulatory and economical implications of different network architectures.

The Competitive Landscape

Due to the lack of an alternative infrastructure the Italian incumbent continues to hold a significant fixed line market share, though it is steadily declining. At the end of 2011, Telecom Italia’s share fell to 66.7 per cent compared to 86.6 per cent at end-2010. Access provided by alternative operators (LLU, naked DSL, WLR and fibre) reached 7.338 million lines, having increased by some 287,000 lines since end-2010.

The incumbent also continues to hold a significant retail broadband market share, though it is declining too. As of March 2012, TI’s fixed broadband market share stood at 52.6 per cent, down from 54.3 per cent a year ago. Its DSL market share also deteriorated by nearly 2 percentage points to 53.7 per cent. The second largest share of the fixed broadband retail market as of Q1 2012 was held by the VimpelCom controlled Wind (16.5 per cent). Both Fastweb and Vodafone followed with 12.3 per cent, while Tiscali was far behind with 3.7 per cent.

There was a great deal of regional variation with regard to various operators’ broadband market shares. For example, TI’s share in Lombardy, Liguria, Lazio and Sardinia, Puglia and Sardinia was less than 50 per cent compared to its average market share of 53 per cent. At the same time, Wind with an average share of 16.2 per cent had particularly strong position in southern regions of Sicily, Puglia and Campania, where its market share exceeded 20 per cent. Fastweb, whose average market share saw an overall decline, has market shares much higher than the national average in urban areas. Meanwhile Vodafone’s market shares are more equally distributed across regions. Overall, broadband market has experienced further consolidation, with the main competitors of Telecom Italia (Vodafone, Wind and Fastweb) accounting for 40.7 per cent of the market at the end of 2011, compared to 39.7 per cent at end-2010.

Pricing & Tariffs

In Q3 2012, TI offered its 7 Mbps ADSL plan for EUR 20.12. The high end 100 Mbps FTTH service was priced at EUR 75.63. Similarly Wind’s 7 Mbps ADSL plan was priced at EUR 20.12 while the 20 Mbps ADSL plan cost EUR 25.16. At the same time, Fastweb’s standalone ADSL broadband service with 20 Mbps speed was priced at EUR 27. Vodafone did not offer standalone broadband services. Their cheapest ADSL bundle with
up to 7 Mbps speed and 3G broadband was priced EUR 30 per month.

### Subscriber statistics

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<th>Technology</th>
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**2012**

December – Telecom Italia has launched the long-awaited FTTC broadband services in Rome, Turin and Naples. The network, which will be extended to Milan, Genoa, Bologna and Bari over the coming weeks, offers download speeds of up to 30Mbps and upload speeds of up to 3Mbps.  [87841]

November – TIM has launched LTE services in the cities of Genoa, Trento, Padua and Palermo in December 2012, having inaugurated its LTE network on 7 November in Milan, Turin, Rome and Naples. Meanwhile Three Italia has beaten TI to the punch by inaugurating its LTE network in the village of Acuto, the province of
Frosinone, on 6 November 2012. The company launched the 4G services starting from a small town which is the first of a series of forty municipalities affected by the digital divide. [87841]

November – Fastweb, which already owns an FTTH network passing 2 million homes, has signed a deal with Huawei to jointly develop ‘ultra-fast internet technologies’. The five-year deal will allow Fastweb to offer broadband speeds beyond 100Mbps. In future, FastWeb expects to be able to boost connectivity by up to ten times, using the same infrastructure. [87841]

November – Wind and Vodafone Italy have signed contracts with Italian fibre-optic wholesaler Metroweb to use its Milanese infrastructure to provide commercial retail FTTH services. The two operators are expected to be able to offer 1Gbps FTTH packages to subscribers as early as next month. Metroweb claims to have the ‘most widely extended metropolitan network in Europe’. Although concentrated in Milan, it connects to some of the biggest cities in northern Italy, including Bologna, Turin, Verona, Vicenza and Genoa. FastWeb acquired an 11.1 per cent stake in Metroweb in November 2011. [87841]

October – Vodafone Italy became the first mobile operator in Italy to launch its LTE network in Milan and Rome. From 21 December the coverage was extended to a further six cities - Bari, Genoa, Naples, Turin, Padua and Palermo. The company aims to expand its LTE network to 20 cities by March 2013. [87841]

January – The country’s mobile broadband market is witnessing a strong growth. The number of users who can receive services via UMTS/HSDPA networks has nearly doubled since 2006, reaching 39.4 million at the end of Q1 2012. The number of mobile broadband connect cards stood at 6.6 million in the same period, compared to 6.2 million at Q4 2011.

January – In the IPTV market, the incumbent aims to overtake Fastweb. According to TI’s Strategic Guidelines for 2009-2011, the operator aimed to have 1.5 million IPTV customers by the end of 2011. However, instead it has been seeing its IPTV subscriber number decline steadily to just 242,000 at the end of Q1 2012. This kind of pay TV service is seeing an overall decline in the country due to competition from satellite TV provider Sky and the local digital TV platform Mediaset. Between March 2011 and March 2012, the IPTV share of the TV audience has declined from already tiny 0.3 per cent to 0.2 per cent while the share of digital terrestrial television (DTT) doubled to 71.9 per cent, mostly due to the digital switchover. Giving up, Fastweb announced in Q3 2012 that it is about to discontinue its IPTV service altogether.

January – The Russian telecoms giant Vimpelcom is working on a plan to build its Italian business. One of the ideas is a mega-merger of all its major subsidiaries, except Telecom Italia/TIM and Vodafone Italia, on the fixed and mobile market. If the merger went ahead, Three Italia would bring its network and UMTS customers, BT Italia an established relationship with business customers and Fastweb its fibre-optic network.

January – AGCOM has approved the final regulation governing access to Next Generation Networks (NGN). The decision took into account the comments of the European Commission, the assessments made by the Antitrust Authority and the contributions received during the public consultation regarding the obligations of Telecom Italia in relation to both active services (bitstream and VULA) and passive services (various typologies). Within two months of the entry into force of the resolution, Telecom Italia is required to submit reference offer for: (i) passive services, such as end to end (unbundled access to the fibre), the individual components that make it up (so-called building blocks), and access to civil works (eg. ducts); (ii) active
services, i.e. bitstream fibre, offered at various levels of the network and VULA (virtual unbundled local access), provided directly at the exchange. The resolution also covers advanced technologies such as VDSL (vectoring and bonding), the relevance of which has only emerged in recent months, as well as the possibility of introducing symmetric obligations of access to infrastructure and the definition of the risk premium and, more generally, the economic conditions for the services in question.

2011

November – Vivendi has denied speculation that it plans to buy Telefónica’s share in Telecom Italia, held via an intermediary investor, Telco.

August – Wind was granted an LTE licence in August 2011 but has yet to comment on when it plans to deploy a commercial LTE network. So far, Wind has called for its rivals to pool their resources to help roll out national wholesale LTE network. [87841]

May – AGCOM has approved the draft regulation on access to next generation networks. The regulation aims:
(i) To ensure a high degree of openness of the network, regardless of the choices by the incumbent of the technology and network architecture; (ii) To allow the creation of alternative networks using different architectural solutions (P2P, GPON or mixed); (iii) To allow alternative operators to choose the best solution for providing access services depending on their level of infrastructure (ladder of investment); (iv) To facilitate the implementation of retail services supported by different levels of service quality; (v) To promotes co-investment in the creation of new networks, particularly the passive infrastructure and cabling, and to reduce the risk of investment, especially in less profitable areas.

April – Vodafone became the first operator in Italy to launch a 42.2 Mbps HSPA+ mobile Internet pilot in Rome and Milan in January 2011, with coverage extended to 14 other major cities in April 2011. Vodafone plans to invest more than EUR 1 billion in improving mobile broadband coverage in rural and underserved areas of Italy over 2011-2014. It is targeting an estimated 12 per cent of the Italian population that has little or no access to fixed or wireless broadband services. The company plans to offer access speeds of at least 2 Mbps using the HSPA+ 3.5G technology.

March – Metroweb announced it plans to initiate a FTTH project worth EUR 4.5 billion to cover 30 major cities by 2015. The company hopes to cover a dozen cities by 2013 including Rome, Turin and Naples, with this number increasing to 18 by 2014, before reaching the target in 2015. According to Metroweb, its project will complement Telecom Italia’s announced rollout of fibre-to-the-cabinet (FTTC) services in 138 cities by 2018.

February – The government of the Province of Trento and TI signed a preliminary agreement that sets out a path for building a next generation fibre network. In the next few months, this should lead to the signature of a final partnership agreement that establishes a public/private joint venture – the first of its kind for building an NGN infrastructure. It is to provide fibre based broadband to more than 150,000 properties, i.e. around 60 per cent of all properties in the province.

January – Fastweb and Sky Italia have signed a commercial agreement that enables the combination of the Sky satellite TV offer with Fastweb’s broadband Internet and landline services. As a result, Fastweb launched new bundles which include Sky TV channels, broadband connection and fixed line calls.
2010

December – Fastweb, 100 per cent owned by Swisscom, in addition to ADSL2+ network controls its own FTTH infrastructure and is therefore a strong competitor of TI. Fastweb launched fibre broadband services with up to 100 Mbps speeds in September 2010. Its fibre network covered 2 million homes in Milan, Rome, Genoa, Turin, Bologna, Naples and Bari, and the operator had about 300,000 customers connected to FTTH by end-2010. Fastweb has invested EUR 5 billion to build its 31,000 km fibre based infrastructure.

November – AGCOM has set the unbundling fees at EUR 8.70 per month for 2010, EUR 9.02 per month for 2011 and EUR 9.28 for 2012. Though the increases for 2011 and 2012 were smaller than the regulator’s original proposals, TI’s rival operators believe they are still too high. The smaller telecoms operators argue that high unbundling fees create a disincentive for investment in new high speed broadband networks.

November – Italy is one of the top performers as regards local loop unbundling. The number of fully unbundled lines stood at 3 million in January 2010. The country also performed well in terms of bitstream access with 1.7 million new entrant lines. AGCOM approved the latest prices for Wholesale Line Rental (WLR), unbundled and bitstream access in November 2010.

October – The smallest broadband operator, Tiscali, also attempts to embrace new technologies. Tiscali has announced a strategic partnership with ZTE to build an FTTH network, starting in Sardinia in October 2010.

October – Telecom Italia is aggressively developing its mobile broadband services. In October 2010, TIM became the first carrier in Italy to launch an HSPA based 3G network in the cities of Milan and Rome. The new network offered transmission speeds of up to 21 Mbps, an increase from the maximum speed at the time of 14.4 Mbps. After Milan and Rome, the 21 Mbps network will gradually be rolled out nationwide, with an upgrade to a 42 Mbps service scheduled for the end of 2011. Furthermore, TIM plans to launch LTE technology by the end of 2012, offering transmission speeds of up to 100 Mbps.

September – Fastweb, Vodafone and Wind withdrew from the Next Generation Network (NGN) Committee which was created to set the guidelines for the transition from traditional to fibre infrastructure. The operators said the Committee failed to take into consideration their contributions and did not represent their positions in its proposed guidelines. They also complained that the Committee’s guidelines reflected almost exclusively TI’s requests.

June – In June 2010, Wind announced it will become the first Italian operator to adopt the integrated multi-standard platform for 2G and 3G broadband services. In seven regions of Italy, Wind will adopt a joint transmission standard of HSPA+, LTE and IP.

June – In 2010, the Regional Administration of the Emilia-Romagna Region and TI worked together to boost fixed broadband coverage to more than 98 per cent of the telephone user base, and achieved 87 per cent coverage of the mobile network user base. In 2010, TI invested EUR 129 million in Emilia-Romagna, of which EUR 58 million was spent on fixed line and mobile broadband. The company has earmarked a similar amount for 2011, in addition to EUR 136 million invested in 2009 (EUR 50 million in fixed and mobile broadband).

June – To strengthen its position, the incumbent is collaborating with regional governments. For example, it is
building the next generation network in Catania. It will provide super fast broadband connections in six cities by the end of 2010, 13 cities by the end of 2012, and 50 per cent population coverage (138 cities) by the end of 2018.

May – The incumbent has announced the forthcoming rollout of the next generation broadband services in Rome over its fibre network. At the time of the announcement more than 15,000 homes and offices were already covered by fibre and this figure was set to exceed 80,000 by year-end. By 2011-2012 new fibre cables are expected to serve around 350,000 properties in all main areas of the city within the ring road. The work is part of TI’s NGAN (Next Generation Access Network) plan to deliver fibre-optic connections to 1.3 million customers in 13 Italian cities by 2012 and over 10 million by 2016. The plan involves investing EUR 9 billion in its network infrastructure to provide 100 Mbps direct fibre broadband access to 50 per cent of the population by 2018.

May – In response to TI’s fibre rollout, Fastweb, Vodafone and Wind announced their own project aiming to provide Italy with a single FTTH network infrastructure. The plan envisages coverage of Italy’s 10 largest cities within 5 years following an investment of about EUR 2.5 billion to be shared between all project partners. In the second phase, the plan may be extended to cover cities with over 20,000 inhabitants, reaching about 50 per cent of the population, with a total investment of about EUR 8.5 billion. TI decided not to join the project and continued fibre rollout on its own, despite the regulator’s call to ‘avoid costly duplications of civilian infrastructure’.

2008
October – In October 2008, the regulator approved the restructuring of the 900 MHz and 1800 MHz frequency bands aimed at allowing the existing GSM operators to have continuous blocks of frequencies. The frequencies in the 900 MHz band are to be progressively released between September 2011 and December 2013, with the majority of the frequencies to be made available during 2013.

July – Fastweb became a mobile virtual network operator (MVNO) under an agreement with H3G, which enabled it to add mobile services and eventually mobile broadband to its bundles thus differentiating them from TI’s offerings.

2001
December – In March 2000, AGCOM imposed an obligation on TI to provide wholesale DSL services to other operators whenever it intended to offer retail DSL services. In December 2001, the regulator defined the pricing and provisioning terms for a wholesale DSL offer by TI to other operators. It stipulated that there must be at least a 30 per cent discount between TI’s retail DSL offer and the wholesale DSL offer to its competitors. Also, AGCOM has ruled that the wholesale DSL offer to its competitors must be at a flat rate and the retail DSL offer could not be approved without the prior approval of a corresponding wholesale offer.

2000
May – In May 2000, TI published a reference offer for LLU, which was broadly approved by AGCOM. From
October 2000 to January 2001, Ti and 16 Other Licensed Operators (OLOs) were involved in a trial of LLU services in three metropolitan areas of Rome, Milan and Turin.