The State of Telecom 2010
Columbia Institute for Tele Information, October 15th, 2010

NEXT GENERATION (ULTRA BROADBAND) SUPPLY: THE ITALIAN CASE

Lorenzo Pupillo

Agenda
- Fixed and Mobile Networks in Italy: the current status
- Telecom Italia’s Investments
- Telecom Italia’s Ultra broadband networks plans
- Others players’ role

Fixed Network: The Italian fixed network is among the best networks available in Europe

Today, we have 97% of the population covered by a 2Mbps connection and 58% of the population with a 7/20 Mbps connection.

Mobile Network: almost everywhere in Italy there is a second network that allows mobile broadband access

In 2008 already, Italy had a 92% of mobile broadband network coverage, much higher than the European average: 72% vs. 56%.

In 2009, UMTS/HSDPA coverage in Italy up to 95% of the population.

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THE FIBRE’s DILEMMA

- If Telecom does not invest in NGAN, saves in Capex but loses revenue, margins and value
- If Telecom invests in the fibre network keeps revenues and margins but has huge Capex expenditures with return only in the long term.

Selective network coverage: areas with higher market returns and stronger competition
  - market share defense
  - Opex saving
  - Capex replacement

THE FIBRE’s DILEMMA

GEOGRAPHIC MODELS OF PRIVATE & PUBLIC INVESTMENTS

- Market Driven Policy Driven
  - Pay back period
    - > 20 years
    - > 10 years
    - > 5 years
    - > 3 years
    - > 1 year

NGAN Development

Private Investments

Public Investments

Private - Public Partnership

INFRASTRUCTURE SHARING & CO-INVESTMENTS

- INFRASTRUCTURE SHARING:
  - Telecom Italia has a consolidated practice of infrastructures sharing:
    - its own infrastructure: Ducts sharing with competitors since 2002 (Fastweb)
    - Other telecom operators infrastructure: Metroweb in Milan

- CO-INVESTMENTS
  - Under Telecom Italia Undertaking no. 9.3, out of the voluntary operational network separation regimes, Telecom Italia has publicly offered since June 30, 2009 to all interested Operators the opportunity to cooperate in deploying new ducts and in building new NGAN infrastructure.

LOCAL INFRASTRUCTURES LEASED TO OLOs (per year)

The length (km) of local infrastructure leased per year to OLOs increased by 3 times during 2009 thanks to the new TI’s offer (under the 9.3 undertakings), although the offer has been published only in June. In 2010 the trend has enforced with 450 km handled over in the first semester.
NGAN INVESTMENT’s AREAS

Ti plans to cover with NGAN networks 13 Italian cities in a 3 year period (2010-2012)

- 500,000 homes by 2010.
- 1.3 millions by 2012 and 2.5 millions by 2013.
- Milan will be the first city to have a complete copper switch off by 2015.
- By 2012, 51 Italian cities will be reached by fiber connections.
- By 2013, Ti will cover 125 cities for an overall coverage of 10 millions homes.

Milan will be the first city to have a complete copper switch off by 2015.

By 2015, 51 Italian cities will be reached by fiber connections.

By 2018, Ti will cover 125 cities for an overall coverage of 10 millions homes.

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OTHER PLAYERS’ ROLE

- GOVERNMENT: suggesting the creation of a FIBER NEWCO (ownership structure: 1/3 Public Funds, 1/3 Telecom Italia, 1/3 RW) to deploy passive infrastructure (ducts & dark fiber).
- COMPETITORS: Vodafone, Fastweb and Wind presented last May the “Fiber for Italy Project” (co-investment project) aiming at creating only one FTTH network for the major Italian cities (15) and started a Pilot in one area of Rome for 7000 homes.
- REGIONS & MUNICIPALITIES:
  - Lombardia: Fiber to 167 cities (except Milan) - 1.5 million homes & 440,000 business sites. Overall Investment of 1.2 billion euro. Ownership still unclear: Public / wholesale model but after 10 years the network can be sold.
  - Province of Trento: PAT Project fiber to 130,000 homes.

TI’s approach to PPPs

- Complementary to Ti’s plans
- Interest limited to passive infrastructure (ducts and dark fiber)
- NO a priori architectural, technical and commercial obligations
- Proofed Availability of financial resources
- Call Option on the network for an ad hoc penetration target

…..Where are we heading to?

- AGCOM, based on the recent EU Recommendation on NGA regulation, is designing an ad hoc regulation for NGAN in Italy that should consider also the presence of alternative infrastructure in each geographic area.

- We will continue to discuss possible cooperative solutions for the passive infrastructure part of the NGA, having in mind that new rules and approaches need to be followed because …..

- NOT ALL FIBRES …..LEAD TO ROME !!!!!