

TELECOM ITALIA GROUP

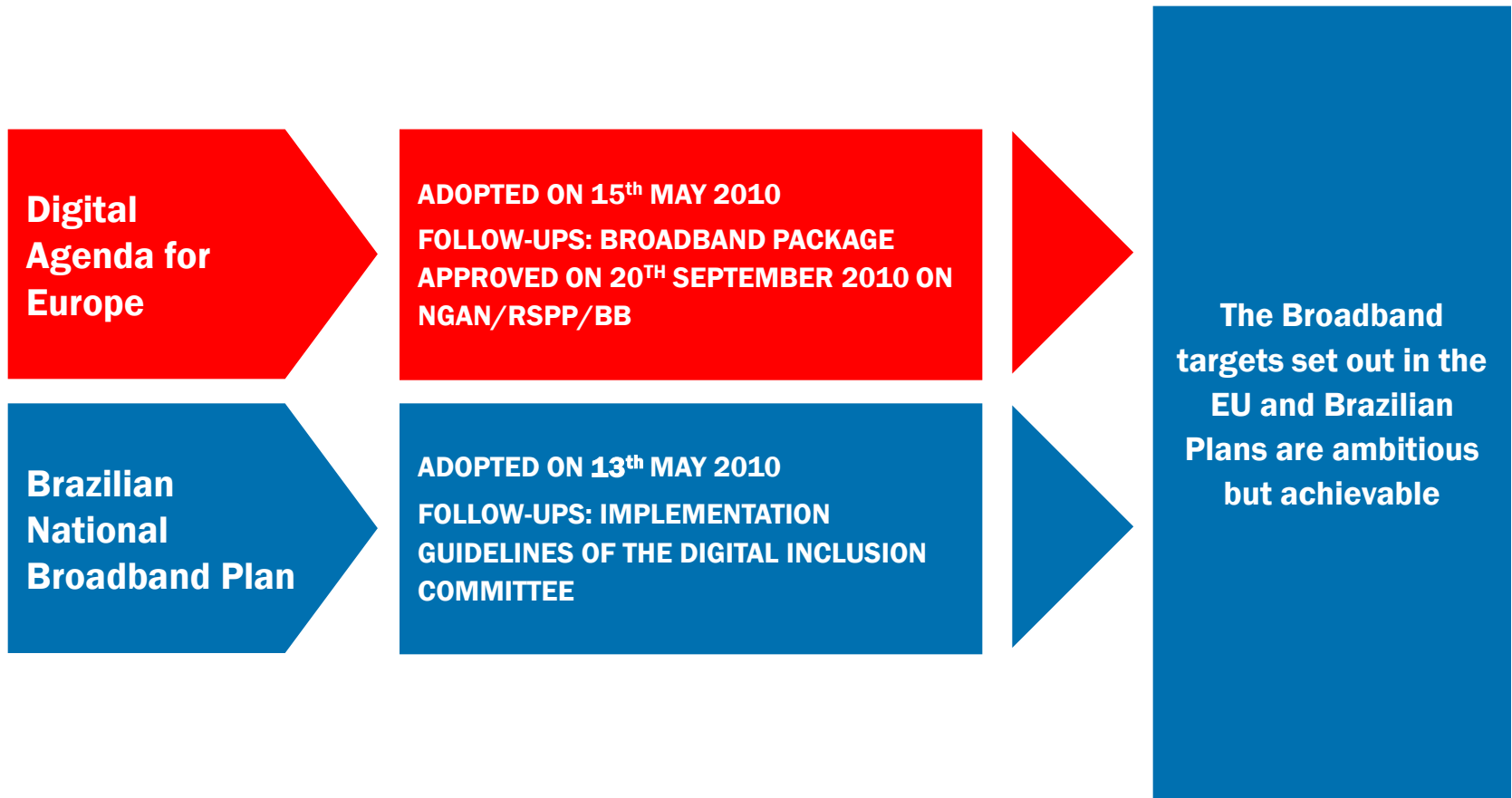
Latin America – EU Symposium on ICT Regulation
Brussels – November 15, 2010

EU and Brazilian broadband strategies: towards a common regulatory approach?

Telecom Italia – European and Relevant Markets Regulation
Giovanni Battista Amendola



EU and Brazilian broadband strategies: state of play





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- ▶ **EU Broadband Strategy**
- ▶ **Brazilian National Broadband Plan**
- ▶ **Conclusions**

EC broadband momentous initiatives

The **Digital Agenda for Europe** and the 20th September **BB Package** are fundamental instruments

**RIGOROUS NATIONAL COMPLIANCE
WITH THE DIGITAL AGENDA ULTRA-BROADBAND
CHALLENGING TARGETS**

**ROLL-OUT OF NETWORKS BY MEANS OF PRIVATE INVESTMENTS
(PUBLIC INVOLVEMENT ONLY IN MARKET FAILURE AREAS)**

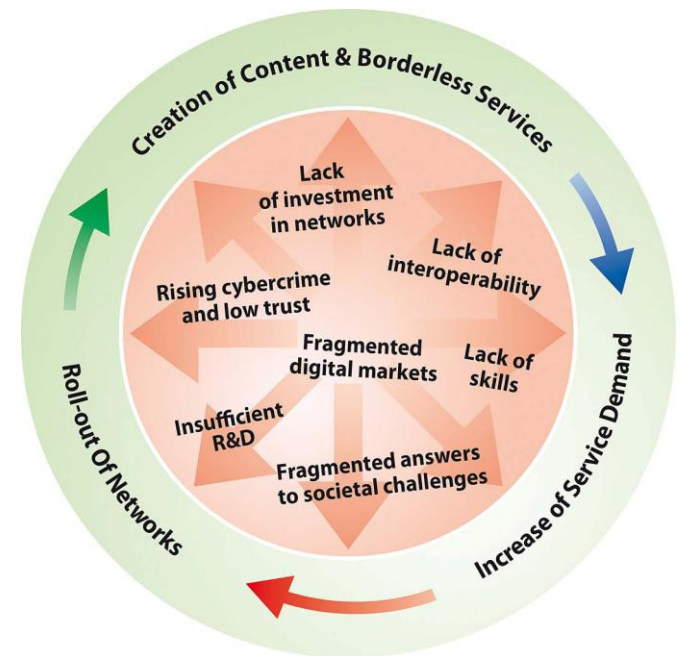
**ESSENTIAL ROLE OF REGULATION
[SIMMETRIC/ASYMMETRIC]
WITH REGARD TO THE ROLL-OUT OF NETWORKS**

INNOVATIVE SPECTRUM POLICY FOR WIRELESS NGAN

RELEVANT FUNCTION OF PUBLIC SECTOR IN:

- ▶ R&D
- ▶ E-GOVERNMENT
- ▶ E-HEALTH

VIRTUOUS CYCLE OF THE DIGITAL AGENDA

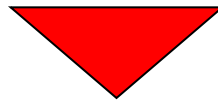


SOURCE: Digital Agenda for Europe_COM(2010)245

Role of the 2009 Review Package

The forward looking approach of the Digital Agenda is expected to be strengthened by the 2009 Review of the Telecom Directives. TI strongly shares the following points:

- ▶ Promotion of an **effective “infrastructure-based”** competition
- ▶ Acknowledgement of the huge risk incurred by investors in new fibre access networks (**Risk Premium**)
- ▶ **Geographic segmentation** of relevant markets in order to take into account the variety of competitive structures at the local level
- ▶ **Symmetrical obligations** (as provided for in new Article 12 FD) on all NGAN operators, in order to facilitate the sharing of “passive” network elements (e.g. ducts and building wiring)
- ▶ Promotion of the “**technology and service neutrality**” principles for a more flexible and efficient **spectrum allocation**

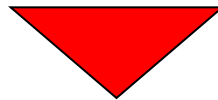


**A SWIFT AND CONSISTENT IMPLEMENTATION OF THE 2009 TELECOM REVIEW AT THE NATIONAL LEVEL
IS NOW NEEDED**

The NGAN Recommendation: key points

The Commission's NGA Recommendation constitutes a veritable milestone in the FTTX/wireless networks deployment. TI strongly shares the following points:

- ▶ Strengthening of the **geographic approach** in market analysis
- ▶ Preliminary specification of the **risk premium and risk sharing** concepts
- ▶ Introduction of **innovative wholesale price schemes** including volume discounts and long term prices
- ▶ **Elimination of cost orientation obligations** for bitstream services in case of effective **access separation**
- ▶ Light regulation in case of **co-investment models**



**A SWIFT AND CONSISTENT IMPLEMENTATION OF THE NGA RECOMMENDATION AT THE NATIONAL LEVEL
BY NRAs IS NOW NEEDED**

Implementing the NGAN regulatory framework: open issues

TOPIC	GUIDANCE NEEDED
▶ GEOGRAPHIC SEGMENTATION OF RELEVANT MARKETS	▶ GUIDELINES ON GEOGRAPHIC ASPECTS OF MARKET ANALYSIS IN CASE OF NGAN WHOLESALE SERVICES
▶ RISK PREMIUM AND RISK SHARING	▶ GUIDELINES ON THE METHODOLOGICAL SPECIFICATION OF THE CRITERIA LAID DOWN IN THE EC RECOMMENDATION
▶ COST ACCOUNTING	▶ GUIDELINES ON THE IMPLEMENTATION OF THE COST ORIENTATION OBLIGATIONS IN CASE OF NGAN WHOLESALE SERVICES
▶ PRICE SQUEEZE TEST	▶ GUIDELINES ON PRICE SQUEEZE TEST TAKING INTO ACCOUNT VOLUME DISCOUNTS AND LONG TERM WHOLESALE CONTRACTS
▶ CO-LOCATION AND SHARING OF NETWORK ELEMENTS	▶ GUIDELINES ON ARTICLE 12 OF THE FRAMEWORK DIRECTIVE AS AMENDED



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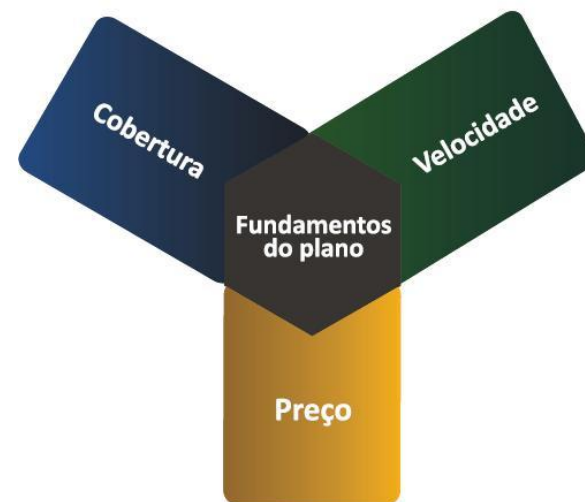
Brazilian National Broadband Program– TI’s view

PROGRAMA NACIONAL de BANDA LARGA	TELECOM ITALIA’S VIEW
<p>Wholesale access to the national fibre backbone built and managed by Telebrás</p>	<p>▶TI welcomes the creation of a shared infrastructure system for assets not economically convenient to duplicate</p>
<p>Telebrás’ retail BB offers in unprofitable areas</p>	<p>▶TI supports the State intervention where the development of the access network is not economically sustainable (white areas)</p>
<p>Auctions for new spectrum assignment</p>	<p>▶The increased availability of radio spectrum at reasonable prices can support the rapid growth of mobile broadband</p>
<p>Incentives for the sector through the reduction of tax burdens on services and terminals</p>	<p>▶The reduction of taxes can enlarge the profitable areas ▶All the mobile and fixed operators should benefit from the tax reduction ▶The Fund for the Universalization of Telecommunications (FUST) could be used for the allocation of resources to the sector</p>
<p>Credit facilities through the national bank (BNDES)</p>	<p>▶The access to low interest rate credit can help the development of new access networks</p>

Ensuring asymmetric regulation in the fixed access

- ▶ Telecom Italia deems that the Brazilian National Program objectives can be only reached through the introduction of an **effective** asymmetric regulation in the fixed access market.
- ▶ The regulatory intervention should mainly focus on the access to wholesale products such as **Local Loop Unbundling, Bitstream and a more efficient regulation of Leased Lines.**
- ▶ Only **a regulated and non discriminatory** access to non replicable assets can guarantee an effective competition in the retail markets.

Competition is the fastest and most effective way to achieve the three main objectives of the Brazilian National Program



Introducing asymmetric regulation in Brazil

- ▶ **Telecom Italia shares ANATEL's General update Regulatory Plan (PGR) of October 2008, particularly with regard to:**
 - ▶ **regulation of Full Unbundling, Shared Access, Bitstream and Leased Lines (EILD)**
 - ▶ **regulation based on Significant Market Power and market analysis**
 - ▶ **assessment on functional and structural separation**
- ▶ **Telecom Italia also appreciates the regulatory actions recently defined by the Digital Inclusion Committee (October 2010) for the Brazilian National Broadband Program (PNBL):**
 - ▶ **sharing of infrastructure**
 - ▶ **regulation based on Significant Market Power and market analysis, both at retail and wholesale level, including criteria for the assessment of fixed retail offers**
 - ▶ **criteria for Telebras' retail offers**
- ▶ **Telecom Italia urges the **swift implementation of the regulatory actions** aiming at introducing asymmetric regulation of SMP operators since such actions are essential for the boost of broadband services in a competitive environment**



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Conclusions

**4. The EU
asymmetric regulation model is a sound benchmark for Brazil**

3. The Brazilian regulatory framework needs the swift introduction of asymmetric regulation in order to boost Broadband networks in a competitive environment

2. The European NGAN regulatory framework is evolving in the right direction

1. Regulation is an essential pillar for the completion of broadband strategies