



contribution to the

BEREC Broadband Promotion Report

Accessible version

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WIND company description

Founded in 1997, **WIND Telecomunicazioni SpA** is one of the few operators in Europe to offer integrated fixed and mobile telecommunication services and Internet services.

WIND is the third largest Italian mobile operator, with 20.8 million subscribers as of September 30, 2011.

WIND is also the **leading alternative provider of fixed-line services** in Italy with more than 3.09 million voice customers, of which 2.35 million direct subscribers, and 2.07 million broadband customers as of September 30, 2011.

WIND was the first Italian operator to launch **MMS** and video over GPRS handsets: one of the earliest services to be made available was the first ever pocket news broadcast via **videostreaming**. WIND was the first in Italy to launch a **trading on line service via WAP**. New technologies such as WAP and GPRS, **UMTS**, make a substantial contribution to the creation of new services and applications. WIND offers a particularly wide range of **data transmission and Internet services**, capable of satisfying the needs of all segments of the corporate market.

In February 2001, WIND became the first alternative operator of fixed-line telephony in Italy to provide access to **local loop unbundling**, offering the possibility to make fixed-line calls without the need to pay any form of line rental. WIND was the first Italian operator, in May 2002, to launch **Number Portability**, enabling customers to switch operator whilst keeping their existing telephone number.

In fixed-line telephony, WIND confirmed its status as the leading alternative to the former incumbent for the activation of a new telephone line. By directly choosing Infostrada as their operator, without involving Telecom, from November 2005 users have been able to set up a new line at a highly competitive price.

In 2006 WIND expanded its convergent fixed-Internet product offering, with the introduction of Libero Absolute ADSL, offering bundled domestic calls with only a call-set up charge and a **broadband** Internet connection for a flat monthly rate. In October 2005 WIND launched the ADSL2+ access network, a new technology offering a considerable increase in connection speed and quality and, consequently, a marked improvement in the fruition of services, especially of the multimedia type, such as audio and video applications.

The WIND Group has a best in class network: **more than 21,000 kilometers of optical fibre backbone to 4,440 kilometers of MAN**. The company also boasts an extensive and innovative mobile network consisting of more than **12,598 radio base stations** and more than **9,000 Node B** related to the UMTS coverage. Coverage outside Italy is provided by **more than 450 roaming agreements**.

Introduction

The current evolution of the telecommunication market, showing an overall decline of traditional voice traffic mainly from fixed location, assigns a strategic role to the broadband access infrastructure as the only unique *future proof* infrastructure capable to provide efficiently a bunch of services ranging from simple voice up to High definition video.

When broadband infrastructure will be the only one used to provide TLC services (all IP networks) efficiency in network handling and maintenance will deliver effective and flexible services to the citizen promoting an overall welfare increase all over EU.

For the reason above Wind welcomes BEREC initiative to address an open discussion on how to promote broadband adoption all over EU while keeping focus on long term sustainable competition both on current and perspective available infrastructures (xDSL and NGA).

Broadband promotion could be logically split into several set of actions related to :

- **digital divide**; in order to extend coverage at the whole territory,
- **increase market penetration** of the current available platforms; until now broadband penetration in EU stops at value well below 50% (the most performing country, Netherlands, stops at 39.3% ⁽¹⁾,
- **NGA deployment** promotion in order to grant a suitable infrastructure for the more and more demanding performance required by the customers and enabled by the new technologies (HD video, telemedicine, etc).

In the answers to the submitted questions these different field of action drive our contribution.

Crosswise to the above three main set of intervention, coordinated actions are needed regarding :

- **state aid provisioning** that should be performed without any market perturbation, allowing intervention only for future proof projects, implemented on a non discriminatory basis in order to grant safeguards for an appropriate level of long term competition;
- **technological neutrality** about broadband provision, both in rural and urban area where wireless solution will allow effective solution to solve different customers or network requirements.

¹ source COCOM broadband report july 2011

Executive Summary

Digital divide elimination must be pursued making easier infrastructures installations both for wireless or cabled infrastructure and providing widespread diffusion of incentive measures like European, state, regional or local forms of aids.

From a practical point of view the creation of web sites where all the initiatives **MUST** be published with the creation of an updating newsletter for new initiative's kickoff would grant high effectiveness.

Maximisation of Market penetration in areas already covered should be promoted in several ways, both on demand side allowing widespread diffusion of broadband usage decoupled by personal computer, like Set Top Box, or wifi Smartphone, and on supply side allowing effectively [omissis]

[omissis]

[omissis]

EU wide Guidelines (the one BEREC is working on for best practises promotion on wholesale offers implementation) should be issued stating that migration should be conducted through an **agreed solution**, [omissis] setting proper timings of migration [omissis]

[omissis]

WBA offer should be improved in its flexibility to provide differentiable broadband products and made more cost effective mainly in areas where it is the only viable solution, i.e. where LLU is not sustainable do to absence of economies of scale or morphological feature of the territory (very remote areas). Such measures would grant an higher level of competition permitting to disadvantaged citizens to benefit of competition and allowing a wider set of offers up to double or triple play.

[omissis]

NGA Deployment

The deployment of a fibre upgraded access network with suitable features to grant a fair development of a competitive market while building a future proof solution granting a long term return of investment in a technological scenario evolving so rapidly, even disregarding the current macroeconomic scenario, appears as a very challenging issue.

To pursue such an ambitious target clear rules must be defined both at EU level and at national level highlighting the paramount role of the Commission, the NRA and BEREC.

The commission posed a corner stone with the **NGA recommendation** followed by the two recent consultations regarding on costing methodologies for key wholesale access prices and the one related to on the application of a non discrimination obligation including Functional Separation, with the aim that final results will provide a pathway leading to the creation of:

- [omissis]
- [omissis]

- [omissis]
- [omissis]
- [omissis]

Such principles would create a level playing field constituting appropriate and coherent incentives promoting NGA roll out and market competition, substituting distort incentives like the one adopted by some NRA allowing increase of copper access price that would only grant Incumbent superior profits that roll out of an NGA network will simply hamper.

In such a scenario plays a relevant role a transparent provision of state aids through an harmonized application of the ***Guidelines on public funding to broadband networks*** currently under revision and the updating to NGA of the Broadband Common positions already under development.

Question 1

What elements do you consider essential for the successful definition and implementation of governments' strategies to promote broadband:

a) Overall at the national level? What role, if any, could NRAs play to enhance the effectiveness of those strategies?

b) Specifically at rural and peripheral areas? What role, if any, could NRAs play to enhance the effectiveness of those strategies?

The definition and implementation of successful broadband promotion governments' strategies must go through a **balanced set of elements addressing both national and local level**, in order to grant that benefit of competition, innovation, and expertise developed in more advanced areas could be benefited also by citizens living in areas where market development are still lacking, and in order to address peculiarities of areas where broadband deployment are objectively difficult.

At **national level** elements that must be included in the government actions are:

- introduction of rules aimed to foreseen that NGA oriented infrastructures, like ducts and pipes, sites for equipment installation, will be mandatory in new urbanized areas, in public services buildings, in refurbished buildings, and in any case infrastructures that allow a joint deployment of telecommunication infrastructure are performed.
- *[omissis]*
- support local administration in access effectively EU funding programs.
- *[omissis]*

- *[omissis]*

- *[omissis]*

At **local level** actions aimed to **maximize role of local administration** must be proposed but only if they shows some pro competitive features adding to the pre-existing ones introduced by the standard regulation.

Among them can be listed :

- the prevision that ANY utility distribution infrastructure², foreseen some pipes for telecommunication purposes, to be placed when performing trenching activities;
- local administration should coordinate strong forms of coordination of trenching activities promoting a timely planning allowing multiple undertaking to take advantage from the civil works, minimizing both citizens disturbance and overall costs.
- concession fees elimination (or significant reduction) for installation of NGA related infrastructure or for digital divide elimination activities.

Careful evaluation of different technological solution are critical where market cannot exploit its full potential. *[omissis]*.

Governments should act in order to grant that frequencies will be timely available to the Operators winning the auctions and should effectively monitor the usage made by non-TLC sector (military, aeronautical, etc) to push for introduction of spectrum efficiency allowing spectrum recovery of scarce resources.

DAB (Digital Audio Broadcasting) and mobile satellite services are significant examples of valuable frequency resources mainly unused.

An harmonization at EU level of the radio electromagnetic emission level would enhance the role of the wireless in broadband provision.

NRAs role is clearly strategic should them grant :

- effective and timely monitor of the implementation the central government directions.
- declination of direction lines
- monitor broadband coverage evolution and customer adoption in order to assert the need of introduction for demand side incentives;
- *[omissis]*

² Like electricity, gas, water or sewage, city lighting companies.

Question 2

Among the main supply-side obstacles to broadband promotion, NRAs have perceived the low expected return on investment, the lack of access to financial resources and the access to spectrum. In addition, NRAs have considered, among the main demand-side obstacles to broadband promotion, aspects such as the citizens' lack of perceived need to adopt broadband, the high price of broadband, the fact that NGA is still in an initial stage of the product life cycle and, mostly in rural areas, the lack of choice between operators.

2.1. What of the above mentioned factors, if any, would you not consider as obstacles? And what other factors, if any, would you add to the list of main obstacles to broadband promotion? Please reply with specific regard to:

- a) Supply-side obstacles;
- b) Demand-side obstacles.

Supply-side:

There are several factors that obstacle Broadband penetration even if distinction must be made regarding current broadband and Ultra broadband (NGA).

For current broadband real obstacles to penetration are constituted both by coverage issues, i.e. availability of the service, and, where broadband service is available, by ICT skills lack, while price issues must be analyzed jointly with service usefulness.

On the NGA side the assumed ***low expected return on investment*** can be argued according to:

- the time horizon assumed to recover the investment: timing of few years (one decade) are not compatible with the current TLC business sector, while longer time horizon are usual in other business sectors like all utility delivery infrastructure (water, electricity, gas);
- the penetration rate that can be improved with *switch off politics* aimed to maximize the saving in maintenance structures;
- capability to differentiate services offered on the new NGA infrastructure: if the NGA network have to be used only to provide access to the Internet with a flat price politics such concerns are shared, but if operators will be enabled to provide ultra broadband offers suitably tailored to the needs of different consumers more value could be extracted from the new network with more benefit for the final user.

Such capabilities would be addressed by the net neutrality discussion already started by the European offices.

- *[omissis]*

In other words if appropriate choices are done **return on investment (ROI) could be lowered to an appropriate level.**

Regarding *lack of access to financial resources* complained by the NRA is something obvious due to the macroeconomic context but if business plans associated to the NGA network deployment are planned in a way granting, even on a long term basis, an efficient and open access model financial resources can come from financial entities used to long term investment like retirement funds or utilities funds.

Moreover business models should be modified, introducing a two side model, where application service providers , the so called “Over The Top” (OTT) that use the network for the development and sustenance of their Business, can contribute to the network set up and manage releasing new source of financial resources.

[omissis]

Rapid diffusion of internet access *on the move* from mobile equipment like smart phone, tablet or I-Pad makes mobile broadband availability a must in the coming years. Any limitation in a prompt and effective access to spectrum to provide broadband services would be detrimental for the development of EU economy.

[omissis]

[omissis]

Demand side

[omissis]

Such situation in Italy relate to approximately 50 % of the territory where LLU has not yet spread and the Incumbent is the only operator providing broadband service directly to the retail market or at wholesale level through the Bitstream (WBA) offers.

[omissis]

Bitstream (or WBA) wholesale offers should be improved in their overall quality addressing **pricing and performance**³ issues that would enable a differentiation of the retail offers both in terms of performance and pricing lowering customers residual entry barrier.

Customer experience could also be improved granting that Broadband Bitstream services will be activate simultaneously with all the other wholesale services needed. *[omissis]*

Moreover **citizens' lack of perceived need to adopt broadband** must be kept in proper account.

Forms of e-health and in general of public services supplied efficiently via the broadband infrastructure must be performed in order to increase the perceived need to adopt broadband.

[omissis]

2.2 Taking into account namely your assessment of the existing and potential obstacles to broadband adoption, what **elements do you consider essential for the successful definition and implementation of NRAs' strategies**, in particular from a demand-side viewpoint, to promote broadband?

When replying to question 2.2 above, please mention also what core strategic differences, if any, should be weighted regarding the consideration of those elements in rural/peripheral areas and in urban areas.

³ both technical and operational like provision and assurance aspects.

Promotion of broadband adoption could be performed introducing services enabling citizen to perceive a real value in using a broadband connection, in terms of information, introduction of services to the citizen, remote labour, e-commerce functionality.

These are the same both in urban and in rural areas; in rural areas must also be considered the competitive issue granting that Altnet can compete with the Incumbent in providing offer differentiation (and therefore a wider set of economic offers) even using a Bitstream wholesale service.

Even if, on a demand side perspective, urban and rural areas shows the same requirements, regarding availability of broadband on a supply side perspective, rural areas deployment should be promoted making easier deployment of broadband related infrastructures.

For example a priority lane should be foreseen for all administrative certification and available public infrastructures should be conceded free of charge.

[omissis]

1. assessing separately the costs for the two infrastructures accesses (copper and fibre);
2. evaluating the real level of development of the two access networks (e.g. number of lines available in a six month perspective on the two technologies);
3. adopting an incentive programme for the access SMP entity in order to keep in count the real roll out of the new fibre infrastructure.

Such a programme should set a real incentive to the deployment of the new fibre infrastructure, starting from an access price calculated on the current situation (meaning that where access is only copper the price would be the real copper price (LRIC adjusted with HCA for ducts and civil engineering) with a predefined decreasing glide path (driven by the adoption of a SRIC model) able to incentivize SMP to deploy fibre infrastructure.

Only if fibre is really deployed, the (unique) access price, averaged on the national territory, could be raised, progressively, up to a level that would allow a reasonable risk premium (if needed) for the SMP, and at the same time providing a subsidy to the following investments to be performed in order to increase coverage and accelerate deployment.

The fibre deployment must be evaluated not simply on the basis of the SMP operator declaration of passed HH (house holds) but **accordingly to the real penetration among users** (adopters) of the new technology. This feature of the program will recover any potential abuse originating from the information asymmetry between the SMP, the NRA and the market.

Any concession cannot be granted simply on the basis of SMP declarations, but must be verified on field. Moreover in order to **maximize the penetration** among users (adopters) of the new NGN network, a set of suitable wholesales offers must be in place well in advance of the first commercialization by the SMP operators.

The definition of a unique price for both types of access, irrespective of its copper or fibre nature all over the national territory would also boost adoption of fibre services because of their very low price.

Question 3

(section 7): What **elements** do you consider **essential** for the **successful definition and implementation of operators' strategies**, in particular from a demand-side viewpoint, to promote broadband, with regard to:

- a) Fixed broadband?
- b) Mobile Broadband?
- c) NGA Broadband?

When replying, please mention what role, if any, could NRAs play to enhance the effectiveness of those strategies.

Operator's strategies on broadband development can be more effective if the following elements will be available on the Telecommunication market.

1. Fixed broadband

As already briefly described current broadband service can be improved if wholesale regulated offers pertaining to the provision of broadband services will be ameliorated in their effectiveness through improved performance and pricing.

[omissis]

[omissis]

[omissis]

- *[omissis]*
- *[omissis]*

NRA role in pursuing such target is essential as well as a timely and accurate monitoring of non discrimination principle implementation on all the aspects of wholesale services provision such delivery time, assurance and quality provided. Recent EU Commission consultation on non discrimination should provide NRA with relevant directions and BEREC definition of implementation guidelines would empower NRA with appropriate tools.

2. Mobile broadband

Frequencies availability assume a central role in providing mobile broadband. Their widespread availability in a flexible way should be assured to promote broadband adoption. *[omissis]*

Second digital dividend must be promptly addressed by NRAs and assigned favouring multiservices solution, i.e. broadband vs broadcast usage, being broadband able to provide even broadcast services while being impossible the opposite.

Usage of frequencies implying heavy modification in network equipment and user terminals should be left to a second stage of spectrum utilization as well as use of technique like white spaces and cognitive radio techniques.

3. NGA Broadband

Several critical elements can be consider essential for the successful definition and implementation of operators' strategies ranging from all the supply side aspects related to the timely and availability on no discriminatory basis of a wholesale offers allowing suitable offer differentiation.

Wholesale offer differentiation have to be pursued in order to create a range of offers that, in terms of performance and pricing, can satisfy all the customers types maximising and fastening NGA market penetration.

Should also be promoted adoption of commercial proposals that goes far from the simple “*eat all you can*” model (flat rate for access and unlimited traffic), moving towards model providing access and basic performance to be integrated with additional services to be paid separately.

In this way ROI could be obtained earlier and penetration speed maximised.

The EU Commission, BEREC and the NRAs can play an absolutely relevant role in implementing such NGA broadband promotion mainly in the **network neutrality debate** going on, where should be clearly stated that a carefully , transparent, traffic handling could be performed by Tlc operators in order to widen offers portfolio capabilities.

Question 4

(section 8): What elements do you consider essential for the successful definition and implementation of **public-private partnerships strategies**, in particular from a demand-side viewpoint, to promote broadband? What role, if any, could NRAs play to enhance the effectiveness of those strategies?

The successful definition and implementation of public-private partnerships strategies aimed to promote broadband, goes through several actions both on the supply side and on the demand side.

On the supply side must be foreseen a substantial enhancement of the non discrimination principle aspects enhancing any regulatory obligations that may be imposed by the NRA in the specific market concerned in order to foster effective competition.

It means that PPP should foreseen **additional obligations** with respect to the already existing on a regulatory basis to grant an open access to the infrastructure partially financed with public funding irrespective of the State aid or not financing nature. This would enhance guarantee that public partnership will be done on the interest of the citizens.

Projects should foreseen measures assuring that late coming partners are enabled to provide their contribution or can access the infrastructure in order to increase competition level in the market maximizing final users benefit.

To comply with such principle, a detailed definition of wholesale services that will be provided must be available at the very beginning of the partnership project.

Particular attention must be placed on diffusion of such projects that should identify the private partnership with an open, transparent tender. NRA could provide the suitable platform to grant wide diffusion to the public tender procedure and act as a certifier of the appropriate tender exploitation.

Some other warnings raised from the experience developed with a northern Italy local administration shows some interesting features like:

- [omissis]
- [omissis]
- [omissis]

On the demand side should be foreseen that public partners should use a predefined percentage of the financing (at least a predefined minimum of 25%) to measures and/or projects aimed to e-services to be provided on the financed network, i.e. projects aimed to social benefit, like e-government, on line didactics, e- health, or platform enabling local entrepreneurship (i.e E-commerce platform and /or or logistic area facilities) to support new entrepreneurs.

Suitable promotion of the projects with its intermediate deployment steps would favour its diffusion among the local citizens and help a widespread adoption.

Question 5

In addition to the initiatives already taken by BEREC with regard to the promotion of broadband from a **supply-side** perspective, **what other initiatives do you perceive it is important that BEREC develops in the future** from that perspective?

BEREC role will be central in granting an harmonized deployment of NGA broadband network all over EU.

Its role can goes well beyond the institutional role that already see BEREC providing consulting service to the Commission with the remedies definition that will be taken according to the art 7a of the “Better regulation “ framework.

Wind appreciate also the BEREC’s initiative to update its guidance on best practice to reflect NGA deployment measures, according to the Commission’s NGA Recommendation, to monitor application of best practice and evaluate the implications of co-investment.

In addition, we would like to see further focus from BEREC on:

- NGA network replicability and the identification of those network elements where duplication is unlikely to be viable on a widespread basis;
- copper and fibre pricing strategies as a means to provide incentives to invest in open fibre networks and input to the Commission's proposed Recommendation on this subject;
- a standardised definition and technical specifications for key wholesale products in an NGA environment. This is important to spread best practice in definition of LLU, VULA and WBA in an NGA context (including how to specify products in a way which enables innovation and the provision of bundled offers by competitors),
- collection of benchmarking data showing the architectures used for NGA and the prevalence of wholesale access (unbundling and bitstream) over those networks.

BEREC could also take the initiative to monitor the different NGA initiative going on all over EU, and in *[omissis]* granting that terms are compliant with the current regulation providing both a technical support to the State aid Task force in charge to verify if funded projects comply with the regulation framework and its evolution, and, generally speaking, to support the regulation enforcement action.

Question 6

(section 10): A list of potential measures was identified, in the present document, that could be adopted or reinforced in order to promote broadband from a demand side perspective.

- a) Are there **any identified demand-side measures that you consider inappropriate?**
- b) What other demand side measures, if any, would you consider particularly important to promote broadband?

WIND agrees with the thesis illustrated in the report that "*competition in the broadband markets [..] should also be considered a major broadband promotion factor (FSR, 2011; Costa, 2009)*".

Measures granting a proper development of a competitive market, mainly on the new coming NGA ultra broadband market, must be properly pursued by all the offices involved, Commission at first, BEREC and National governments and NRAs.

Among that measures the most relevant to be cited are:

- [omissis]

- [omissis]

Some measures, even if cannot be considered inappropriate, require some more attention in their implementation:

- The achievement of the broadband coverage target set out in the Digital Agenda through the full implementation of the spectrum policy by the Member States, which notably includes the availability of spectrum, the rapid award of use rights and the existence of secondary trading.

[omissis]

- Adoption of Universal Service Obligation (USO) as a broadband promotion measure **must be** [omissis] and can only be done only after a suitable redefinition of the contribution methods, that should properly evaluate the indirect benefit gained by the USO provider, and also changing USO provider assignment rules keeping in proper count the technological neutrality principle and the enhanced capability of Altnet operators (even regional operators) that in some areas can provide USO as well as incumbents.

A demand side measure that could promote ultra broadband adoption appear to be the proper ruling of **online digital rights for audiovisual contents**.

This would increase the **legal** diffusion, via immaterial media, of audio and video contents with positive externalities also on the environmental impact that the production, distribution , handling of physical media involves.