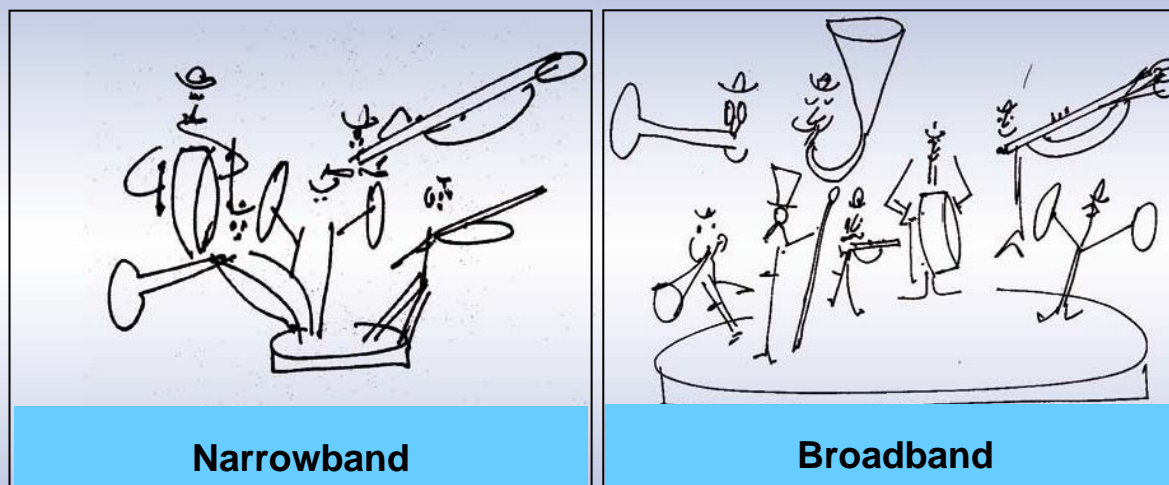


DEVELOPING THE INFORMATION SOCIETY IN THE REGIONS:
BECHMARKING INDICATORS, LEADING PROJECTS AND POLICY SUPPORT

Parallel sessions: BROADBAND

Cristoforo Morandini, Between SpA

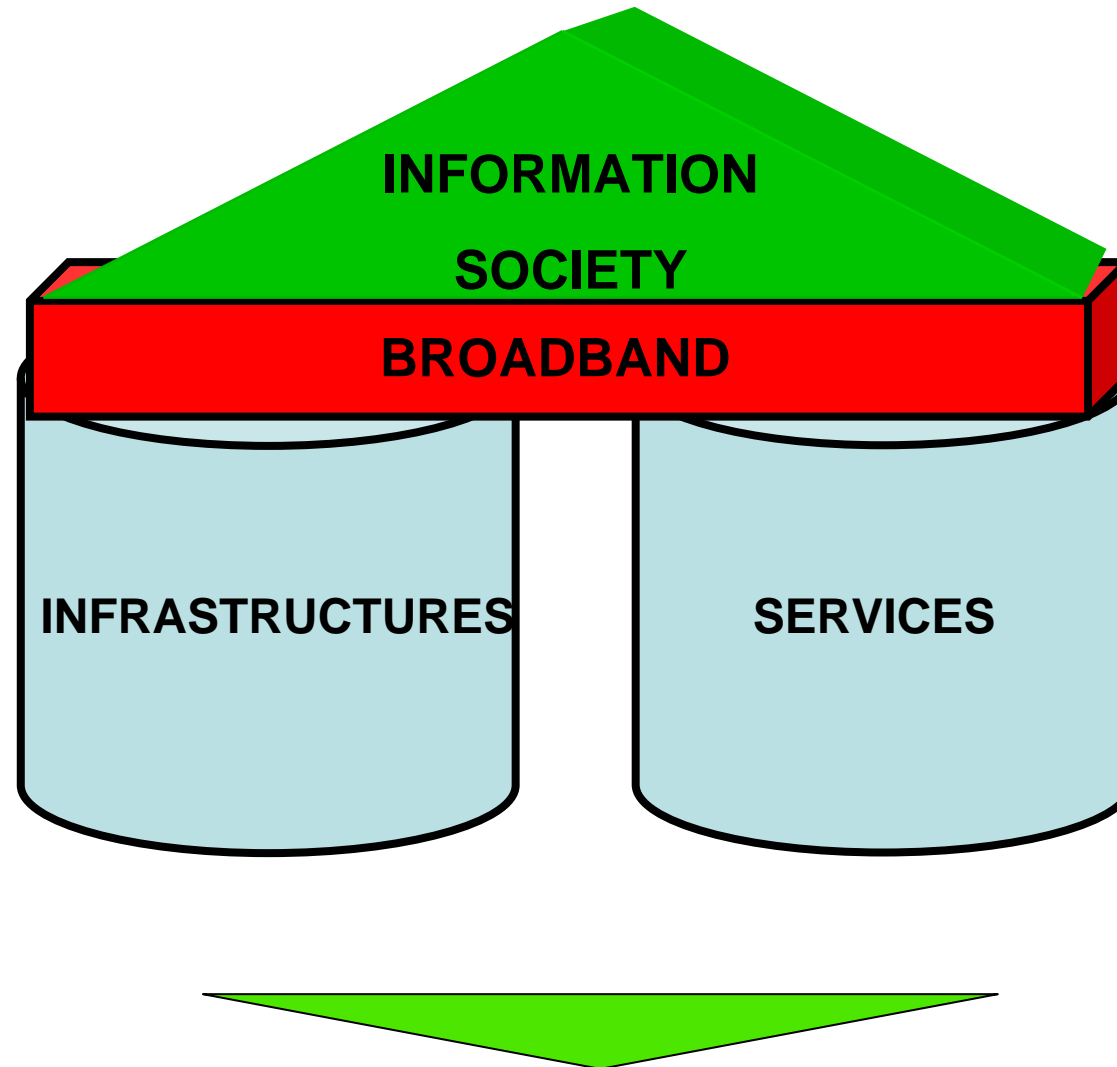


Poznan, 23rd June 2006

AGENDA

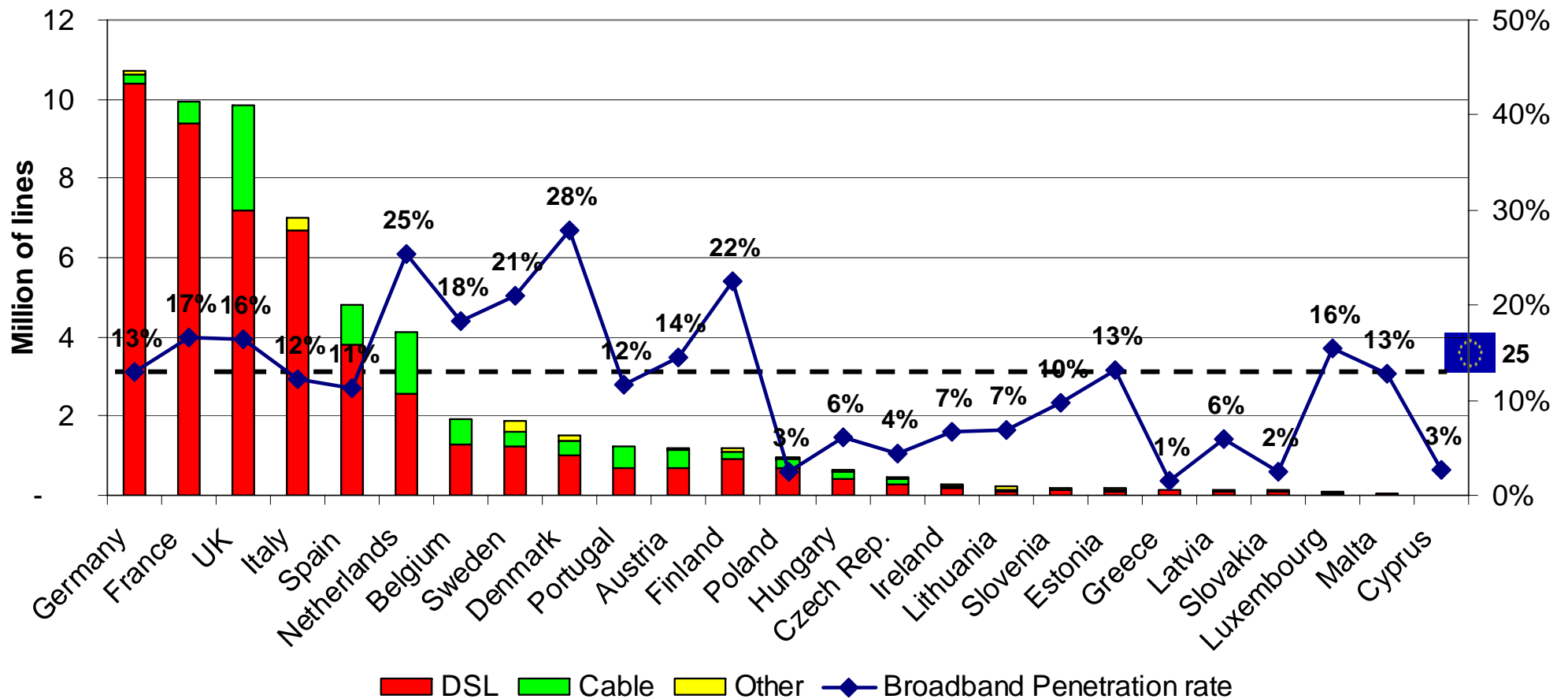
- 1. Broadband and the Information Society**
- 2. UE Benchmark**
- 3. The Digital Divide**
- 4. Public Policies**
- 5. Towards a new Digital Divide?**

Why Broadband now?



Broadband enables new applications and enhances the capacity of existing ones.

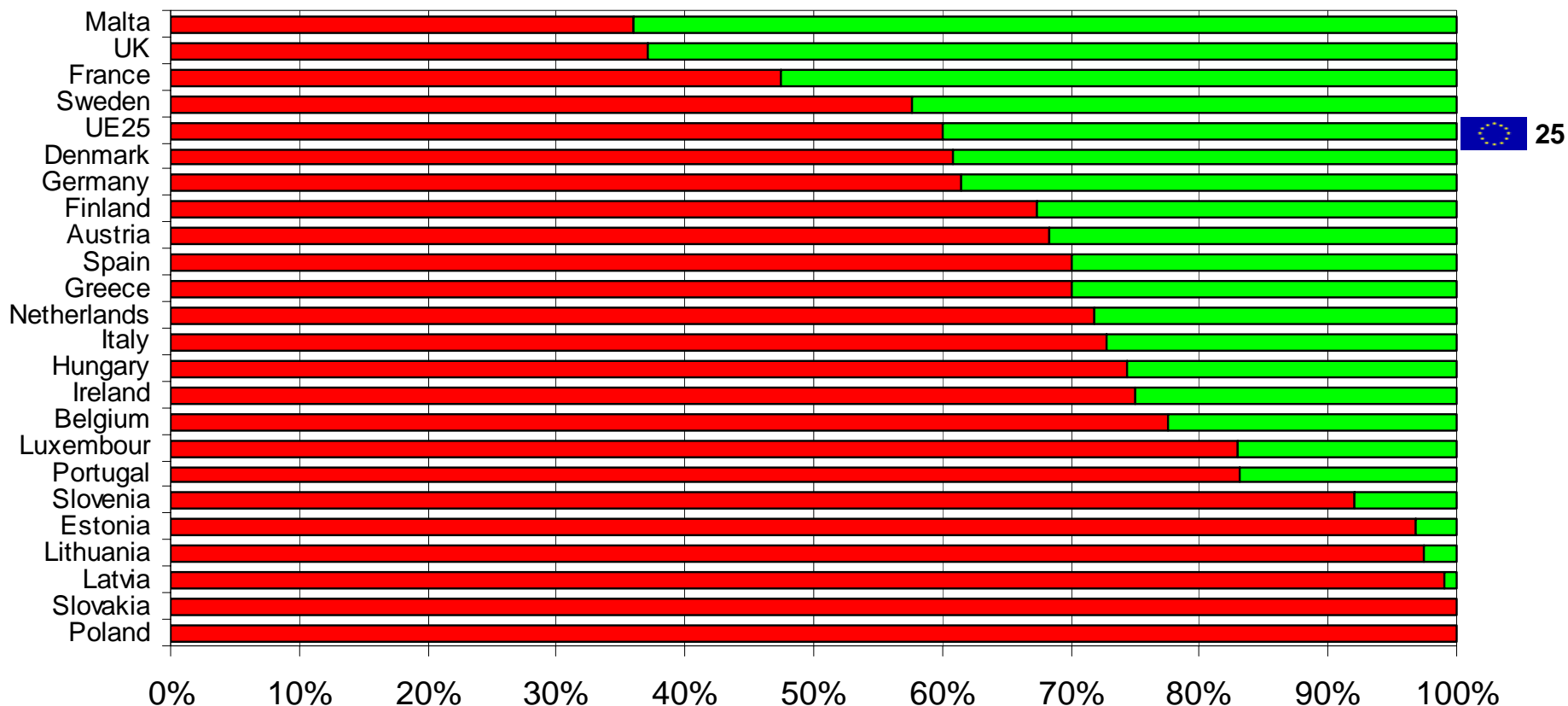
UE Benchmark – Broadband is growing fast



Source: Between on ECTA data (4Q 2005)

The number of access lines almost doubled in the past two years.

UE Benchmark – Broadband competition



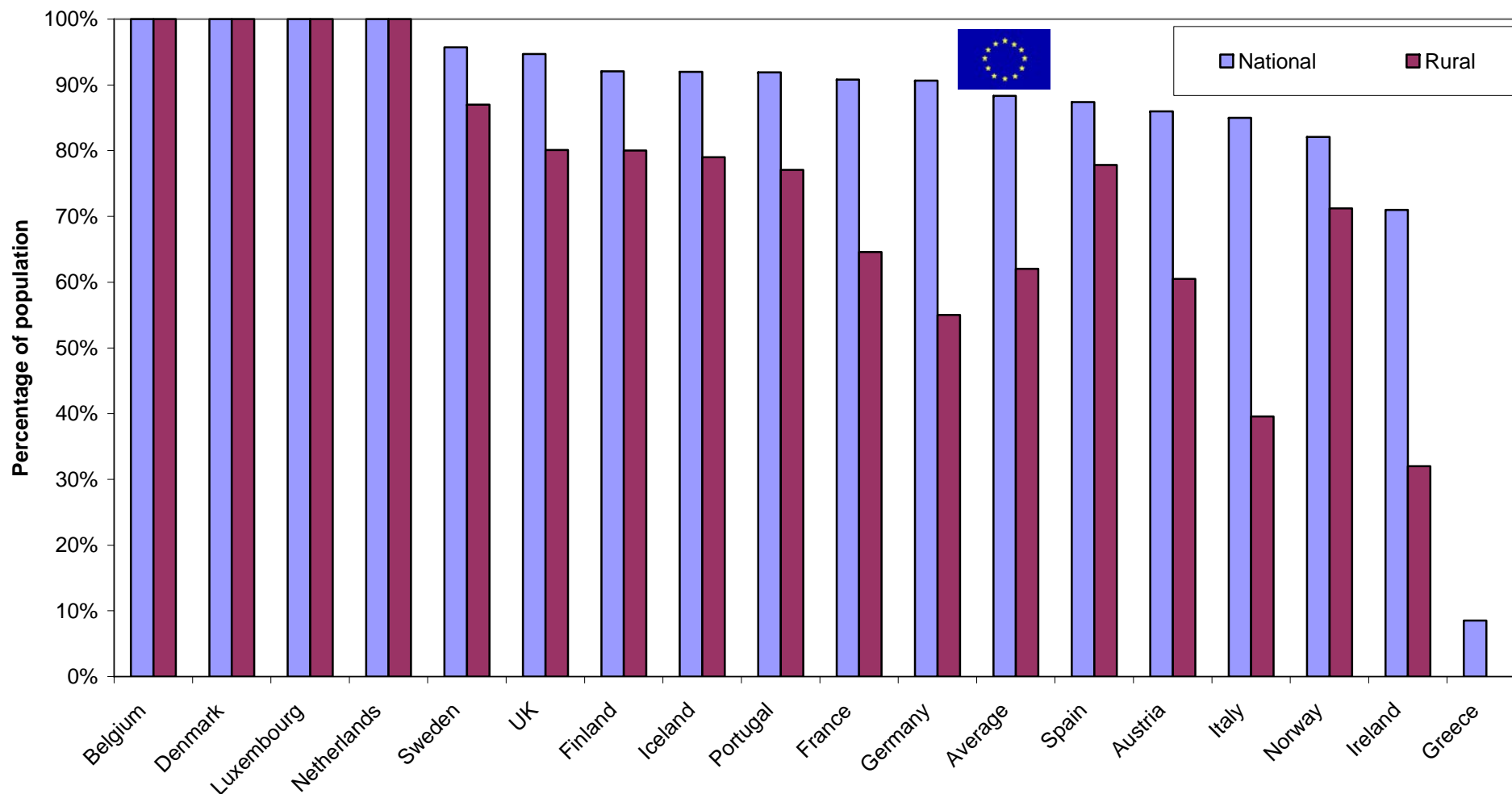
Data not available for Cyprus and Czech Rep.

■ Incumbent Retailed Lines % ■ Other Lines %

Source: Between on ECTA data (4Q 2005)

Incumbent fixed operators provided 60% of broadband lines (with higher level in some countries).

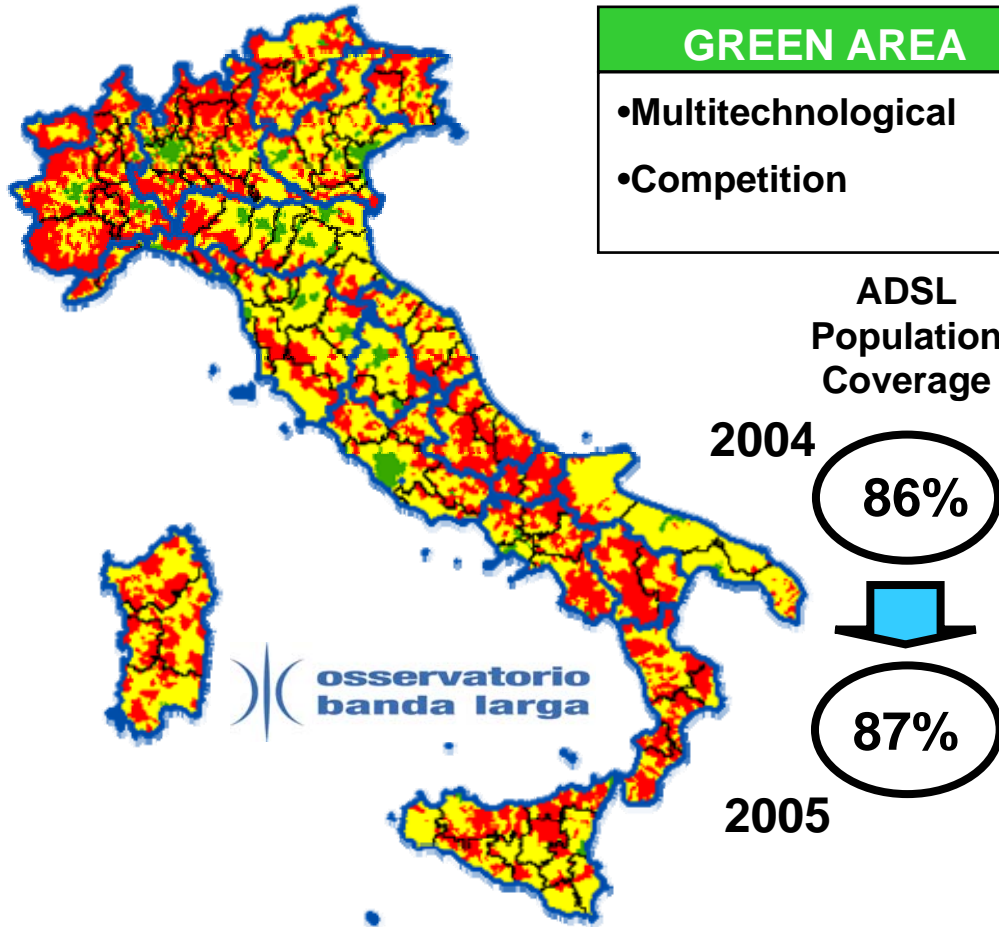
UE Benchmark – Broadband coverage and digital divide



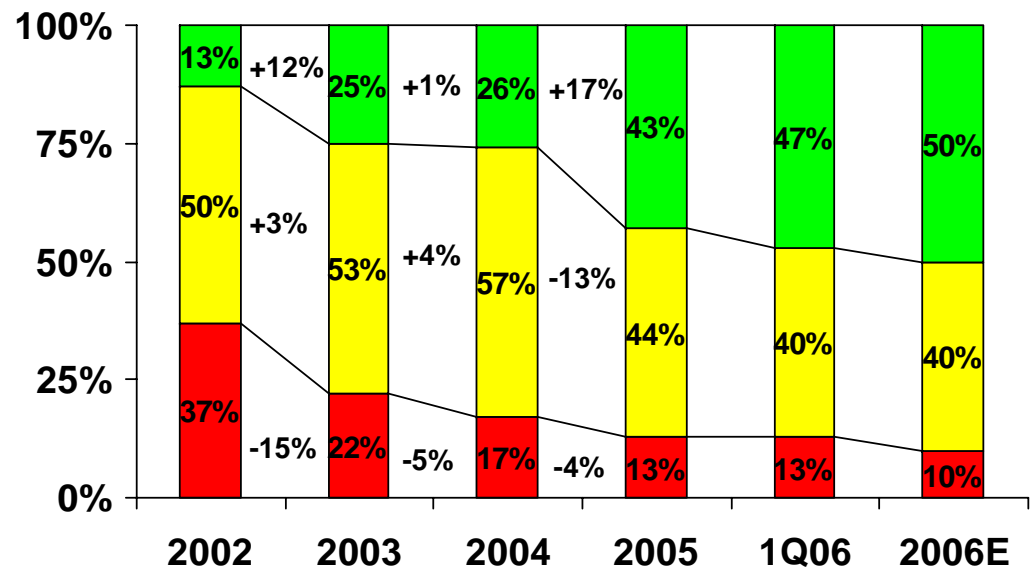
Source: UE commission data (January 2005)

In January 2005 DSL reached only 60% of households in rural areas.

The BB digital divide is slowing down, but investments remain selected (The Italian case)



GREEN AREA	YELLOW AREA	RED AREA
<ul style="list-style-type: none"> •Multitechnological •Competition 	<ul style="list-style-type: none"> •Technological dualism •Wholesale competition 	<ul style="list-style-type: none"> •Only Satellite •Restricted competition



Source: Osservatorio Banda Larga - Between

Private operators investments are selected.

The drivers for local government involvement

INNOVATION

- Promote BB use and high speed interconnection between and within public administrations
- Promote the development of innovative services

DEMAND AGGREGATION

- Promote one-stop-shop approach for public administration procurement
- Optimize telecommunication costs
- Stimulate the ICT market

COMPETITIVENESS

- Make the region as a whole more competitive
- Attract investments and stimulate economic growth and employment

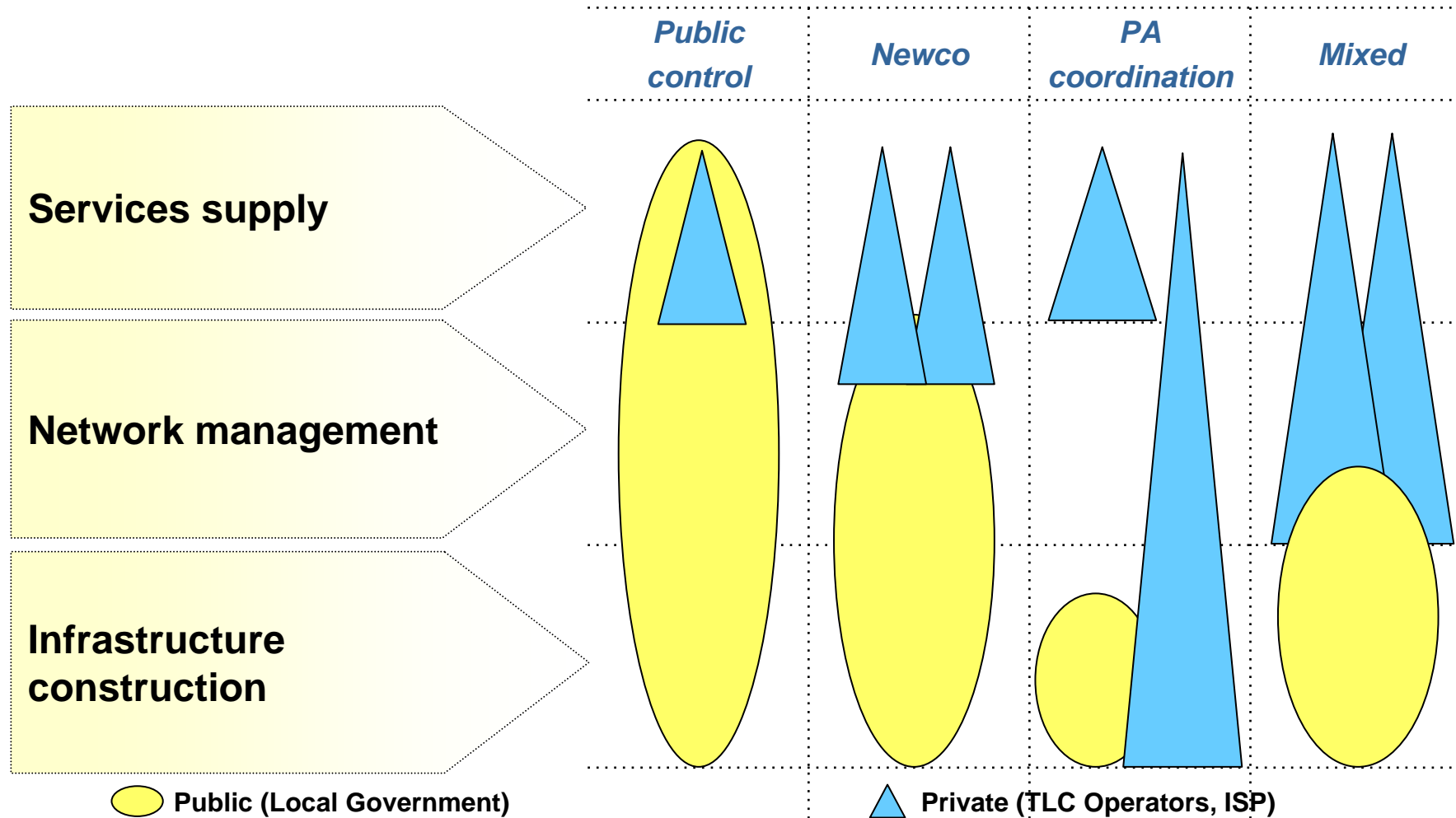
DIGITAL DIVIDE

- Mitigate the digital divide problem



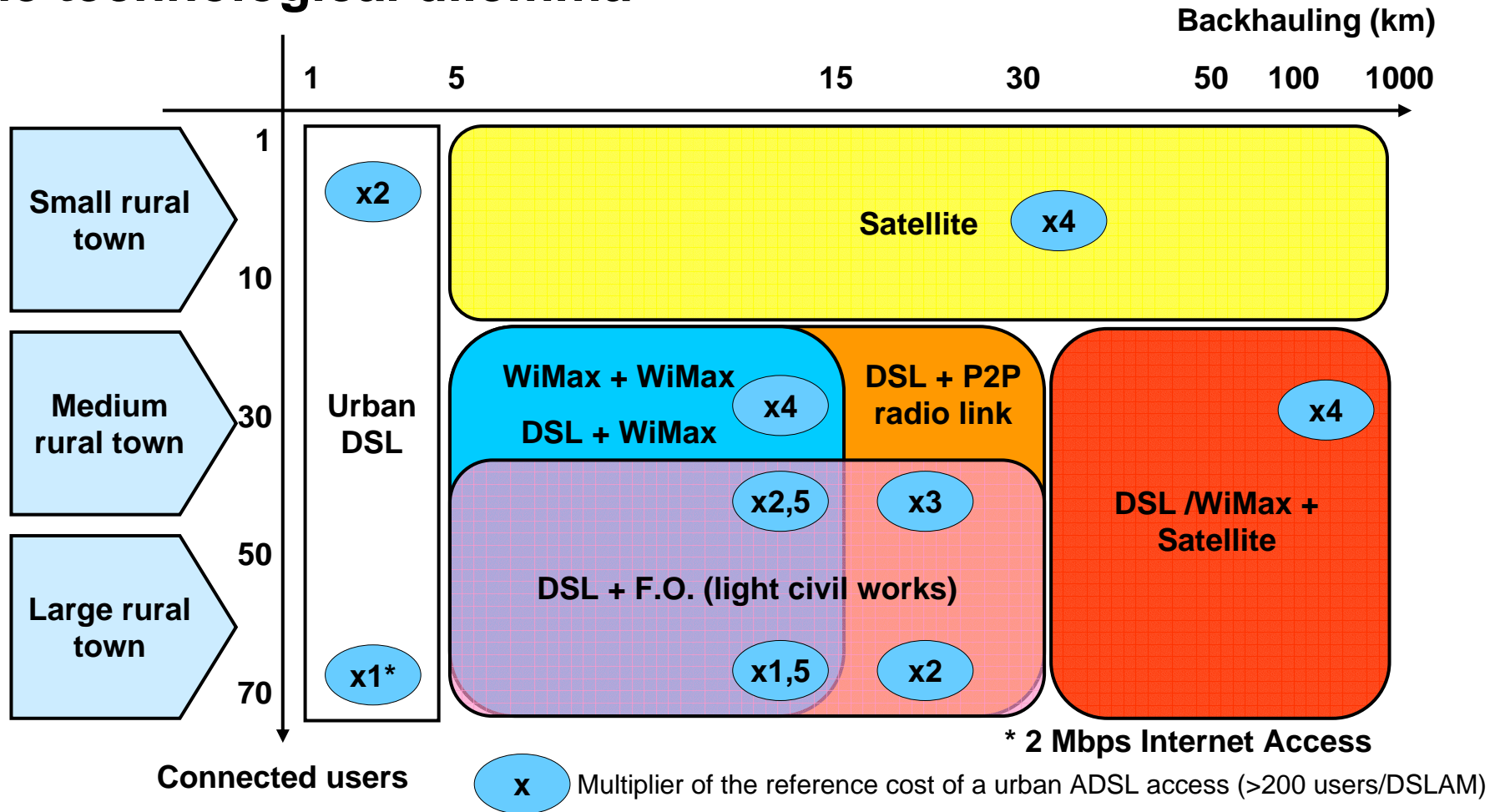
Broadband enables new applications and enhances the capacity of existing ones.

The different operating models



The different intervention models are related to service provision and public involvement in the value chain.

The technological dilemma *



Source: eEurope Advisory Group, 2004

The optimal mix of technologie depends on the characteristics of each territory.

State-aid rules and public support to broadband projects

Public intervention not involving State aid

- The Market Economy Investor Principle
- General infrastructure not distorting competition
- Service of general economic interest

Services of General Interest (SGEI)

- Respect Community legislation/ Carry a general interest/ Nature of service
- Altmark criteria: Clearly defined obligations/ Parameters of compensation established beforehand/ No overcompensation/Choice of provider

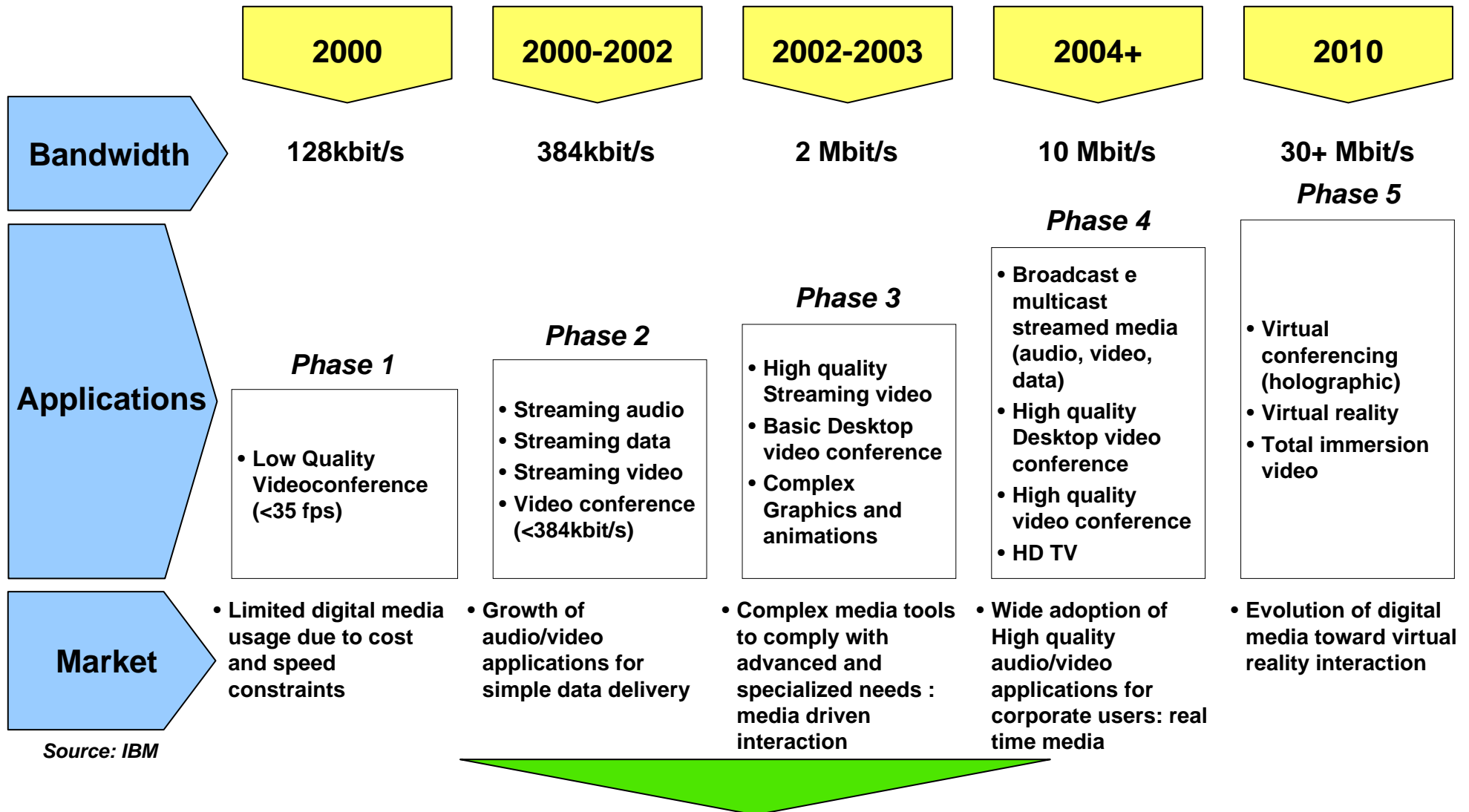
Compatible aid

- Necessity/Proportionality
- Open tender/ Technology neutrality/ open access/ existing infrastructure/ short duration/ cost allocation transparency/ minimisation of price distortion



The Commission is favourable to public/private partnerships as long as competition rules are respected.

Towards a new digital divide?



Source: IBM

The definition of broadband need to be constantly reviewed.

Conclusions

- **Without state aid or public/private partnerships, more than 10% of population and companies will remain in broadband digital divide areas in many European countries (long term digital divide);**
- **Local authorities play a crucial role, planning and coordinating intervention in under-served areas;**
- **When constructing the new broadband business model, it is useful to have a clear separation of the revenues and costs, for each component of the value chain;**
- **European and National guidelines for broadband projects in under-served areas, are useful in order to avoid the waste of public funds and the experimentation of non viable business models.**
- **A common definition of broadband need to be constantly renewed, in order to prevent new digital divides.**