



Ultra-Fast Broadband in Europe: State of play and trends

*The experience of Open
Fiber and the Italian case*

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open fiber
IL FUTURO HA UN NUOVO NOME.

Open Fiber - Plan and Investments

Plan for National Coverage

- Open Fiber plans to build a **100% fibre national network**.
- Through its own investment plan, **Open Fiber** is bringing fibre optic in cities and urbanized areas (Black & Grey Areas).
- In the White Areas, defined as market failure areas, Open Fiber is building a public network using the tools and resources set out in public tenders.

Black & Grey Areas

- ✓ **271** Italian towns involved in the first phase of the Plan
- ✓ **9.5** million property units
- ✓ **over 7 thousands** people employed in construction sites

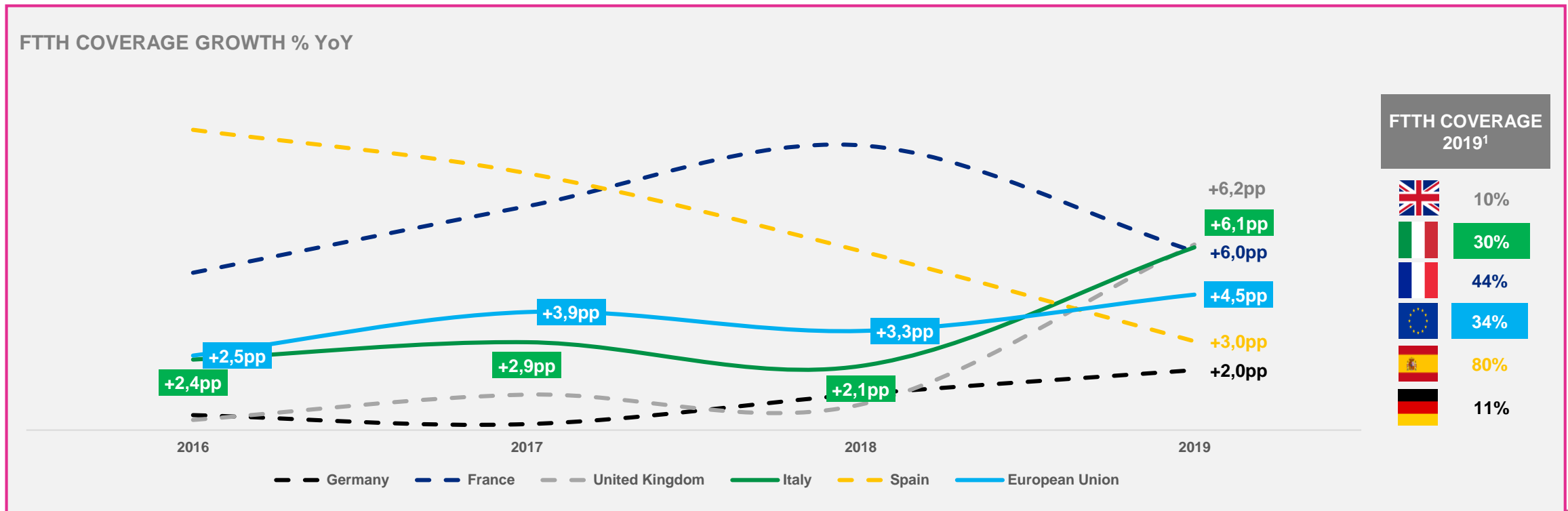
White Areas

- ✓ **~ 7,700** towns across **19 regions**
- ✓ **9.6 million** property units

Broadband Cost Reduction Directive
Significant re-usage of existing infrastructure (~ 70%)

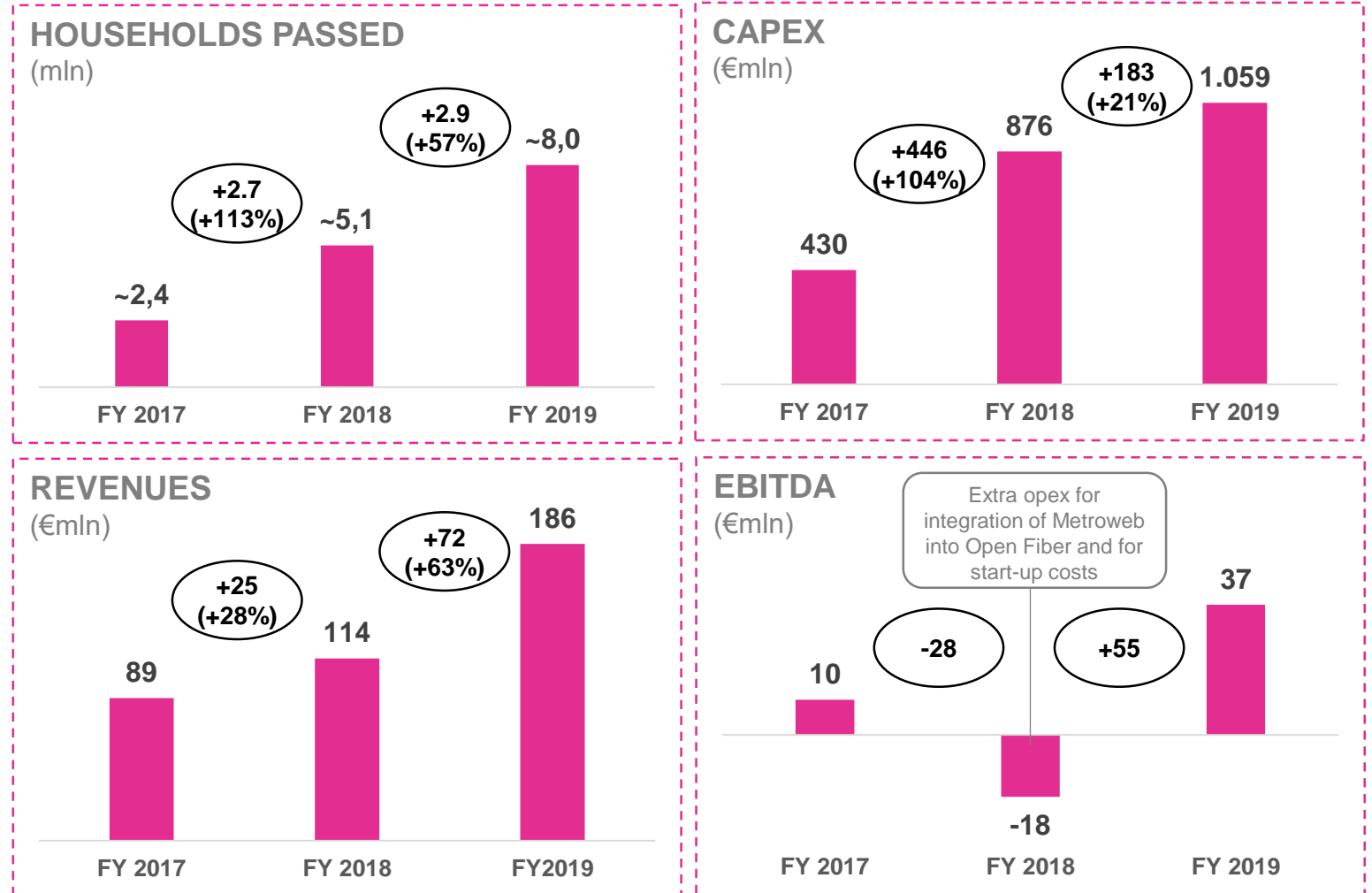
FTTH Coverage Evolution in Italy and Open Fiber's role

- In the last 3 years, Open Fiber played an essential role in the FTTH coverage of the country, characterized by the absence of cable operators (no alternative VHCN networks).
- At the end of 2019¹ a share approximately equal to the 30% of Italian households could subscribe a full-fiber connection. In the same year, the growth of FTTH coverage was among the highest in the EU.



FY'19 Main Results

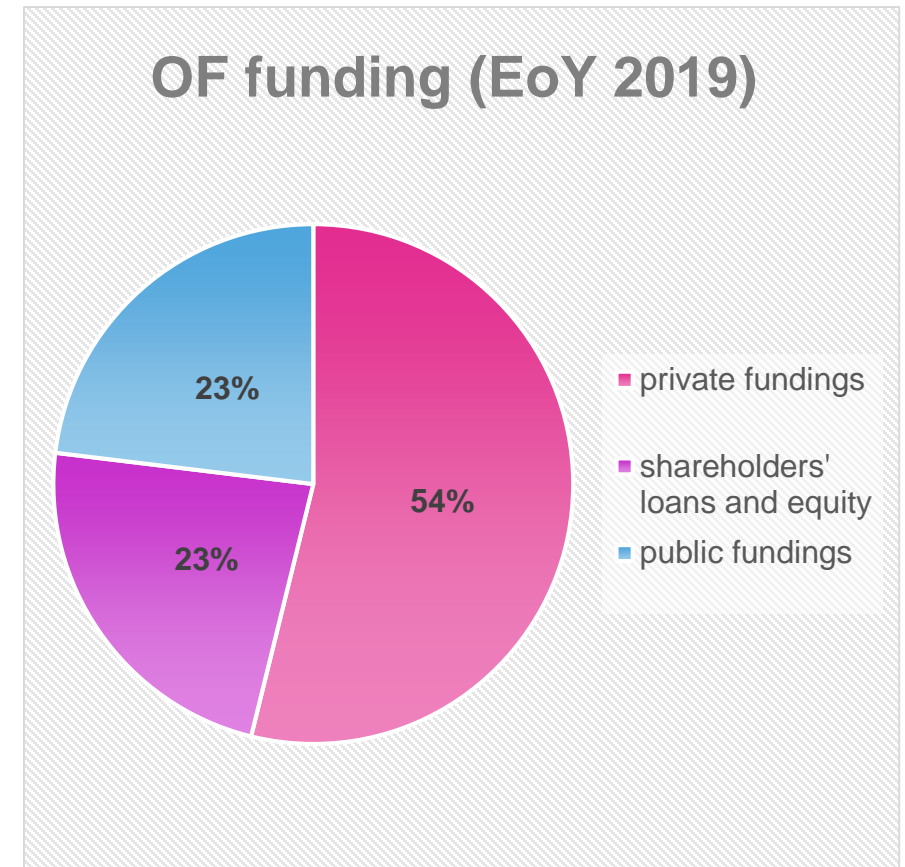
- At the end of 2019 Open Fiber already covered ~8 mln HH reaching more than 50% of the target in the A&B cluster and ~25% of the C&D cluster.
- In terms of Capex, Open Fiber invested in the last 3 years ~2,5 bln€, reaching in 2019 more than 1 bln€, to be considered a stable yearly level until 2023.
- Revenues grew to almost 200 mln€ in 2019 thanks to a sound customer base growth, notwithstanding the partial OF coverage nation-wide. This solid results prove the high market demand of FTTH solutions in Italy.
- Positive EBITDA already achieved in 2019 thanks to the solid revenues growth along with strict costs control guarantees by the lean organization.



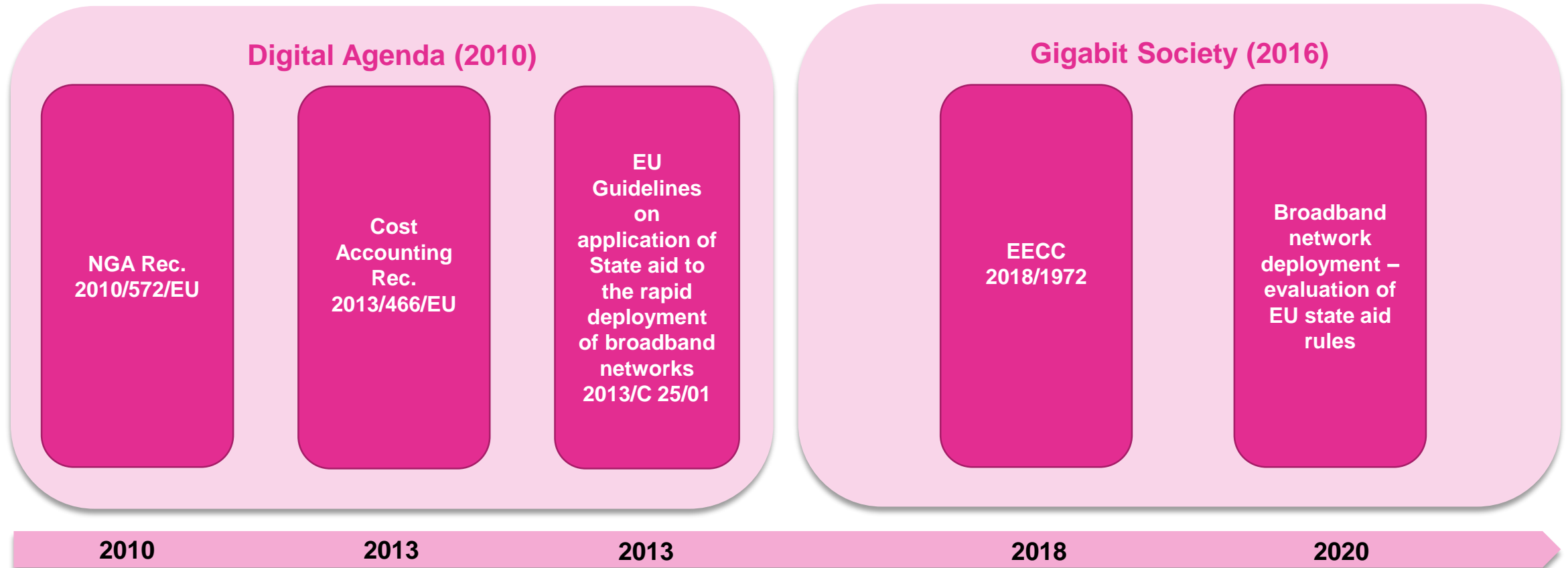
Open Fiber - Funding sources

Open Fiber is mainly privately funded

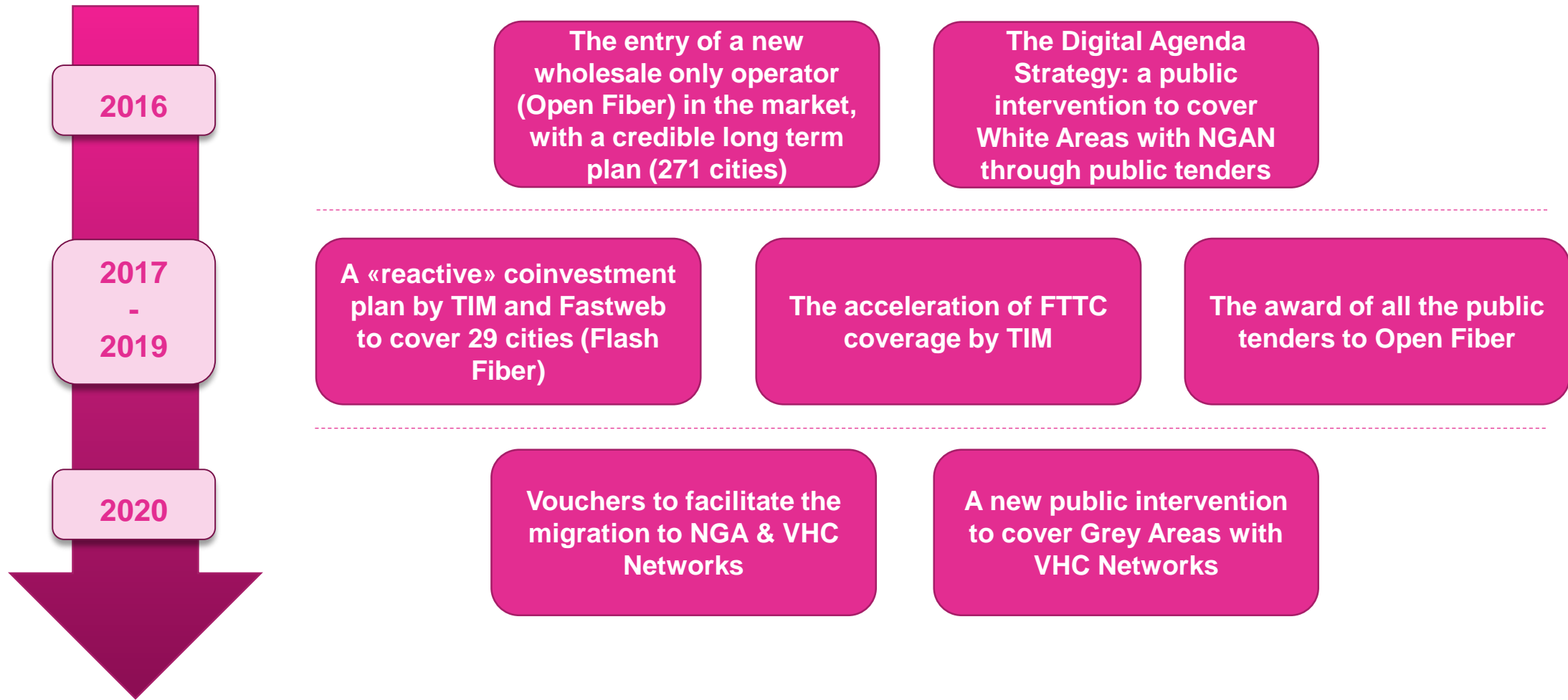
- Open Fiber is investing **6.5 billion €** and is **mainly (77%) funded by private shareholders** and **banking loans** (15 banks).
- The total amount of OF's investment is broken down as follows:
 - ✓ **3.5 billion €**: private loans;
 - ✓ **1.5 billion €**: public contribution (result of different competitive tenders won by Open Fiber concerning the UBB coverage in the areas of market failure, «white areas»);
 - ✓ **≈1.5 billion €**: equity and shareholders' loans



The main initiatives taken by the EU Commission to stimulate the development of NGA and VHC networks



The drivers of the Italian Growth



The Government announced plans to award public funds to cover Grey Areas

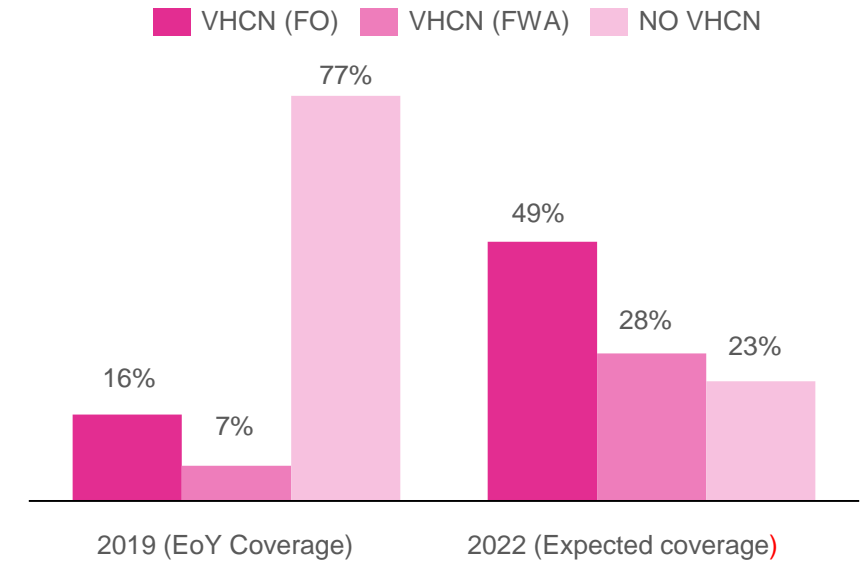
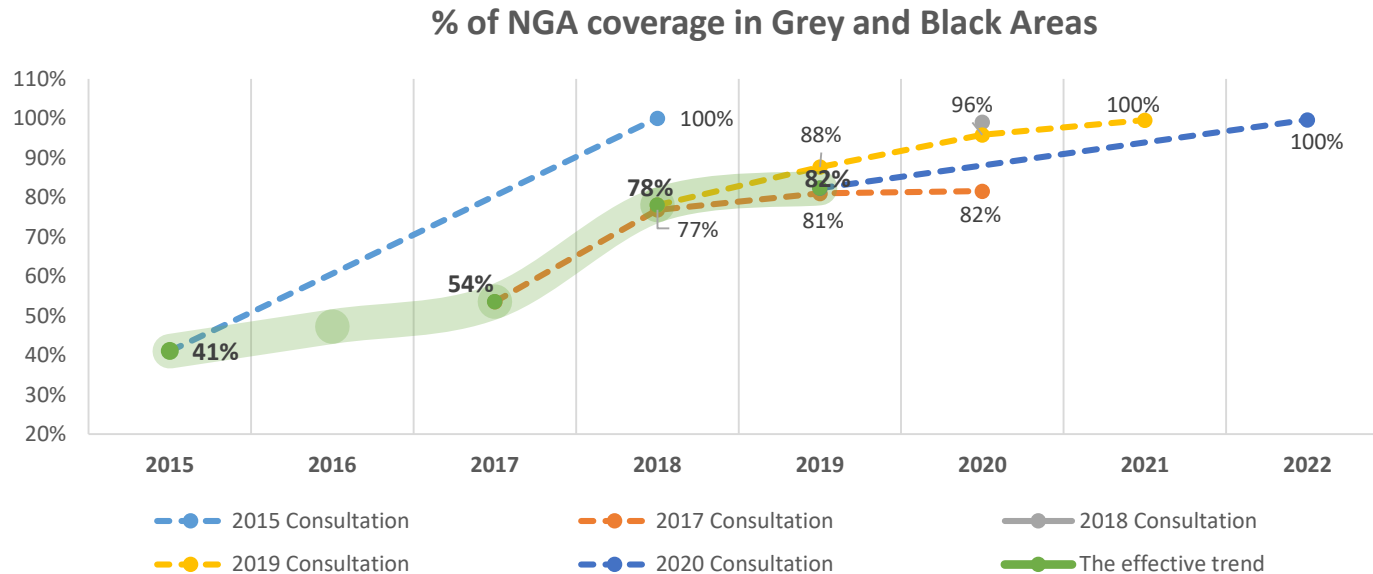
The Ministry of Economic Development (MISE) put under consultation a new plan aiming at:

- Favouring the migration of families and business to NGA & VHC Networks, through the award of 1,54 Billions of Vouchers;
- Funding a public intervention to build VHC Networks in Grey Areas (1,1 Billion €, that may be increased through the recourse to the European Recovery fund), in order to reach the objectives set out in the **European Commission Communication on the Gigabit Society by 2025** (connection at least at 100 Mbit/s, upgradable to at least 1 Gbit/s capacity to all the population).

In order to have an updated perimeter of the Grey Areas, the MISE carried out a Public Consultation on the investment intentions of private operators in Grey Areas.

Public Consultation 2020	Street Address TOTAL	Black VHCN (FO)	Black VHCN (FWA)	Black NO VHCN	Grey VHCN (FO)	Grey VHCN (FWA)	Grey NO VHCN (Rame)	Grey NO VHCN (FWA)	Not covered	% VHCN	% NO VHCN	% White
Effective Coverage (EoY 2019)	20.766.506	2.175.140	702.794	2.329.863	1.234.981	687.012	8.957.785	1.002.194	3.676.737	23,1%	59,2%	17,7%
Expected Coverage (EoY 2022)	20.766.506	9.750.912	5.524.724	2.577.540	473.587	292.085	1.864.010	204.325	79.323	77,2%	22,4%	0,4%

The public consultation on Black and Grey Areas for 2020



The summary report on the NGA/VHC coverage, published on September 9 2020 shows that:

- At the end of 2019, NGA services reached about 82% of the Grey and Black Areas; approximately 17.7% were still not covered by NGA services, which should be reduced to 0.4% in 2022.
- At the end of 2019, VHC services reached about 23% of the Grey and Black Areas (16% FTTH + 7% FWA) and this figure should be expected to increase to 77% (49% FTTH + 28% FWA) by the end of 2022

The declarations of private operators show an “exceptional” and unprecedented growth in VHC coverage expected for the next years!

Why the review of the Guidelines on State Aid is necessary?

- The historic track record of the public consultations carried out by the Ministry shows that the infrastructure programs declared by the private operators are very optimistic and not fully “credible”
- The consultation highlights a strong imbalance between the investment plans and the real broadband coverage achieved every year
- The declarations are not binding or subject to any sanctions regime. There is a strong incentive to “over-declare” investment intentions with the sole purpose of reducing public intervention in certain areas
- The policymaker can address only prospective market failures, based on the declarations of private operators
- Private operators enjoy an information advantage that they can exploit in their own interest

The aim of the review of the Guidelines on State Aid

- Ensure greater balance between public and private initiatives for the for the deployment of the ultrabroadband networks;
- Define the most efficient mechanisms to make public funds available and ensure the right balance with private investment incentives
- Ensure an effective monitoring mechanism on the investment declarations issued by the private operators;
- Define a certain and rigorous framework of sanctions where there is an evident imbalance between what is declared in the three-year investment programs and the actual coverage;
- Specify "optimal" geographical areas to enjoy public funding (avoiding cherry picking phenomena).

Take Aways

- A Wholesale Only model can represent a very effective way to accelerate investment and national coverage
- Regulatory incentives have not proven to be effective in order to promote private investment
- Co-investment can be effective even in absence of the advantages that would be provided by Art 76 (no regulation of SMP)
- The review of the EU Guidelines for the application of State aid rules for broadband networks has proven effective in promoting investment but requires a fine tuning to avoid the misuse of the consultation mechanism

Thanks for your attention