



**Submission to the Directorate-General for Competition of the
European Commission**

**Subject: Likely negative effects of the envisaged voucher scheme
to support access to broadband services for low-income families
in Italy**

19 August 2020

EXECUTIVE SUMMARY

(1) We, i.e. (i) Associazione Italiana Retailers Elettrodomestici Specializzati (“**AIRES**”) as the Italian association of consumer electronics retail companies, (ii) Associazione Nazionale Commercianti Radio Televisione Elettrodomestici Dischi e Affini (“**ANCRA Confcommercio**”) as the Italian association of independent consumer electronics retailers, (iii) the European Consumer Electronic Retail Council (“**EuCER Council**”) as the European association of consumer electronics retail groups, and (iv) Mediamarket S.p.A. (“**Media World**”) as a leading consumer electronics retailer in Italy, want to reach out to the European Commission (“**Commission**”) on the plan of the Italian Ministry of Economic Affairs (*Ministero dello Sviluppo Economico*; “**MISE**”) to introduce a two-phase measure to stimulate internet connectivity for households and businesses. In detail, this measure consists of the granting of vouchers, redeemable at telecoms operators, to cover costs arising from access to high-speed internet (“**voucher scheme**”). While we do support the aim of the Italian government to promote and expand nationwide ultra-broadband access, we are very concerned about the detailed functioning and inherent drawbacks of such envisaged scheme. In the following, we give a brief **executive summary of our key concerns**, which are outlined in more detail further below in this submission:

- MISE plans to introduce a national measure, regarding the expansion of nationwide ultra-broadband infrastructure in Italy, to help low-income families overcoming the current digital divide. The present measure has been designed as a two-phase **voucher scheme, including costs which arise from access to high-speed internet and the acquisition of additional electronic devices, such as tablets or computers, provided and only redeemable at telecoms operators.**
- The first phase has already been completed by the Commission’s approval decision on the 4 August 2020, saying that the measure is in line with the EU State aid. For the second phase of the voucher scheme, a public consultation has been launched by MISE on 31 July 2020 and will last until 7 September 2020. After such consultation MISE already announced that the measure will again be notified to the European Commission for State aid approval.
- We are definitely in line with the Commission's perspective of the necessity of such fostering broadband access measure in Italy, **but we do want to state our concerns from a consumer electronics retail perspective, as well as from a consumer choice and good governance perspective** on certain aspects of this envisaged voucher scheme and kindly ask the Commission to take our concerns into account when assessing the second phase of this envisaged voucher scheme.
- We urge the Commission to take an in-depth review on the implementation of the voucher scheme regarding distortive effects on competition. **As the discussed**

vouchers only can only be redeemed at telecoms operators, we observe that all the other companies specialised in the provision of consumer electronics devices are therefore excluded from the voucher scheme. Saying that we want to underline that the measure **constitutes State aid within the meaning of Article 107 (1) TFEU.** Hence, consumer electronics retailers and telecoms operators are in direct competition with each other in the sale of such electronics devices.

- Furthermore, to clarify our concerns from a consumer choice perspective, there will be a **lack of free choice**, regarding the fact, that telecoms operators would offer only a small number of additional devices. Moreover, there is also a potential risk for consumers being left in a **condition of economic dependency to telecoms operators, once their voucher is used.**
- In our view, in terms of timing, the Italian consultation **did not take good governance principles well into account**, as the one-month deadline for interested parties to express their concerns and to submit detailed remarks about the measure was not respected because of the Italian Government's summer break.
- We are hereby addressing our concerns to the Commission and want to propose to review the redemption scope of the vouchers from both a legal and a consumer perspective. Therefore, we suggest that **vouchers for additional equipment should also be redeemable at consumer electronics retailers.**

INTRODUCTION & OBJECTIVE OF THIS SUBMISSION

- (2) **Associazione Italiana Retailers Elettrodomestici Specializzati (“AIRES”)** is the Italian association of retail companies specialised in household appliances and consumer electronics, among its members are brands such as *Comet, Euronics, Expert, Monclick, Sinergy, SME, Trony* and *Unieuro*. Thus, AIRES represents around 2,500 brick-mortar stores across the Italian territory and leading online shop operators.
- (3) **Associazione Nazionale Comercianti Radio Televisione Elettrodomestici Dischi e Affini (“ANCRA Confcommercio”)** is the Italian association of independent retailers and online operators, representing small and medium-sized companies throughout Italy in the sector of technical consumer goods, including after-sales service, repairs and installation of devices.
- (4) The **European Consumer Electronic Retail Council (“EuCER Council”)** represents European retail groups and chains active in the sale of technical consumer goods such as large household appliances, computers, smartphones, healthcare products and audio and video equipment. The annual turnover of the EuCER Council members is more than EUR 45 billion with more than 300,000 employees in the 27 Member States of the European Union.
- (5) **Mediamarket S.p.A. (“Media World”)** is a leading consumer electronics retailer in Italy.
- (6) We support the aim of the Italian government to promote and expand nationwide ultra-broadband access. For the implementation of the latest nationwide Italian ultra-broadband strategy, the introduction of an incentive plan for the demand for ultra-broadband connections in favour of families, companies and schools in all areas of the Italian territory was approved by the Italian government in early May 2020. Due to the COVID-19 pandemic, Italy’s digital divide between more affluent households and such with a lower household income became even more evident.
- (7) Against this background, the Italian Ministry of Economic Affairs (*Ministero dello Sviluppo Economico*; “**MISE**”) intends to introduce a two-phase measure to stimulate internet connectivity for households and businesses. In detail, this measure consists of the granting of vouchers, redeemable at telecoms operators, to cover costs arising from access to high-speed internet (“**voucher scheme**”). While in the first phase only families with a particularly low household income should benefit, in the second phase the voucher scheme is to be extended also to other families with higher incomes and also companies.
- (8) The European Commission (“**Commission**”) has already approved on 4 August 2020 the first phase of the Italian scheme.¹ For the second phase of the voucher scheme, a public consultation has been launched by MISE on 31 July 2020 and will last until 7 September 2020. After such consultation MISE has stated that also the second phase of the voucher

¹ Case SA.57495 (dated 4 August 2020), *Broadband vouchers for certain categories of families – Italy*.

scheme will be notified to the Commission as it will also need approval according to EU State aid law.

- (9) While we do not intend to question the objective of fostering nationwide ultra-broadband access, we want to take the opportunity and **outline the concerns of the consumer electronics retail sector on certain aspects of this envisaged voucher scheme and kindly ask the Commission to take these concerns into account.** We stand of course ready for further talks and can provide the Commission with additional information if need be.
- (10) Hereafter, this submission is structured in the following sections: (i) description of the subject-matter; (ii) our concerns from a competition perspective; (iii) our concerns from a consumer choice and a good governance perspective; (iv) possible remedies and solutions.

SUBJECT MATTER: THE SECOND PHASE OF THE VOUCHER SCHEME TO SUPPORT ACCESS TO BROADBAND SERVICES FOR LOW-INCOME FAMILIES IN ITALY

- (11) To promote and expand nationwide ultra-broadband access in Italy, the Italian government plans to introduce a voucher scheme as already briefly described above. In this section, we want to provide the Commission with a more detailed yet succinct overview of this voucher scheme.
- (12) The importance of ensuring that citizens and businesses have access to fast internet connection soon became even more evident during the COVID-19 pandemic. Therefore, MISE intends to provide vouchers in the form of a discount on the activation price (if any) and on the amount of the connection charges for the period 2020-2022 to a specific group of households and companies. The respective telecoms operator has to guarantee the provision of the service for at least one year and the supply of the relevant electronics equipment (“Customer premise equipment”; “CPE”). Referring to the operators, any telecoms operator able to provide the required services will have the opportunity to offer them. However, any other company also active in the provision of parts of such supported products and services, such as consumer electronics retailers, are excluded to benefit from such scheme.
- (13) Besides, for some classes of households (up to EUR 20,000 for ISEE)², **also an end-consumer device (e.g. tablet, laptop, personal computer) will be provided by the same telecoms operator**. As a result, the measure discussed here aims to support the promotion and stimulation of demand for ultra-broadband connectivity services in all areas of Italy in the interests of digitization.
- (14) The announced support scheme essentially consists of the following two phases, whereby this submission focuses only on the second phase:
- The first support scheme phase, which is envisaged to be operational already by September 2020, will focus on the less affluent households (with an ISEE income of up to EUR 20,000; “**Type A families**”) without any connectivity services (i.e. with connectivity services below 30 Mbit/s) and help them to access broadband services. For these eligible families, a voucher will be provided for the transition to the best available connectivity in their homes. The measure comprises a funding volume of EUR 200 million and aims to allow eligible households to telework and access educational and other services provided online by schools, universities, public service providers and businesses.
 - The second phase of the envisaged voucher scheme follows the basic concept of the first phase system. However, the second phase differs in the group of addressees, the

² ISEE (“**Indicatore della situazione economica equivalente**”) is the indicator adopted in Italy to assess and compare the economic situation (income and assets) of households for the provision of specific services with facilities.

amount of State aid made available and the number of vouchers provided. Subsequently, the second phase is aimed at households with an ISEE income of up to EUR 50,000 (“**Type B families**”) and businesses. Nevertheless, a part of the vouchers in connection with this (second) measure is only intended for **Type A families**, who did not benefit from the measure specifically intended for them in the first phase of the measure.

- (15) As announced on **4 August 2020, the Commission has approved this first phase of the voucher scheme under EU State aid rules** to help low-income families access fast broadband services. While the full decision is not yet publicly available, according to the respective press release the Commission found, that even though the voucher scheme is mainly aimed at families, it is also at the same time amounting to State aid in favour of telecoms operators, who will be able to offer such services over existing broadband infrastructures and provide the additional equipment. In more detail, such equipment does not only consist of the necessary CPE but also on the electronic devices for the end-consumer such as tablets or personal computers.
- (16) Therefore, the Commission assessed the measure under State aid rules, in particular Article 107 (2) (a) TFEU which allows Member States to grant aid having a social character to individual consumers, subject to certain specific conditions. As a result, the Commission found that the measure will be technologically neutral, which means, that the eligible families will be able to use the voucher to subscribe to any available Next Generation Access (“**NGA**”) broadband service from the operator of their choice. Furthermore, the Commission found that there will be no discrimination based on the origin of the telecoms operators or the origin of the products.
- (17) On this basis, the Commission concluded that the scheme complies with EU State aid rules and contributes to the EU strategic objectives set out in the Digital Agenda for Europe. **However, it was not apparent from the accompanying press release that the Commission was already addressing the competitive relationship between telecoms operators and consumer electronics retailers, which we think deserves some further reflection and which we will focus on in this submission.**
- (18) In more detail, the second phase of the envisaged voucher scheme is intended for the following groups of recipients:
- **Type A families** (households with ISEE below the threshold of EUR 20,000): Type A families will be paid a maximum contribution in the form of a voucher of EUR 500, which will make it possible to obtain connectivity services of at least 30 Mbit/s with any technology available **and the purchase of a tablet or personal computer provided by the operator.**
 - **Type B families** (households with ISEE up to the threshold of EUR 50,000): Type B families will be paid a maximum contribution in the form of a voucher of EUR 200, which will make it possible to obtain connectivity services of at least 30 Mbit/s with any technology available.

- **Companies** will receive a contribution of between EUR 500 and EUR 2,000 which will enable them to obtain connectivity services of at least 30 Mbit/s or 1 Gbit/s, depending on the type of network available at the sites concerned. The amount of the voucher for companies connecting at 1 Gbit/s varies according to the size of the companies and the number of employees, factors which may require different levels of service in terms of the symmetric bandwidth guaranteed.
- (19) In addition to the EUR 200 million already approved in the first phase for the Type A families' voucher scheme, MISE has indicated that in the second phase financial resources of approx. EUR 923.2 million will be allocated to these groups of recipients as indicated below:
- **Type A families:** voucher payments of approx. EUR 86.5 million which can satisfy 173,086 beneficiary Type A families.
 - **Type B families:** voucher payments of approx. EUR 321 million which can satisfy 1,604,640 beneficiary Type B families.
 - **Companies:** voucher payment of approx. EUR 552 million.
- (20) For this submission, the vouchers for Type A families in the second phase are of particular importance. As described above, these vouchers include the connection charges **and the acquisition of a tablet or personal computer provided by the operator**, which we deem as highly problematic for numerous reasons (see below).

A. OUR CONCERNS FROM A COMPETITION PERSPECTIVE

A.1. General classification according to Art 107 (1) TFEU

- (22) At the outset, we would like to examine the envisaged voucher scheme for Type A families in the second phase described above in the light of the EU State aid rules.³ As already stated by the Commission in the decision on the first phase described above, the notified measure constituted compatible State aid within the meaning of Article 107 (1) TFEU. In addition, a similar measure based on a voucher scheme in Greece was also classified as State aid in 2019.⁴
- (23) It is undisputed that the measure will be financed by the Italian authorities from public funds. Although the measure is aimed primarily at end-users, the measure is designed in such a way as to channel its effects selectively towards identifiable companies under Article 107 (1) TFEU. Indeed, the voucher scheme is only addressed to telecoms operators about the purchase of other equipment in addition to CPEs. **Therefore, consumer electronics retailers are already excluded from this aid measure in principle.**
- (24) Irrespective of whether the measure already selectively favours telecoms operators, it excludes consumer electronics retailers from their core business (the sale of electronics equipment), as the vouchers even for the purchase of equipment can only be redeemed at telecoms operators. Before making any subsequent comments on justification, **it should be noted that consumer electronics retailers are discriminated against compared to telecoms operators on the market** because the vouchers for the purchase of electronics equipment are not valid against them although they are in direct competition with each other in the market for the provision and sale of consumer electronics equipment.
- (25) Therefore, the measure distorts or threatens to distort competition in the market provision and sale of consumer electronics equipment. This distortion results from discrimination of operators selling telecommunication services that can benefit from vouchers under the scheme, and those who cannot participate within the planned voucher scheme (as retailers). Furthermore, the voucher scheme is (at least potentially) capable of affecting telecoms operators and consumer electronics retailers from other Member States, as the measure affects European trade. **Therefore, we conclude that also the envisaged measure in the second phase constitutes State aid within the meaning of Article 107 (1) TFEU.**

³ This assessment is based on the criteria laid down in Article 107 (1) TFEU, according to which, a support measure must be granted through State resources and imputable to the State, must confer a selective economic advantage on companies and must be capable of distorting competition and affecting trade between Member States in order to be classified as State aid.

⁴ Case SA.49935 (dated 7 January 2019), *Superfast Broadband (SFBB) Project - Greece*.

A.2. Voucher schemes are demand-side broadband State aid measures

- (26) If broadband infrastructure on the supply side is already sufficiently available in a country, the profitability of a broadband project depends not only on the cost conditions relevant to a particular roll-out but in particular on demand-side conditions. Therefore, measures can be taken to increase demand and, thus, indirectly promote a country's broadband development. One potential form of demand-side support regarding broadband State aid is the allocation of vouchers, which means either to cover the costs of the broadband installation or to purchase CPE, as well as the monthly subscription.⁵
- (27) Although vouchers cannot solve systemic problems illustrated on the supply side with the existing infrastructure, they can be an effective instrument of public intervention to improve the internet connectivity of individuals and businesses by boosting the demand side.⁶ This argument has also been elaborated by the Italian government in the draft plan for the second phase of the voucher scheme.⁷

A.3. Objective and design of voucher schemes

- (28) As pointed out above, voucher schemes can be an effective recourse of promoting a country's internet connectivity. Nevertheless, the detailed functioning of such voucher scheme is of fundamental importance for the assessment of the effects of such support measure since they differ considerably on the question of what acquisition costs for equipment are covered by the voucher. In case of the voucher system at hand, both CPE and additional equipment for end-consumers such as tablets or personal computers (“**additional equipment**”) are included for certain recipients.
- (29) However, the inclusion of such additional equipment in the scope of voucher means that the present voucher scheme is no longer in line with previous decisional practice of the Commission. **Rather, on the contrary, the extension of the vouchers to additional equipment makes a much more detailed legal and economic assessment necessary.**
- (30) A similar voucher scheme to promote Superfast Broadband (“**SFBB**”) introduced in Greece in 2019, differs precisely on this point regarding the scope of the vouchers. The vouchers issued by the Greek authorities could only be used for necessary terminal equipment (modem/router) for operation and the connection charges. An extension of the vouchers to additional equipment was **not** provided by this notified measure.⁸ Finally, this

⁵ See the broadband State aid rules explained (European Commission), para 5.3.2.

⁶ Case SA.40720 (10 June 2016), *National Broadband Scheme for the UK for 2016-2020*, recital 11, 13; see also case SA.41175 (17 December 2015) - *Broadband Austria 2020*, recital 77; and Case SA.38348 (15 June 2015) - *NGA Germany*, recital 58.

⁷ See the Italian consultation paper of 31 July 2020, *Piano voucher per la connettività in banda ultra larga di famiglie con ISEE fino a 50.000 euro e imprese*, recital 17.

⁸ Case SA.49935 (dated 7 January 2019) - *Superfast Broadband (SFBB) Project - Greece*, recital 25.

Greek measure has been assessed under State aid rules, in particular under Article 107 (3) (c) TFEU approved by the Commission to the amount of EUR 50 million.⁹ **This means that the considerations made at the time referred exclusively to CPE.**

- (31) Furthermore, there is **no evidence**, either in the handbook of the Commission¹⁰ nor in its guidelines for the application of State aid rules to the rapid deployment of broadband networks¹¹, that a voucher scheme may include additional equipment. **Rather, only the acquisition of CPE is mentioned in addition to connection charges.**
- (32) Saying that we assume that both, the **Greek Government and the Commission, deliberately decided against the inclusion of additional equipment in earlier considerations.** Furthermore, we conclude that such a deliberate decision has been taken against the background that the inclusion of acquisition costs of additional equipment could be difficult to reconcile with EU State aid law.
- (33) Hence, we are convinced that the arguments outlined in the following section have already in the past led to the conclusion that there should be no coverage of costs for additional equipment. **We are therefore very surprised that the Commission's decision of 4 August 2020 did not refer to these concerns but approved a measure on such a far-reaching voucher scheme without further consideration of such existing understanding.**

A.4. Discriminatory nature of the voucher scheme

- (34) Even if the measure was justified in the first phase by Article 107 (2) (a) TFEU in the Commission's final decision of 4 August 2020¹², the Greek Government's measure under a comparable voucher scheme was approved based on Article 107 (3) (c) TFEU.¹³ Moreover, in the second phase, the planned voucher scheme will be aimed not only towards families but also towards companies.
- (35) Under Article 107 (3) (c) TFEU, a measure may be declared compatible with the Internal Market if, taken as a whole, its positive effects (achievement of an objective of common interest, appropriate instrument, necessity and proportionality) outweigh its negative effects, in particular on competition.¹⁴ However, in our view these criteria of justification cannot be achieved with the currently planned design of the voucher scheme.

⁹ Case SA.49935 (dated 7 January 2019) - *Superfast Broadband (SFBB) Project - Greece*, recital 1.

¹⁰ See the broadband State aid rules explained (European Commission).

¹¹ See the EU guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01).

¹² Case SA.57495 (dated 4 August 2020), *Broadband vouchers for certain categories of families – Italy*.

¹³ Case SA.49935 (dated 7 January 2019), - *Superfast Broadband (SFBB) Project - Greece*, recital 1.

¹⁴ See also Case (C-169/95) - *Spain/Commission - 'Pyrssa'*, para 15-20.

A.4.1. Disproportionate contribution to the achievement of objectives of common interest

- (36) As regarding the need for the State aid and the incentive effects, we share the Italian government's view that the support scheme as such is necessary and that it has an incentive effect that would lead beneficiaries to change their behaviour (i.e. increase the demand). However, a distinction has to be made between the extent to which this common interest must be satisfied, and which specific measures are necessary to achieve such common interest.
- (37) In our view, it does not appear necessary to include additional devices such as tablets and smartphones under the type A vouchers scheme, which can only be redeemed by telecoms operators who accordingly offer some bundle packaging in order to pursue the common interest. **Indeed, it cannot be established with sufficient certainty how the exclusive redemption of the voucher for additional devices only by telecoms operators can contribute to a better internet connection for Type A families.** On the contrary, we expect that the extension of the vouchers to a wider range of products (such as it is offered by consumer electronics retailers) and the related more comprehensive choice of the beneficiaries could contribute much better to the common interest, which shall be achieved by this voucher scheme.
- (38) As a result of these considerations, we are convinced that the current design of the voucher scheme is inappropriate to pursue the objective of encouraging the use of more efficient services and thus changing consumer preferences in the most effective way. Thus, we doubt that the voucher scheme constitutes proportionate aid in this context. In our view such design irritates the market for electronic devices, as the vouchers can only be redeemed at telecoms providers. **Having said that, it seems doubtful that any potential discrimination caused by these market irritations towards consumer electronics retailers could be justified by the purpose of the scheme.**

A.4.2. No limitation to the minimum necessary

- (39) It follows from the Commission's decision-making practice and the Broadband Guidelines that, in assessing the proportionality of the State aid measure, it should be noted that the scheme must be limited to a necessary minimum for the notified State aid to be considered compatible with Article 107 (3) TFUE.¹⁵ Based on the comments just made on the public interest, we doubt whether this requirement is satisfied. **The extension of the vouchers beyond the necessary equipment to additional devices such as tablets for Type A families goes beyond the objective of the measure itself.**
- (40) In previous decisional practice only such equipment that is strictly necessary for the installation of the network like CPE or other equipment needed to operate the network has

¹⁵ See the EU guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01), para 46.

been within the scope of such voucher schemes. In addition, the present voucher scheme would affect the principle of modem neutrality, which has already been accepted by several countries, including Italy, thanks to the commitment of the Italian TLC authority AgCOM and with the support of the free modem alliance. **Hence, we would like to encourage a critical examination of whether the current design of the voucher scheme disregards the criterion of mandatory minimisation of State aid.**

A.4.3. Distortive effects on the competition in the Italian consumer electronics retail market

- (41) The limitation of the negative effects of the measure can be assessed based on the impact on competitors. The measure should meet the overall balancing exercise and the compatibility conditions to limit the distortion of competition. The overall balance of the effects and the measure needs to be positively assessed.¹⁶
- (42) However, taking into account other market participants such as consumer electronics retailers, we conclude that the State aid indeed has negative effects on effective competition. As the discussed vouchers only can only be redeemed at the Italian companies that provide internet network solutions (i.e. telecoms operators), we observe that all the other companies specialised in the provision of consumer electronics devices are therefore excluded from the voucher scheme. It should be noted that consumer electronics retailers and telecoms operators are in direct competition with each other in the sale of additional electronics devices. However, only telecoms operators can benefit from the aid, which will give them an unjustified market advantage.
- (43) In this context, we would also like to express our concerns about the consequences of such voucher scheme for the electronics devices market. After all, it cannot be assured that families who purchase additional equipment will do so for their own use. The risk of the voucher abuse is particularly evident considering that the voucher will be available for low-income families living in the underdeveloped part of Southern Italy. **As a consequence, a surplus of equipment could be expected which, on the one hand, does not contribute to satisfying the common interest and, on the other hand, strongly distorts the market due to an oversupply in the secondary or second-hand market.**
- (44) In this respect, it should also be noted that the ISEE income indicator is not a suitable instrument to prevent such distortions of competition. Although ISSE reflects the regular income of families, the actual disposable assets are often significantly higher due to unofficial income and state subsidies for children. **The ISEE also does not yet provide any information on whether a family needs additional equipment.**
- (45) As a result, we are convinced that the distortive effects on competition described above will have an unintended negative impact on the core business of consumer electronics retailers.

¹⁶ See the broadband State aid rules explained (European Commission), para 4.1.5

B. OUR CONCERNS FROM CONSUMER CHOICE AS WELL AS FROM A GOOD GOVERNANCE PERSPECTIVE

B.1. Our concerns from a consumer choice perspective

B.1.1. Lack of free choice

- (46) Regarding the Italian voucher scheme, we conclude that consumers would be significantly limited in their choice of electronic devices, **as telecoms operators would offer only a small number of additional devices.**
- (47) The Commission is also aware of the importance of high functional devices and pointed out, when considering the growing capacity needs in terms of network, that new electronic devices affect customer bandwidth requirement.¹⁷ **Consequently, it is modern equipment that promotes the connectivity of a country.** However, in addition to the distortion of competition described above, the proposed voucher scheme would deny consumers access to a wider and more modern choice.
- (48) It may as well appear, that certain telecoms operators, would only offer some single standard product available to their consumers, or at the best, would select some few standard products, in combination with the voucher scheme. This limitation of consumer's choice concerning devices cannot be justified, considering that tablets, laptops etc. are part of the "private network", for which the choice must remain under the consumer's control. As a result, there is no need to connect them to telecoms operators.

B.1.2. Risk of dependence

- (49) There is a potential risk for consumers being left in a **condition of economic dependency to telecoms operators, once their voucher is used.** It needs to be taken into consideration, that once devices have been assigned to consumers, telecoms operators would be in some powerful position to impose penalties, in the event of termination the contract or rather in case of switching to some competing operators. Moreover, another consequence of the above-mentioned bundle package of telecoms operators that is relating not only to the broadband service and related CPEs, but also to additional electronic equipment (such as tablets, laptops etc.) could well be that families, who do not renew their contract at the end of the funding period, will find themselves without suitable electronics devices altogether.

¹⁷ Case SA.53925 (dated 10 December 2019), *Broadband Scheme for NGA White and Grey Areas – Spain*, recital 89; also see COM (2016) 587 final, *Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society*, para 1.1.

- (50) The European framework for electronics communication states that very high capacity network only can produce both, a return on investment and wider economic benefit, **if competitive markets and consumer choice are ensured**.¹⁸ In essence, consumers have to completely control their rights of switching operators, which compromises when consumers contract for bundles of internet access services or communication services and other goods or services, such as the provision of electronic devices. However, the design of the planned voucher scheme contradicts precisely this, **firstly because it deprives consumers of their freedom of choice and secondly because the outdated bundle package models create dependencies**.
- (51) Furthermore, the current market data provides us with the information, that consumers prefer, for lower costs and convenience reasons, purchasing their own devices directly with electronics retailers. To be evident, such attitude is based on the data elaborated by AIRES on the basis of the GfK market researches. As a result, we are clearly against the design of the voucher scheme as a bundle package. Such a structure no longer corresponds to the modern understanding from a consumer perspective.

B.2. Our concerns from a good governance perspective

- (52) In terms of timing the implementation of the Italian voucher scheme, it seems that the consultation concerning the second phase did not take good governance principles well into account. It is mentioned in the Commission's handbook that a **public consultation for broadband deployment** needs to be published online with all the relevant information on the main characteristic of the measure **by at least one month**. These requirements are to minimise distortion of competition for those who may be affected by the measure. Against this background, we raise the **following concerns on a good governance procedure**:
- The Italian government did publish their consultation paper for the second phase on 31 July 2020, which is also the day, when the Italian government takes a summer break. It is also common knowledge that in Italy August is characterised by holiday-related absences. As a result, eventual statements are not guaranteed to be sufficiently well prepared and subsequently dealt with by the government in time.
 - The Commission decision on the first phase of broadband deployment falls directly within the second phase of consultation. The impact of the first phase can therefore not be sufficiently evaluated before the second phase will be implemented.
 - The disbursement of broadband equipment and devices concerning the first phase of the broadband expansion already has started, while the second phase of consultation is still going on. The need for further vouchers, which was not covered in the first phase, could therefore only rudimentarily be calculated by the Italian government.

¹⁸ See COM (2016) 300 final, *Connectivity for a Competitive Digital Single Market - Towards a European Gigabit Society*, page 11.

- The justification of accelerated procedure because of the COVID-19 pandemic concerning the first phase can no longer be accessible to justification in the second phase, because in this phase general broadband expansion will be encouraged and not only affected families by COVID-19.

POSSIBLE REMEDIES & PROPOSED SOLUTIONS

- (53) As a result of the previous concerns, we consider that the proposed design of the voucher scheme needs to be adapted. We acknowledge the importance of such voucher scheme and promote the objective pursued. **However, we are convinced that the redemption range of the vouchers should be revised from both a legal and a consumer perspective.**
- (54) In order to bring the planned voucher scheme into line with the State aid rules, **we therefore propose that vouchers for additional equipment should also be redeemable at consumer electronics retailers.** In our view, this would comprehensively resolve several legal concerns that have been identified and would enable consumers to be offered the widest selection of electronic devices. With this expansion end consumers can be offered the fastest possible internet connection from telecoms operator on the one hand, and the best possible equipment from consumer electronics retailers on the other.
- (55) In terms of digitisation and customer service, Italian electronics retailers represent a true national excellence and are already positively involved in some government initiatives such as the “Bonus Teachers” and “Bonus TV 4.0”. The procedures developed in collaboration with the Ministry of Education and the Tax Office (*Agenzia delle Entrate*) and the software solutions already available could very easily be extended into this broadband voucher scheme.
- (56) Furthermore, we are convinced that, **in order to ensure an effective voucher scheme, it is necessary that the granting of vouchers is not made dependent on accessible internet speed only.** It has been shown that many of the affected people have a sufficiently fast internet connection but are not equipped with modern technical devices.
- (57) As pointed out above, the Commission has already stated, these people also need to be equipped with modern devices, in order to actually benefit from the fast internet connection. Hence, we consider that it would be counterproductive to be dependent on telecoms operators. These consumers should also have the opportunity to redeem their voucher from consumer electronics retailers. **Instead of being bound to telecoms operator by contract, they will enjoy a much wider product range.**