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# In Italy, Technology Is Leading to a TV Transformation

By ERIC PFANNER

PARIS — When Italians said good riddance to Silvio Berlusconi, it turned out that they were ready for more than just a political change. Since Mr. Berlusconi stepped down from his post as prime minister last year, returning to life as a media mogul, the digital era finally seems to have dawned in Italy.

Mr. Berlusconi's television company, Mediaset, an analog-era powerhouse that continued to dominate the Italian media scene well into his 17-year sojourn in or near the prime minister's villa, has suffered greatly since he left office for the third and presumably final time. Advertising has fallen, earnings have plunged and more Italians are tuning in to alternatives like Sky Italia, the satellite television broadcaster owned by Rupert Murdoch's News Corporation.

Perhaps even more striking is the way Italians are turning to the Web. Italy remains well behind most other West European countries in the reach of the Internet, in part because of policies that Mr. Berlusconi pursued to protect his business empire, rivals and critics say. But the spirit of change in Rome, ushered in by Mr. Berlusconi's successor, Mario Monti, seems to have awakened Italians to the potential of the Web to make a difference.

Last week, Internet campaigners for greater transparency in Italian government claimed a small victory when one house of Parliament, the Chamber of Deputies, delayed a scheduled vote on the membership of the Authority for Communications Guarantees, or Agcom, which regulates the media and telecommunications, including the Internet. In a break from the past, when members of such commissions were appointed via back-room deals, Gianfranco Fini, president of the chamber, announced that candidates would have to file résumés, so that their applications could be considered on merit.

"For the first time in Italian history, the party system has given up making appointments in the dark, with no official candidates, and has instead accepted the principle of transparency and competence in decision-making," proclaimed the Open Media Coalition, a group that has been calling for more openness in the selection process for Agcom and other regulatory panels dealing with media issues. These include the data protection agency and the board of RAI, the Italian public broadcaster.

The push for more transparency in the regulatory process in Rome came as another Internet phenomenon, the blogger and comedian Beppe Grillo, was scoring his first big political successes. Candidates in Mr. Grillo's Five Star Movement won mayoral elections last week in Parma and several smaller towns, riding a wave of Facebook- and Twitter-fueled anger over corruption and business as usual.

Criticism of the selection process had ranged far and wide. Frank La Rue, the United Nations special rapporteur on the promotion of freedom of expression, recently wrote to the government, asking it to carry out public consultations on the nominations.

The selection of the new media and telecommunications regulator has attracted such broad interest because it is seen as a test of how much power Mr. Berlusconi still wields behind the scenes. Rivals of Mediaset have long complained that when he was prime minister, regulators favored his company and another politically connected giant, Telecom Italia. Several rival telecommunications companies, including Vodafone Italia, FastWeb and Wind, boycotted a recent farewell speech by the current head of the regulatory panel, Corrado Calabrò, whose mandate expires in July.

Agcom's decisions will play an important role in shaping Italian society in a post-Berlusconi era. Among other things, it is in charge of ensuring fair news media coverage of elections scheduled for next year. It will also oversee an auction of new digital television frequencies, measures to deal with Internet piracy and efforts to promote broadband penetration.

Until Mr. Fini announced the delay of the vote, there was widespread speculation in the Italian media that the favorite for the job of Agcom president was Roberto Viola, who now holds the top staff position at the commission, secretary general. Mr. Viola is seen as having the necessary credentials, but rivals of Mediaset are against naming him president because of his involvement in decisions that were seen as helping the company during the Berlusconi years.

Last year, Sky Italia, the biggest pay-television company in Italy, pulled out of a so-called beauty contest to award new digital television frequencies. The company complained that the Agcom staff had drawn up guidelines that ensured that Mediaset and RAI, which offer mostly free television, would win.

Rivals of Telecom Italia say the existing Agcom has permitted big increases in the fees that Telecom Italia charges them to gain access to its network, costing them hundreds of millions of euros. They argue that Italy's low broadband penetration rate — in January 2011 there were 21.9 lines per 100 residents, compared with a European Union average of 26.5 connections, according to the union's statistics agency — is attributable in part to Telecom Italia's hold on the market.

"It seems obvious to question how it could not occur to Agcom President Corrado Calabrò, lamenting the low penetration of Internet in Italy, that perhaps those price increases undermined the growth of broadband in Italy," FastWeb said in a statement.

Mediaset, Telecom Italia and Sky Italia declined to comment for this article.

Given the entrenched positions, and the close political allegiances, picking a candidate satisfactory to all sides will not be easy, analysts say.

"It's very difficult to find someone with experience in the sector who is not pro or against Mediaset," said Augusto Preta, general manager of ITMedia Consulting, a research firm in Rome.

Amid the Internet-driven push for greater openness in government, the job of Agcom president has attracted interest from political outsiders. Stefano Quintarelli, a technology entrepreneur who most recently served as the head of the digital operations of *Il Sole 24 Ore*, a business newspaper, has mounted an Internet campaign for the post, receiving more than 12,000 signatures to an online petition supporting his candidacy.

"I think I have a vision of the market, and the technical skills, that could be helpful at Agcom," Mr. Quintarelli said. "I think my nomination could be an encouragement to the young people of Italy who believe in merit."

Mr. Quintarelli's candidacy was endorsed by the Internet Society of Italy, which said in a statement that "500 years ago he would have been one of the protagonists of the Italian Renaissance."

Analysts say, however, that Mr. Quintarelli is a long-shot choice; despite the move toward greater openness, it is likely that the job will go to someone with better connections, even if it is not someone with links to Mr. Berlusconi.

Even before the process of forming a new Agcom began, there were signs that the regulatory environment could become more challenging for Mediaset. Mr. Monti's government reversed plans this year to offer the digital TV frequencies free, deciding instead on an auction.

Business conditions have also turned against Mediaset. In a recessionary economy, many Italian media companies have suffered, but Mediaset has fared worse than some of its rivals, with domestic advertising sales falling 10 percent and net income down 85 percent in the first quarter. That is why analysts say Mr. Berlusconi, despite having bowed out of politics, is still following developments in Rome very closely, even if Italians have consigned him to their political history.

"It seems that television is the only subject that still interests him," Mr. Preta said. "Mediaset is not doing well in the market. If he has no ability to influence Agcom he would be worse off."

As the landscape changes, Italians are experiencing a long-awaited digital awakening.

"I think a lot of people don't realize, given how bureaucratic Italy can be, that there are times when an entire market can change," said a former Italian television executive who spoke on condition of anonymity because his current role included negotiations with policy makers. "We are going through one of these times now."