



Broadband Policy and Development

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Dense Population

- Population ~ 7.4 million, Households ~ 2.1 million, Average family ~ 3.7 persons.
- Israel has high population density in the urban centers and low population density in the periphery (the Negev Desert).
- This geographic deployment creates a need for telecommunications to connect the center to the periphery.
- However, it also means that the burden of universal service is relatively low.



Telecommunications Market Overview



Israel's Telecommunications - Overview

- 2.9 million main telephone lines.
- 9.3 million mobile customers, on 4 networks.
- 1.5 million households connected to 2 multi-channel TV operators:
 - Cable TV: 0.94 million subscribers, 97% of homes passed.
 - Satellite TV: 0.56 million subscribers.



Regulation

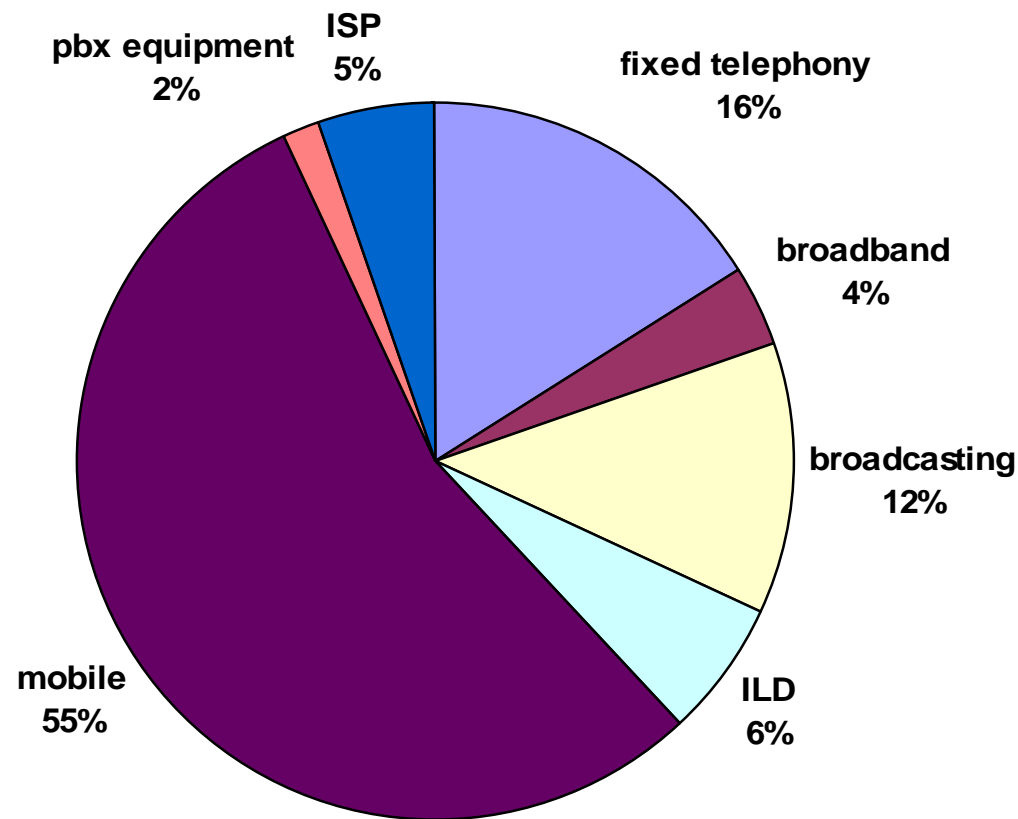
- Free and competitive markets promote growth, efficiency, customer satisfaction & wide geographical coverage.
- All telecom markets are open to competition.
- No telecom operator is owned by the government (the incumbent Bezeq was privatized in Oct. 2005).

From Monopoly to Competition



	1994	2000	2009
Mobile Services	<ul style="list-style-type: none"> ● Pelephone (Bezeq) 	<ul style="list-style-type: none"> ● Pelephone ● Cellcom ● Partner 	<ul style="list-style-type: none"> ● Pelephone ● Cellcom ● Partner ● MIRS
Fixed Services (Infrastructure, Transmission & Telephony)	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq ● Bezeq-Intl. ● HOT (cable) ● 012 Smile ● Cellcom ● Globcall ● Partner
International Long Distance Services	<ul style="list-style-type: none"> ● Bezeq 	<ul style="list-style-type: none"> ● Bezeq-Intl. ● Barak ● Golden-Lines 	<ul style="list-style-type: none"> ● Bezeq-Intl. ● Barak (+Netvision) ● Golden-Lines (+Internet gold) ● X-Fone

Israel's Telecommunications Sector 2007: 8.3 billion USD revenues





Competing Groups

Group	Wireline	Wireless	Broadcast	Broadband Access	ISP	Transmission	Group Revenues (billion USD)
Bezeq	X	X	X	X	X	X	\$3.6
HOT	X		X	X		X	\$0.75
Cellcom	X	X			X	X	\$1.86
Partner	X	X			X	X	\$1.58



Fixed services Driven by Broadband Demand

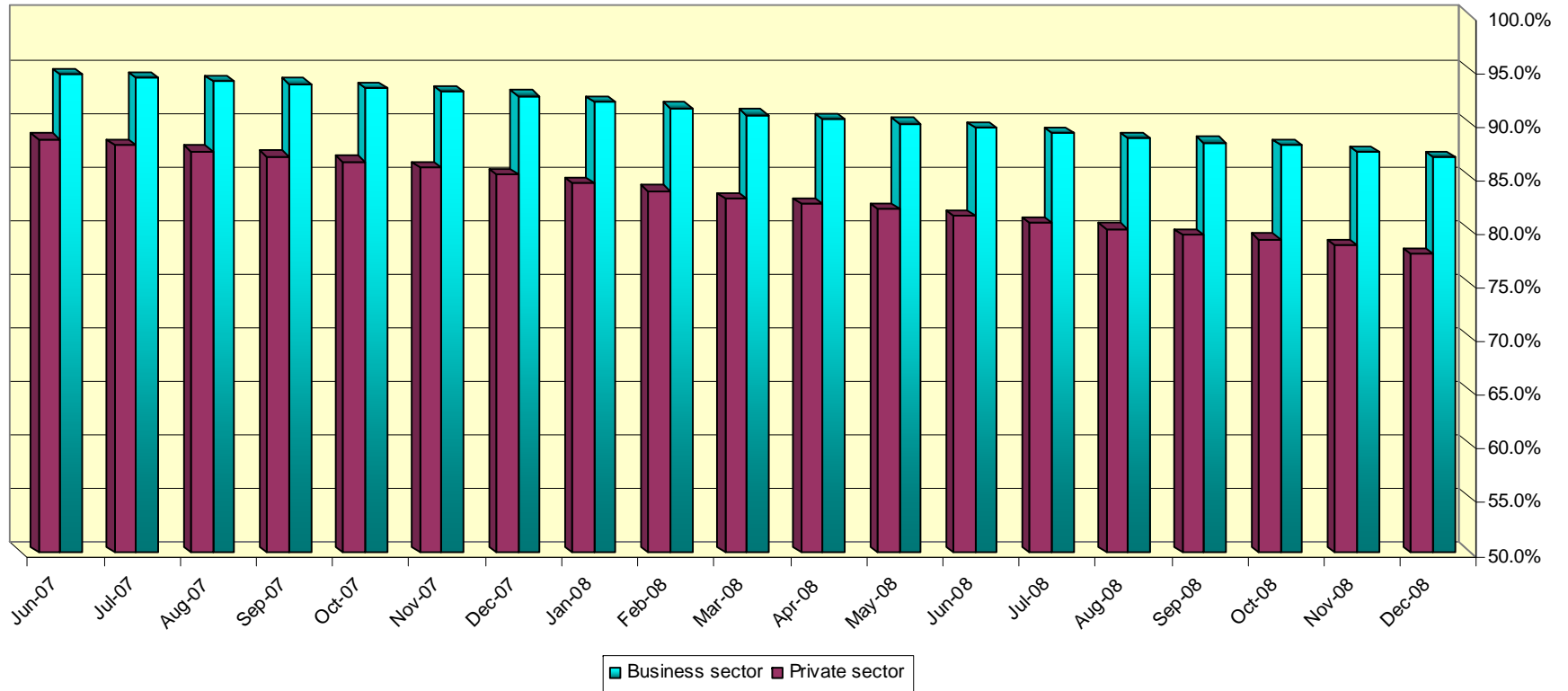
Competition started Q2 2002



Competition is growing in telephony



Bezeq's market share (lines)





Broadband Regulation

- Facility-Based Competition :
 1. ADSL Access provided by Bezeq (up to 8Mbps downstream).
 2. Cable Modem broadband Internet services provided by cable TV (HOT), up to 10Mb/s downstream.
 3. Infrastructure and internet service provided separately.



Broadband Regulation

- Israel is one of the few countries that has adopted a broadband Universal Service Obligation (USO).
- USO by two players; both have countrywide infrastructures
- Actual coverage: - 99% of incumbent's lines.
- Unlicensed usage of the 2.4 & 5 Ghz WLAN technology (mainly for wifi) as a step of maximizing the Internet usage in the country – thousands of wireless hotspots throughout the country
- New Wimax policy: Assignment of 2.5, 3.5-3.7 Ghz for wireless broadband: fixed and mobile.



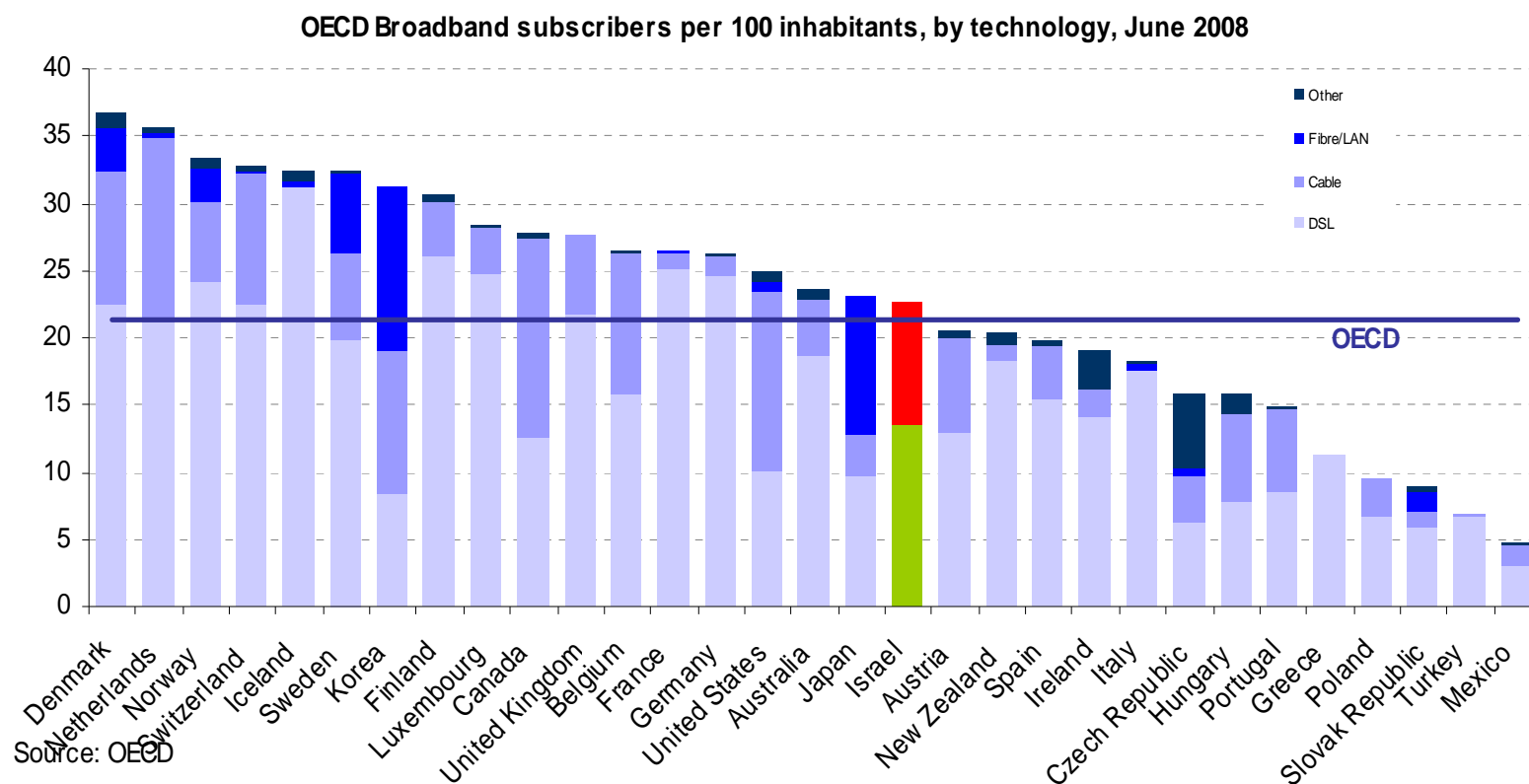
Broadband usage

- 1,688,000 broadband lines at end of 2008 (1,005,000 ADSL lines; 683,000 cable modems).
- Broadband subscriber growth ~12% (yearly rate) this year.
- Broadband household penetration approx. 72%.
- Broadband penetration per 100 inhabitants approx. 23% (end of 2008).





OECD (and Israel) Broadband subscribers per 100 inhabitants, by technology, June 2008





Speeds and prices

- Average speed: 2 Mbs (download)
- Up to 1.5 Mbs: 60% of subs.
- 2-3 Mbs: 30%
- 4-10 Mbs: 10%
- Price for 2 Mbs ~ \$ 25 (US)
- Price for 8Mbs ~ \$ 60 (US)



Mobile Operators

	<u>Pelephone</u>	<u>Cellcom</u>	<u>Partner</u>	<u>MIRS</u>
Licensed	1987	1994	1998	2001
Market share	30%	33%	32%	5%
Technology (present)	CDMA 2000 & CDMA -GSM	TDMA & GSM/GPRS	GSM/GPRS	iDEN TRUNKING
3G technology	X1 - UMTS	UMTS	UMTS	



Mobile Broadband

- Competition in mobile telephony introduced in December 1994 with 130,000 subscribers.
- 2009 - 9.3 million subscribers on 4 networks all with USO
- 2.8 million 3G subs. (30%)
- Download speed- up to 2.8 Mbps., USB & PCMCIA card modem
- Fixed wireless broadband- using a 3G router, competing with ADSL and Cable modem.
- Prices: \$ 25 for a 5 gigabyte package, \$ 32.50 for unlimited traffic.



A new competitive framework: The Gronau Committee

- Recently, a public committee presented its report to the Minister, with recommendations on telecoms competition policy for the future.
- Main recommendations:
 - Local loop unbundling (LLU) on incumbent's access network
 - Mandated MVNO access on mobile networks
 - Easing of restraints on Bezeq (tariffs, structural separation) as competition takes hold
- The Minister adopted the recommendations (Aug. 2008)



Bezeq NGN Plans

- June- 2008: Bezeq decided to deploy Next Generation Network,- Fiber to the Curb (FTTC), up to 50 Mbps (download)
- Two operational deployments successfully launched
- Modular development: “Bezeq will evaluate the progress of each stage, and update the deployment strategy and timeline on an annual basis”



Anti-Spam Legislation

- Amendment No. 40 to Israel Communications Law in force as of 1 December 2008.
- The amendment sets out an **opt-in regime** for commercial messages sent by fax, automated phone systems, electronic mail message or SMS; i.e. sending commercial messages by these means is prohibited, unless recipient has given **prior explicit consent**.
- Exemptions:
 - (1) one-time unsolicited contact with a business/company to request their consent to receive commercial messages by said means;
 - (2) in the case of an existing customer relationship, if the business has done all of the following: obtained the customer's particulars in the course of a sale or negotiations for the sale of a service or product; informed the customer that the particulars will be used for direct-marketing purposes; given the customer the opportunity to notify the business of refusal to receive commercial messages by said means and the customer has not given notification of such refusal; the commercial messages refer only to the business' own similar services or products.
- Business must offer the customer the ability to opt-out at any time, at no extra charge.



Anti-Spam Legislation (Sanctions and Remedies)

- Criminal enforcement, with fines of up to 202,000 NIS or 67,300 NIS, per violation.
- Certain office holders within a corporation may, under certain conditions, be deemed criminally responsible if the corporation or any employee of the corporation has violated a provision of the amendment.
- The right to file a civil suit under regular torts law.
- The right to file a class-action suit.
- Courts may award customers punitive damages of up to 1000 NIS for every commercial message received in violation of the provisions of the amendment; punitive damages are relatively rare in Israeli legislation.



Thank you for your attention