

ROAD TO THE DIGITAL ECONOMY

How should telecoms regulators pave the way for the digital economy? **JUAN MANUEL WILCHES** at Colombia's regulator says a change of mindset is needed

If any telecoms regulator wants to understand what they need to do in the current digital environment, they need to go beyond the limits of the telecoms industry and understand the challenges facing all public and private stakeholders that need communications networks as the base layer to support digital growth in their economic sectors. At present, Colombia has four studies that were developed by the Communications Regulation Commission (CRC) to understand the impact of digital transformation in the country. They describe how any regulator should approach the challenges that arise from the rapid evolution of the digital economy, proposing actions and recommendations for multiple governmental stakeholders.

The first study, published in 2017, identified challenges for the development of e-commerce in the country.¹ We thought the lack of payment options and appropriation of financial products were the most difficult barriers. However, the main conclusion was that consumers need to build trust in the digital environment to perform more transactions online. A second barrier for the development of e-commerce is the lack of certainty in the physical delivery of packages, due to issues affecting the logistics portion of the value chain. Taking this into account, the CRC set out to analyse the provision of postal services and developed, in a second study,² a set of recommendations and legal/regulatory actions to improve its efficiency and prepare the industry to support increasing online demand.

At the same time, we were working on defining a way to measure the digital economy. There is no way that we, as government or regulators, know if we are doing a good job if we do not set a baseline and establish a way to measure the evolution of digital transformation. So the CRC developed a detailed methodology³ to measure the impact and evolution of the digital economy in our country. Based on a proposal presented by the OECD in 2015, we set out our efforts to understand the needs of stakeholders in multiple economic sectors in terms of analysing the effect of digital transformation on the activities they perform. The result was the definition of 128 indicators, including one nationwide compound indicator (the digital economy index), as well as regional indicators that will help evaluate improvements to digital transformation in the years ahead.



On the straight and narrow: a road in the capital, Bogotá

Finally, to organise all the different initiatives, recommendations and actions that came out of these studies, and to provide a “whole of government” approach to the analysis of the digital economy, the CRC designed a roadmap for the digital economy for the country.⁴ We were aware that decisions related to digital transformation would need to be structured in such a way that all public and private stakeholders were aligned with the same objectives. Based on this, a group of 20 recommendations or actions were defined for the roadmap. Six of them relate to telecoms regulation decisions that need to be adopted. Three legal decisions are required to provide a better framework for the development of digital services. And 11 proposed actions aim to unchain the digital economy, starting by the need to define a unified digital policy for the country coordinated by the highest level of government and to which all stakeholders would need to be committed (see panel for details of the roadmap).

What you might think is that it is not common for a regulator to get involved in such studies, or to recommend or propose to other institutions in government actions or decisions that need to be made, because this would go way beyond the limits of what a traditional telecoms regulator usually does or has the ability to do. However, if we as telecoms regulators don't understand what is happening outside of our telecoms frame of mind, we might underestimate the impact of our decisions and adopt rules that would probably limit the possibilities of telecoms market players to become the digital services providers that the rest of the economy needs.

REFERENCES

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- 2 CRC (2018). Diagnóstico de barreras regulatorias del sector postal y hoja de ruta. bit.ly/2NtL9IM
- 3 CRC (2018). ¿Cómo avanza la digitalización de la economía en Colombia? bit.ly/2NetX03
- 4 CRC (2017). Regulatory roadmap to develop Colombia's digital economy. bit.ly/2CFV5AQ

HOW DID THE CRC GET HERE?

About 3 years ago, during a strategic planning session, the team at the CRC was trying to determine what the institution should look like in 2025. And the conclusion was that, if we continued to do the same kind of things in the same way, we would disappear altogether. As in any other sector, there's a competitive environment in which online platforms are starting to gain market share, the services they offer are complementing traditional telecoms services, and consumers are becoming more "digital" every day. Traditional regulation is not needed anymore, and rules need to be simplified so that all market players have the same possibilities to compete and expand their reach to provide integrated solutions adjusted to the digital environment.

As Chris Chapman, president of the IIC, has said, telecoms regulators need to become promoters of the digital economies of their countries. If we don't act as promoters, our decisions could undermine the appearance of new digital offers in the market or restrict telecoms operators that want to provide these offers.

The first thing a telecoms regulator needs to do is to change its mindset. We need to build the capacity and acquire the knowledge and competencies to be able to understand the new digital environment, the new business models and the way the new competitors behave. If we do that we will be able to rethink the traditional way of doing things and estimate the impact of our decisions on all digital market players appropriately.

For this purpose, the CRC decided to modify its own internal structure as well as to imprint the idea of changing the way we think in the organisational culture, and we are still in the process of implementing these changes. We are dedicating more resources to analysing the information that is already being gathered from multiple sources, trying to get better in data analytics. We also need to get the new knowledge about the digital environment studies we are developing to all employees and to external stakeholders, so we are implementing knowledge management practices across the organisation.

The next tool for a promoter of the digital environment is an ideal legal framework establishing new responsibilities for regulators to allow them to have a broader view of the digital environment, not just one limited to the telecoms industry. Changes can take time and a lot of effort, but an ideal framework is one of the best tools that governments can provide to ICT regulators to better promote digital services. The framework can be seen to enable a mandate for the regulator to "find ways to regulate less and promote more".

But as these modifications are not that easy or will take time, we, as regulators, can always show that we are committed to that mandate. We must look for ways to simplify regulation, make it leaner, less costly to all market players, and easier for consumers to understand. All of us have been working with a history of rules that were needed in the past, and probably some of these rules will still

COLOMBIA'S ROADMAP

Actions by MINTIC

- Strengthening the competence of MINTIC
- Criteria for defining information services
- Creation of a multisector monitoring system

CRC projects

- Regulatory framework for promoting broadband deployment
- Competition analysis of telecoms and information services
- Market analysis of online audiovisual services and TV
- Net neutrality for new business models
- Tools for analysing multisided platforms
- Updating the regulatory framework for the postal sector

Actions by other institutions

- Creation of a public policy for the digital economy (Presidency, DNP)
- Creation of an inter-sector committee (MINTIC)
- Analysis of online audiovisual services and subscription TV (ANTV)
- Mechanisms for resolving conflicts in the digital economy (MINTIC)
- Digital user protection in transnational services (SIC)
- Regulatory regime for data transfer in digital markets (SIC)
- Creation of a digital hub for intellectual property rights (DNDA)
- Tax regime for the digital economy (DIAN)
- Labour regime for the digital economy (Ministry of Labour)
- Competitive analysis/promotion of the big data market (SIC, CRC, DNP)
- Promotion of sandboxes in the finance sector (Ministry of Finance)

MINTIC = Ministry of IT and Communications ANTV = TV authority SIC = competition authority
DNP = national planning department DNDA = copyright agency DIAN = tax agency

These actions are mostly due to complete by 2020.

The roadmap report details a number of digital economy topics:

- Competitive dynamics of the digital economy – such as knowledge convergence and globalisation – and its definition
- Benchmarks – five countries were compared (US, UK, Australia, Singapore, Chile) in areas such as the existence of a legal framework for the digital economy, regulation of online user protection, net neutrality, intellectual property etc.
- Sector analysis in Colombia – transport, tourism, media, finance, logistics/post, manufacturing
- Challenges detailed and actions needed – the report details the actions as in the list above, such as establishing criteria that define the digital economy in the context of Colombia's free trade agreement with the US.

be needed, but if we just start to reevaluate the relevance of all the regulation that is in place, we will certainly find ways to improve it.

The CRC has already started to work on simplifying regulation and has tried out new ways to promote reactions from market players. One example is the publication of quality of service measurements made directly by the CRC. Once some telecoms operators started to see they had the lowest rankings, it prompted them to invest to improve network performance and their quality indicators went up again. Furthermore, the CRC has implemented autoregulation mechanisms, letting market players propose ideas to maximise compliance and consumer benefits, but also reducing the regulatory burden.

At the end of the day, all of these results and the modifications that the CRC has made in its regulation may not be perfect, and a lot of work is still needed, but I believe the most important decision we, as regulators, can make is to focus ourselves on changing our traditional mindset and find ways to collaborate with multiple stakeholders to rebuild the regulatory framework into one adjusted to the needs of the digital ecosystem in each of our countries.

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