

# Q&A

With **MAURICIO RAMOS**, CEO of telecoms and media firm, Millicom

## Q WHAT IS YOUR BACKGROUND?

**A** I'm from Colombia, where I obtained degrees in economic and law. I've worked in the office of the president of Colombia, taught economics and worked in investment banking before joining the cable firm, Liberty Global, in Latin American roles. After 15 great years at Liberty, it was time for a change and I saw that Millicom has a platform for fixed-mobile convergence, of which I am a strong advocate. It made sense to bring in a 'cable guy' who believes in mobile and I joined as CEO in 2015.

## Q MILLICOM IS PRIMARILY IN EMERGING MARKETS...

**A** Yes, we operate mainly in Latin America and Africa, under the Tigo brand name – in frontier as well as emerging markets – and 70% of our business is mobile. We like to say that Millicom is the little known \$6.5 billion telecoms provider – but we have been around for 25 years and have 60 million customers. Historically the company focused on 2G mobile and then made the transition to 3G, but Millicom came on my radar because it was also one of the companies that started buying and investing in cable networks, with the goal of being a convergent provider of services in the markets where

it operates. So, being very familiar with the Latin American landscape, this caught my attention. We want to build cable in our markets and provide consumers with seamless connectivity between fixed and mobile. We have also

launched 4G where licences have been granted, with a few exceptions at present. So we have made a leap into a data proposition for our consumers, both in mobile and increasingly on fixed.

## Q SOME DEVELOPING COUNTRIES HAVE DIFFICULTIES EXPANDING FIXED BROADBAND THOUGH...

**A** My personal view, and the company's view, is that the only way to limit the digital divide between developed and developing and emerging countries, is to fully embrace the ubiquity that mobile provides, with the capacity that only fixed can provide. That is the only alternative that most of these markets really have to provide a robust

internet experience, with lots of bandwidth. The cost of providing a bit over a fixed network is a fraction of the cost of providing a bit over a mobile network. The spectrum on mobile is by definition limited, whereas the spectrum for fixed services can be created on a modular basis. So as consumers demand more data, wherever it is possible, fixed and wireless need to be provided and converged as otherwise they will have limited experience. Now, this will not be true everywhere, because the economics of providing broadband are largely dependent on density. In areas of low density, fixed won't work and spectrum becomes increasingly important to get coverage. So it really is a combination of all the tools that are available.

## Q WHAT ARE EXAMPLES FROM YOUR MARKETS?

**A** Take a relatively small country such as Bolivia, where mobile network coverage is significant, and 4G services have been launched, but fixed networks have not yet been truly built. It's a country where I can envision that 50% to 70% of homes could be serviced economically with cable because the density is there and networks can be built in an economically viable way. Colombia is another important example. It has a population of about 45 million and about 10 to 12 million homes, depending on what census you take. You would think that in a growing economy you can easily reach 60% to 70% of those homes, about 6 to 7 million. Our network currently covers about 4 million, so there is an opportunity to launch more fixed networks there.

## Q DO YOU MEAN CABLE OR BROADBAND?

**A** Cable is broadband but it's a hybrid technology. For some reason, cable has allowed itself to be labelled as not fibre, and that's not true. Hybrid fibre coaxial (HFC) is mainly fibre, and only in the last small part to the home does it become coaxial. That gives us the ability to take fibre closer to the home to the point where it could eventually be taken all the way, but it's just not economical to do so at present. In developed markets, average speeds are 40 Mbps on fixed networks, but in emerging economies they are 2 Mbps, at best. We need to take it step by step and HFC cable is the most modular of those technologies and of course can be seen as creating our own 'spectrum' – a mobile operator typically has about 60 MHz available, whereas the type of HFC cable

“

**The only way to limit the digital divide is to embrace the ubiquity that mobile provides, with the capacity that only fixed can provide.**

”



Mauricio Ramos,  
CEO of Millicom

network we are currently building in Bolivia, El Salvador and Guatemala is 1 GHz, a gig of 'spectrum'. It really is a matter of being smart about what network delivers what bit, to what subscriber, at any point in time.

**Q YOU MAKE IT SOUND STRAIGHTFORWARD...**

**A** Well it's a huge challenge to get the right ecosystem that combines fixed with mobile to reach the most people, with all that entails in investment and allocation of spectrum, including low frequency spectrum for rural areas. It's also the case that existing asymmetric technologies won't be adequate for consumers and for machine to machine communications, apart from in broadcasting, where cable, digital terrestrial and satellite TV are fine, and in fact we are also in the direct-to-home satellite market. But on the internet the future will increasingly be unicast and symmetrical as users will want to upload things like video chats, and it's more than just a technical challenge.

**Q IT WILL REQUIRE YET MORE INVESTMENT...**

**A** Yes – over the past ten years, when commodity prices were high, most emerging economies were being buoyed in their purchasing capability, because their exchange rates were relatively strong. Looking forward, that's not going to be the case. So that's one of the biggest challenges I think we have in connecting the unconnected in emerging markets – players in these countries need hard currency to make investments in new network technology.

**Q WHAT IS YOUR READING OF HOW QUICKLY WE ARE CURRENTLY ADDRESSING CONNECTIVITY GLOBALLY?**

**A** Overall about 65% of people not using the internet are in emerging markets and the connectivity challenge has of course been met much more quickly in mature markets. But connectivity growth has actually been slowing down in both mature and emerging markets – in the latter it's actually gone down from about 24% between 2001 and 2005, to an estimated 12% between 2010 and 2015. So in total there are still about 4 billion unconnected people on the planet – more than those connected – and

assuming a rate of 12% stays steady, it will take decades to connect them, although we will see a billion new users by 2020 or so. We have to realise that connectivity can be life-changing for emerging market consumers, with applications such as mobile financial services.

**Q WHAT ARE THE BEST MARKET APPROACHES?**

**A** We have to be very consumer focused to address both the supply and demand problems. In fact, many of the supply problems are being addressed – up to 80% are on their way to being covered by mobile networks, and mobile devices are getting cheaper, but operators need to be very careful in not complicating a product offer. Most of the work needs to be done on the demand side in emerging markets, as when you take that 80% or so coverage, only about half actually take up a service, despite the fact that 3G phones are now less than \$40 and there is little complexity in prepaid models. The number one issue is for people to actually value using the internet, and number two is digital literacy and local language content.

**Q HOW ARE YOU ADDRESSING BOTH SUPPLY AND DEMAND AT MILLICOM?**

**A** As I said, this is a business where money gets poured into the ground first, which we've done, but reducing the cost can be done with sharing – in Colombia we've built a 4G network with Telefónica with the blessing of the government. And about 60% of the 3G handsets we sell are entry level models but it's also important to provide financing, which we do for example in Paraguay. On the demand side, we have found that the best way to educate users is to first educate our salesforce. So far we have trained 8,000 door to door salespeople in our Tigo sales school on what the internet means on a mobile phone and what apps can be put on, so they have a selling proposition that explains the advantages. In our markets, mobile is sold through thousands of points of sale – it's not a few outlets in a shopping mall but many individuals who are the catalyst to explaining the internet. Using mobile financial services, used say for top-ups, is key to showing what connectivity means – and today about 4.5% of Paraguay's GDP is done this way. And local content is also vital for our value proposition.

**Q HOW CAN POLICYMAKERS SUPPORT YOU?**

**A** Competition is important and there is an issue we need to address in emerging markets, which is that network operators book revenue locally but the over the top (OTT) players book globally. I've mentioned spectrum, and would add that emerging markets currently have half that of mature markets and a huge amount of work is needed to reform and release it for use in our fixed-mobile convergence models. There is a balancing act – we know that competition can fragment spectrum holdings and high auction prices can result in successful bidders lacking capital resources. And the strongest policy initiatives we've found are those that promote demand, such as e-government initiatives. As for the investment challenge, governments that abolish say VAT on handsets can help greatly in the connectivity drive.