IIC Webinar
20th October 2020

Digital transformation post covid-19: LATAM responses to the digital divide.

Panel members

***Chair: Ángel Melguizo**, Vice President for External and Regulatory Affair, AT&T DIRECTV Latin America*

Government Speakers

***Artur Coimbra De Oliveira,** Director, Department for Improvement of the Telecommunications Investment Environment, Ministry of Science, Technology, Innovations and Communications, Brazil*

***Iván Mantilla**, Vice Minister of Connectivity, ICT Ministry, Colombia*

***Pamela Gidi Masias,** Undersecretary of Telecommunications, Government of Chile*

***Martín Olmos,** Undersecretary of Information and Communications Technologies, The Cabinet Headquarters of Ministers, Presidency of the Nation, Argentina*

***Rosa Virginia Nakagawa Morales,** Vice Minister of Communications, Peru*

Industry Executives

***José Juan Haro,** Director LATAM Public Policy and Wholesale Business, Telefónica*

***Mario Girasole,** Vice President for Regulatory, Institutional and Press Relations, TIM Brasil*

***Paula Karol Pinha,** Head of Public Policy, Latin America, Netflix*

Background

As with most events around the world, this year´s annual IIC regional Telecom, Media and Regulators Forum could not take place in person. The webinar which took place instead, reported on here, was nonetheless rich in content and dialogue. It discussed the emergency measures taken by governments and the telecom and media industries in response to COVID-19 and the prolonged quarantine in five South American countries, but also the longer term plan to close the long-standing digital divide in Latin America. The unconnected have been badly affected as they could not continue with their livelihoods digitally, were isolated and left behind

in remote rural areas. How can innovation and disruption catalyze access when business as usual will not do the job?

Ángel Melguizo moderated the session which featured vice ministers from Argentina, Brazil, Chile, Colombia and Perú as well as representatives of global enterprises: Netflix, TIM Brasil and Telefónica.

The participating countries all agreed that they were faced with the emergency a few weeks later than Europe and yet, in a matter of days they witnessed major lockdown measures that basically meant migrating citizens' everyday lives and livelihoods to the home.

The webinar asked what actions were taken by policymakers and the private sector in these countries during the first weeks of pandemic and quarantine to keep people informed and the economy afloat through digital solutions? And what comes next for Latin America in the digital transformation agenda, and how will the gap be bridged in a region with huge inequalities in income, access to services such as water, health, education, telecommunications and information? The vision of three global players in the private sector and five policymakers is reported on here.

Responses

Services

Most of the represented countries experienced a 30 to 40% increase in household traffic and the priority was to preserve service continuity. Both network operators had to act swiftly to ensure resilience and with limited mobility, maintenance and installation crews had a challenging mission ahead. Most countries, as early as March 20th, declared telecommunications an essential service and therefore not subject to lockdown. This was to enable emergency infrastructure deployments where most needed and maintenance work on the streets. Today more than ever, it is clear the urgent need for more fiber to the home deployments will allow families to home school, work from home, be entertained at home as well as using banking, commerce and some health care services from home. This is in addition to the need for fiber in the 5G ecosystem.

Chile and Perú for instance immediately acted upon expediting projects involving backbone expansion. Chile subsidized fiber backbone deployments in locations where there was none or only one. As a result, 186 out of 340 local areas are subsidized so that more households are connected with fixed broadband. A more swift licensing process is also important. Licenses for the new submarine networks are being issued much faster. Perú also cut down response time from 60 to 10 days, using a fully online application procedure with an automated reply from local governments in order to accelerate fiber deployment.

Continuity also meant making an effort not to suspend services to users who did not make their payments in time due to recession hardship and giving them more time to pay due bills. In this regard there was some tension among contributors to the webinar. In some countries there was a general ban on suspending services due to unpaid bills, regardless of whether debtor was a low income or unemployed customer or not. Other countries only encouraged operators to continue providing basic services for vulnerable population that had failed to pay. Interestingly, Brazil, instead, made a very early public statement encouraging users to keep paying their connectivity services during the pandemic as it was a basic utility they would need more than ever so that networks could be kept up and running. Different approaches in the same region.

To increase access quickly, Brazil enabled multiple WiFi hotspots.

Spectrum access

Another key response during the first signs of significant increase in traffic, was to make spectrum available to operators to sustain QoS for a 6-12 month period, as long as beneficiaries provided roaming, broadband access to health centers and education (in Perú, for instance). There also has been a trend in the region to accelerate decisions on the 6GHz band, with many countries pushing to make it an open, unlicensed band for WiFi, at least in the lower segment.

Regulatory Relief

Tax payment extensions were granted to licensees in some countries and regulatory relief was secured with the idea of enabling operators to focus on keeping QoS, service continuity and expanding networks to reach more homes.

Pricing

Price regulation is one of the sensitive, "bad" measures implemented, according to operators, to ensure affordability. While Colombia decreed temporary tax breaks exempting users from paying value added tax of 19% on services for four months (a benefit to more than 18 million users), Argentina banned any price increase throughout 2020 to protect users. However, given an accrued inflation index of 26.9% this year, (an increase that had been noted just before the pandemic struck, some argued) it may be too much to ask. Mobile services also decreed as essential, could also be subject to price regulation next year.

Quality of video

One of the earliest measures taken by most jurisdictions and VoD platforms, in order not to saturate broadband networks for priority services, was to switch to standard definition video down from HD. Netflix capped its bit rate and only used STD, that is, a 25% bitstream reduction. Colombia temporarily allowed ISP traffic management as an exception from net neutrality rules.

Online education and health services.

Creative solutions were implemented to support health services and education during lockdown.

Colombia subsidized citizens, providing them with a prepaid 1Gb data plan and 100 calling minutes on the condition that they download a government app to track the virus. Brazil launched 16,000 health units equipped with internet access, digital clinic history files, telemedicine, tele diagnostics, images filing, research &development data.

Broadband as the new mobility resulted in an original measure in Colombia. Labor standards office changed a transportation subsidy of USD $27 per worker earning less than 475 dollars a month, to a digital subsidy to help subscribe to a fixed broadband plan at home.

A zero-rating model for using e-government apps and online education, was approved in Brazil and Argentina respectively.

In coordination with the Education Ministry, a website with 8,000 pieces of content for education was made available in Brazil. This was a priority service so that education could continue at home through online education.

Colombia made a number of concessions to industry provided they connected schools and health centers.

Lessons learned

Policymakers agreed on what their first lesson had been: high capacity home broadband is absolutely necessary as people will probably never go back to the same sort of life as before the pandemic, and the new normal will embrace home office, home schooling, at least partially, and FTTH is the answer to that.

The speakers generally agreed they were not prepared for the significant increases in household traffic. High traffic was always expected for offices and industries. The pandemic showed that high-speed connectivity at home will be the norm as people's habits changed for good and many would rather choose a home-office option. One of the panelists from industry said that when the firm made a survey of all employees as to who would sign-up to return to work at the office, only 5% volunteered. That gives us a clear sense of the new habits and appetite for working from home.

Also highlighted was another major lesson for the region. Policymakers, regulators and industry can coordinate and work collaboratively during an emergency to find win-win solutions and mitigate damages. Quick responses to applications, less red tape, creative solutions for an unprecedented crisis, trusting each other in the public interest was proved to be possible. This should become the new normal.

It is key to use innovative technologies as enablers; it was critical to use an emergency mindset and activate fit-for-purpose public policy, business policy, strategies and adapt as users did. We learned we are more digital than we thought we were.

The long-term vision for digital transformation in a digitally divided Latin America.

The digital divide

It is claimed that Latin America will have lost one decade in economic growth and two decades in reducing inequalities after COVID-19 pandemic and recession. How will large, SMME and community networks fight this?, the Chair asked.

The uncomfortable truth is that all efforts and smart responses to COVID-19 could only reach those connected, mainly those in urban and suburban areas, but left out millions of people yet to have access to broadband and other means of communication.

There cannot be a success story of digital transformation if millions of children, women and men are left out; CEPAL[1] recently published a report on the impact of COVID-19 in the region, showing that 32 million children have had no access to education this year and this will continue into 2021 as schools remain closed and they have no access to a broadband connection. It is a forced drop-out rate. This is a critical issue that will not be sorted out by 5G any time soon. Digital inclusion must be democratized and business as usual is not good enough.

Three key elements were mentioned by panelists: disruptive technology and spectrum management solutions have made access more affordable in low income rural areas; a new mindset from business and government is required to enable such technologies to be put in place and serve communities, by removing regulatory barriers.

[1] Economic Commission for Latin America

The region has an average 50% penetration rate of fixed broadband at the household level, with Brazil at the top of the list. Interestingly, Brazilian SMME have a 35% market share of fixed broadband subscriptions, hence it is no wonder that Brazil is pushing hard for competitive strategies, incentivizing investment of small, micro and medium enterprises to increase Internet access and other telecom services, at the same time as it promotes investments for larger players.

In the mobile arena, although the region has witnessed an important expansion of network coverage in the last decade, 64 million people remain unconnected due to lack of mobile networks coverage in rural areas throughout the region. Huge efforts have been made but traditional investments in areas that are not profitable for global operators with high capital and operation expenditures are not the answer. That is why disruptive thinking, embracing multiple kinds of players and sustainability models are crucial, using new technologies and spectrum sharing. For instance, community networks (not for profit models of community owned and managed networks) can better serve subsistence economies, as community members may operate, maintain and manage their own infrastructures with much lower capex and opex, when duly trained (ITU academy and the many other courses that are available) and enabled with affordable access to spectrum, affordable backhaul possibilities and local content. In other scenarios, SMME are providing local connectivity; for example, cooperatives in Argentina and fixed broadband in Brazil. Likewise, infrastructure sharing and wholesale models may be the answer so that an MNO can provide mobile services and spectrum using access and backhaul infrastructure of a third party such as Internet para Todos in Perú that aims to connect 6 million rural Peruvians and has made great progress in just two years, connecting two million people.

Spectrum policy is key. Raising the cost of spectrum for IMT is a huge mistake, one that for instance Mexico will regret after its Congress approved a raise in annual spectrum fees for some bands.

Regional fiber projects in Peru, long stagnated in some regions, are finally moving forward, in underserved regions like Loreto and Cuzco. This will enable more last mile connectivity for the remaining 10% unconnected in Perú.

The largescale urban model of mobile connectivity has not been able to bridge the urban-rural gap in a sustainable fashion but has done wonderfully in highly populated urban areas and can easily scale up globally. We see therefore a larger ecosystem of players, none of which are to be underestimated or ruled out with one-size-fits-all regulation.

Regulators and policymakers ought to acknowledge the importance of asymmetric regulation for asymmetric players, to enable a fair ecosystem of multiple digital operators, some local, some regional, some global, with the mission of achieving digital inclusion. Designing regulation using a paradigm of largescale global operators raises entry barriers for small operators and community networks in the same way that T1 operators demand asymmetric regulation for dominant players with substantial market power.

Development banks in the region mainly IADB and CAF have an important role in financing players contributing to digital inclusion. They are already financing Internet para Todos in Perú and it will be interesting to see how they can work on a disruptive strategy to provide financing to smaller players as well.

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