



4TH GLOBAL INDUSTRY LEADERS FORUM



Armenia City, Colombia
20 September, 2011

Chairman's report

Introduction

The 4th Global Industry Leaders Forum took place on Tuesday, 20 September 2011 at the Cultural Metropolitan Convention Centre in Armenia City, Colombia. It was held back to back with the Global Symposium for Regulators (GSR), which took place from 21-23 September 2011, at the same venue and was organized by the Telecommunication Development Bureau of the ITU in collaboration with the Ministry of Information and Communication Technologies and the Communications Regulatory Commission (CRC) of Colombia.

The Forum was chaired by **Mr. Orlando Ayala**, Corporate Vice-President, Chairman Emerging Markets, and Chief Strategist, National Competitiveness, Microsoft Corporation. ¹

Opening Panel: The Evolving Regulatory Landscape

The opening panel, moderated and chaired by Mr Orlando Ayala, consisted of H.E. Mr Diego Molano Vega, Minister, Ministerio de tecnología de la información y comunicaciones, Colombia, Mr Carlos López-Blanco, Director of International Office, Telefónica and Mr Petro Yatsuk, Chairman, National Commission for Communication Regulation of Ukraine, and Mr Brahima Sanou, BDT Director.

The opening panel set the stage for the more detailed discussions in later sessions by focusing how key trends are shaping the regulatory landscape, discussing the role of telecommunications regulation, and on exploring the changing relationship between industry and regulators.

In his opening address to almost 500 participants, Mr Orlando Ayala first thanked both the ITU and the CRC for the honour of chairing the GILF sessions before setting the stage by

¹ The full programme of the forum is available online at: www.itu.int/ITU-D/partners/GILF/2011/agenda.html.

commenting on the importance of the role of discussion for both industry and regulators that will ultimately lead to huge benefits to society and impact civilization as a whole. He outlined the importance of technology, citing the three layers of core infrastructure, cloud-connected devices, applications, and the essential convergence with policy issues and the need for smart regulation to ensure a successful and sustainable future for the provision of ICTs.

Following a brief intervention by **Mr Brahima Sanou** who took the opportunity to explain the new format of the meeting and to reiterate his appreciation to Colombia for holding the GSR and GILF in the Americas region for the first time, the meeting was officially opened by **H.E. Mr Diego Molano Vega**, Minister, Ministerio de tecnología de la información y comunicaciones, Colombia.

In response to a question from the chairman on the trends shaping policy, **Mr Petro Yatsuk** highlighted the effects of ICTs on GDP and the continued effort needed to spread the use and access of broadband universally. He described the work being currently undertaken by Ukraine to accomplish this, such as working with the private sector, reducing administrative barriers, using limited resources, making funds available, as well as focusing on possible solutions to problems of future technology such as cloud computing and data storage.

H.E. Mr Diego Molano Vega described the past and present situation in Colombia, underlining how all stakeholders have been invited to participate in the development of new policy, legislation and the implementation of a national broadband plan; how users are producing content and how they, and the content that they produce, need to be protected whilst a virtuous circle with incentives to supply and demand needs also to be fostered.

Mr Carlos López-Blanco agreed with the comments already made adding that the operators are also facing up to the challenges of convergence, generating the required funds, cloud computing, privacy and security, intellectual property rights, and he also noted the importance of regulation in the positive outcome of these issues.

During the panelist and floor discussions that followed, it was added that finding solutions to such challenges is at the heart of everyone at the meeting particularly those from developing countries and that the solutions can only be found by working hand in hand and with smart regulation as a tool. The discussion turned to the importance of public-private-partnerships and the situation in Colombia was highlighted where the importance the government gives to broadband is driving such partnerships. It was also noted that this reflects the fundamental change in the telecommunications model where the division of private and public is becoming blurred. The industry needs to pool efforts to find a responsible path to utilizing new technologies for enabling social and economic growth while being aware of the challenges of cybersecurity, privacy and data sovereignty. It was underlined that none of this can or should be done without the active participation and involvement of the users of ICTs.

Session 1: Taxation

The session was moderated by **Dr Windfred Mfuh**, Associate Fellow, Centre for Management under Regulation, Warwick Business School, University of Warwick.

Panelists were: Mr Makhtar Fall, Head, Regulatory and Market Division, BDT, Mr Tom Phillips, Chief Government and Regulatory Affairs Officer, GSM Association, Mr Dominique Würges, Director of Institutional Relations, France Télécom and Mr Jean Louis Beh Mengue, General Manager, Agence de Régulation des Télécommunications, Cameroon.

Dr Windfred Mfuh made a presentation on taxing telecommunications/ICT services. In his presentation, Dr Mfuh suggested that the classification of telecommunication products and services as luxury goods in some countries and their subsequent taxation has a negative impact on the development of the industry despite its importance on the economic growth and development of each country. The telecommunication sector is often subject of “special” taxes, not least the case of Universal Service Funds, which can be considered as a type of taxation when used to fund other sectors. Mr Mfuh addressed the issue of the cost of tax collection, which in a regulated and competitive market is often absorbed by the operators. The high degree and sophistication of auditing in such companies make such taxation easily collectable and therefore easily targeted by the national fiscal authorities. However, the effects of the burden of taxation will also be reflected in the quality of services and may have unexpected consequences such as pirate devices coming onto the market.

From the operator’s position, **Mr Tom Phillips** offered an insight into the trends and impact of taxation on consumers and industry, and highlighted the negative impact that taxation can have on investment. GSMA statistics show that in general taxation has been increasing, raising the barriers of entry to the market. He underlined the need to look at return on capital investment rather than simply using profit as an indicator, and that the levels of use, penetration and consumption and the revenues from taxation will all increase with policies that reduce taxation on telecommunications.

Mr Makhtar Fall addressed the issue of why International Telecommunications Regulations are important and proposed a rational and frequency with which it should be revised, offering a brief presentation on the preparatory processes of the next World Conference on International Telecommunications (WCIT-12) to be held in Dubai in December 2012. On the question of taxation, he highlighted the role of the ITU in helping countries to develop pricing models for telecommunications services and costs analysis as well as in giving advice and recommendations on a variety of related issues.

Mr Dominique Würges indicated that operators are highly impacted by taxation, and noted that this practice has given rise to as many as 50 discrete incidences of taxation in some countries. Operators are an easy target for tax authorities and in some European countries they annually pay EUR 2 billion in taxes. Although the notion of taxation is not being questioned, the impact of unreasonable taxation on investment, especially in projects requiring large sums of money to succeed such as broadband, is self-evident. A balanced taxation policy and regulation could guarantee long term benefits of investment rather than short term fiscal gains.

Participants from the floor discussed the reasons for such high taxes on the telecommunications sector. The ICT industry is an easy target, where collection is easy, accounting methods are well audited and taxation is largely driven by short term fiscal policy in opposition to the long term view of capital investment required for projects such as broadband. A tax system that introduces high rates of taxation is counter-productive. Transfer resources through taxation can reduce consumption, and surcharges do not always

fully benefit the State which in some cases only recoups a small percentage. Regulators can have a role in dealing with the disparity of termination rates and operator charges through a framework to protect profits and revenue to the sector and to protect the ICT sector from price wars that reduce profits to the countries.

The moderator ended the discussions by stating that taxation has a direct impact on the development and economic growth and that the quality of services can be encouraged through a stable and transparent taxation regime.

Session 2: Innovation and Entrepreneurship: New Applications and Services Driving Future Growth

The session was moderated by **Dr Michael L. Best**, Associate Professor, Sam Nunn School of International Affairs and School of Interactive Computing, Georgia Institute of Technology.

Panelists were: Mr Carlos Rebellón, Commissioner, Comisión de Regulación de Comunicaciones, Colombia, Mr Leslie Martinkovics, Director, International Regulatory Affairs, Verizon and Mr Celedonio von Wuthenau, Director, Public Affairs, Central and Latin America Region, Alcatel-Lucent.

Dr Michael L. Best defined innovation as the creation of an invention and its social or economic impact. The innovation in ICTs can be illustrated by the number of ICT-related registered patents. When measuring the impact of these inventions on the economy, the innovative impact of broadband penetration, measured by the number of registered patents, far outstrips other services in the generation of innovation. Unfortunately, patents are not always used to promote innovation: some registration of patents are used for defensive purposes against a competitor or to seek license fees without contributing to the innovative stack or, under other conditions, innovation is not registered, especially in developing countries. Broadband enables innovation from the introduction of an innovative product such as the mobile phone, to its adaptation to local needs, followed by its subsequent assimilation whereby other inventive uses are found, followed by its domestication, and finally its exportation. Some public policy pillars can support broadband enabling innovation: direct funding for research and development, education, the development of universities and academia, the notion of open content and open networks, technological, service, and net neutrality over the Internet. All this allows a greater choice, more competition and an increased innovation. These five policy areas do not work in isolation, and policy makers are called on to implement them in a national innovation system. Even if only a handful of countries generate the majority of the world scientific knowledge and inventions, with the spread of broadband as an innovation enabler also other countries are driving innovation.

Mr Carlos Rebellón stressed the changing role of the regulator who is now faced with new regulatory problems needing new solutions. Today, the regulator is concerned with new issues such as the opening of new markets and competition within new players with consequent issues of patents and intellectual property rights use. The Internet offers a new cost effective framework for innovation and with an open and competitive market comes the need for protective measures. With the Internet the situation has changed, needing new tools and devices to enable innovation and the importance for developing countries of

patent legislation to create innovation rather than copying innovation from the developed world should be recognized.

Mr Leslie Martinkovics talked from the private sector and operator perspective, and underlined the importance of creating clear and consistent sets of policies by Governments and independent regulators, who are called on to become experts in intellectual property issues to play a key role in innovation. Rapid market and technology changes need a clear, transparent and accountable regulatory environment and an independent regulator is essential to move quickly on key issues. Intellectual property rights are essential in this domain and regulators need to advise policy makers on this issue to advance trade and facilitate foreign investment. Technical neutrality should be adopted as a best practice as it is critical to best reflect consumer demand and is especially important for flexible spectrum rules to benefit from the rapid changes of the wireless space. The important role of education and incubation for the development of innovation and entrepreneurship coupled with more open access to content was stressed for the future development of a knowledge based society.

Mr Celedonio von Wuthenau, stated that innovation and entrepreneurship are interrelated, the Internet has created global connections and we need to enable innovation whatever the technology and ensure that broadband is available ubiquitously to allow new applications and rich content. Neutrality is important, and there is need to manage the networks for them to work properly. Users need to have access without exclusion, so then the distribution of access is extremely important. Concerning innovation and incubation, manufacturers have problems to disclose their work where patent and copyright protection is not available. Developing countries need a policy and a legal framework to make proper use of innovation. Governments have a fundamental role to play bringing schools and public authorities on line and enabling users by giving them the skills to use the available services.

On questions **from the floor** concerning the link between regulator independence, intellectual property rights issues, rural access, the informal sector and innovation, it was noted that regulators need to focus on possible changes to their frameworks, not only to ensure independence but also to promote and use innovation. Developed countries can help but developing countries should start providing their own sources of innovation. For regulators, both independence and technical expertise are crucial issues, and the protection of intellectual property rights is essential to encourage further development and innovation.

Session 3: Impact of Social Media on the Regulatory Environment

The session was moderated by **Dr Michael Geist**, Canada Research Chair in Internet and E-commerce Law, University of Ottawa, Faculty of Law.

Panelists were: Mr Eric Loeb, Vice President, International External Affairs, AT&T, Mr Jorge Silva Luján, General Director, Microsoft, Colombia, Mr Dan Gertsacov, Head of New Markets, Latin America, Google and Mr Haiying Wang, Chief Marketing Office, Huawei Technologies.

Dr Michael Geist said that there are three different ways in which regulators can influence the issue of social media: by addressing legal aspects, by using the media and finally by studying how the various stakeholders are using social media. The phenomenal growth of social media platforms that involves more than a billion users worldwide and which is used

overwhelmingly by a new generation of internet users is now being driven by the rise of mobile devices. This has become a major economic element with a full ecosystem of services and applications innovations and this growth is no longer limited to the North American users, but concerns users from around the globe, with recent impact on political issues. Social networks are now becoming local, popular among the young in each country. The regulators need to recognize the importance of social media platforms as a mechanism for them to reach the users and stakeholders, but this often implies a real revolution for them, used to license and authorization regimes. Social media platforms can be used to raise awareness, but in some cases, there are concerns of infringement of privacy laws and legal jurisdiction as personal details and information are made available to third parties. To this extent the issues surrounding cloud computing are of increasing concern to regulators.

Mr Eric Loeb took a positive approach to the social media phenomenon that can give very positive contributions. Social media have contributed to the rapid developments from device to network and fixed to mobile broadband to the notion of any device anytime from anywhere. Such trends have generated new challenges and issues such as privacy, information management, costs and marketing issues, and the collaborative nature of such platforms in a competitive ecosystem requires the market and the regulatory environment to adopt dynamic policies to cope with these new challenges.

Mr Jorge Silva Luján said that technology is a universal leveler having an economic impact on us all. Even if access to the Internet is not unanimously granted, new technologies like cloud computing will facilitate this in the future. Regulation should be based on principles that are easily adaptable and should have best practices and standards that are recognized by both public and private sector. Self-regulation and transparency are essential for the private sector in this situation, especially for global players, as is the need for the market and regulators to work together.

Mr Dan Gertsacov highlighted the importance, to companies like Google, of how open and communicative regulators are especially in deciding where to create centres of presence. Internet use has dramatically changed from its inception in 1988 to today's social media, and some countries are going through these changes at once and can use the experience gained elsewhere when moving towards future policy and a facilitating environment. In some countries, social media technology is being used for political reasons. The impact on the global economy is massive, 850 billion USD and for every job loss due to changes brought about by the internet, two new jobs are being created.

Mr Haiying Wang noted the range and impact of changes that social media has brought especially for the young generation concerning creation, distribution and consumption of services. He also underlined the shift from pc or desktop to mobile access, and how the rise of social network platforms has generated a need for new, innovative, low cost and reliable infrastructure, but that must at the same time address issues such as privacy, security and regulatory compliance, not least because social media relies on cloud computing.

Participants from the floor inquired about the relevance of the growth of social media in developing countries and on the challenges that some countries face. If some countries are lagging behind now, they will benefit from the experience of others on the issues surrounding social media, but this is a phenomenon based on human nature and behavior, and that this is the driving force behind its growth both on a local and global level. Although

in some countries the lack of appropriate infrastructure will slow this growth, demand will drive development and this is an opportunity to reposition these countries in the information age. On the role of humans, emotions and morals, it was suggested that this mechanism and technology is a tool and should be used to enhance humanity. Some of the problems created by new technology are eventually solved by the technology itself and some issues and responsibilities of its use remain in the domain of the family. Social media also influence markets and product owners as it empowers people and consumers, leading to a more collaborative society.

Closing Session: Wrap Up

The Chairman, **Mr Orlando Ayala**, presented the results of the days discussions. He noted that all stakeholders, including regulators, industries and users need to adopt a global approach to the challenges that the sector is facing, underlining the importance of an open and respectful multi-stakeholder dialogue that is essential for and reflected in such solutions as public private partnerships. He pointed out that all actors will have to reinvent their respective roles and establish new synergies to answer the core challenges the industry is facing. Mr Ayala also noted the importance of new business models, intellectual property rights, the role of women, the necessary clarity and precision required for all taxation matters, and the essential role education will have to play. He concluded by underlining the power of the new opportunities offered by the network such as the rise of social networks as a tool to improve communication and foster business and development opportunities.

Mr Brahim Sanou in his closing remarks thanked Mr Orlando Ayala for his excellent chairmanship and all participants for the informative, stimulating and rich exchange of views and ideas. He noted that the sector is driving innovation, technology and business models and that government and regulators are playing a key role with forward looking policies and regulation which will benefit society as a whole through the powerful collaboration between public and private sectors. In addition, he encouraged policy makers to take advantage of GSR best practices and guidelines and concluded by thanking the GILF chairman and moderators, the Government of Colombia, Mr Diego Molano, Mr Christian Lozano, and the sponsors.

After reiterating his gratitude to all participants and partners in the organization of the meeting, **Christhian Lizcano** concluded that public-private dialogues was no longer simply an important issue but a basic and urgent need that will enable social and economic development.

Mr Héctor Huerta, ITU Regional Director for Americas Region congratulated Colombia for hosting the event in the Americas region for the first time, and participants for their willingness and innovative spirit and suggested that the days discussions were only the beginning and must continue in order to benefit the development of the sector.

The 4th Global Industry Leaders Forum was officially brought to a close by **Mr Christian Lizcano**.