

Global Symposium for Regulators (GSR 23)

Consultation: Best Practice Guidelines - Response

“Regulatory and economic incentives for an inclusive sustainable digital future”

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The objective of this consultation is to explore a framework of regulatory and economic incentives to promote the deployment of ICT infrastructure, equal affordable access to digital technologies, that does not hamper capital spending and network deployment and reduces asymmetries across the digital ecosystem, while ensuring that Governments receive the financial resources needed to deliver public services.

Defining regulatory and economic incentives to stimulate the deployment of digital infrastructure, especially in rural and isolated areas.

Though operators have been working for many years on closing the connectivity divide in Latin America, rural and isolated areas remain an important challenge, with CEPAL estimating that in the region Internet user penetration is around 60% in urban areas, but as low as 35% on average or even 10% in some countries for rural areas.

Telefónica considers that working to close the Digital Divide requires a reconsideration of the public policies in place, and for this reason Telefónica developed a [Rural Manifest](#), outlining our proposals for the development of successful and sustainable rural network business models. At the core of our Manifest is the idea that regulation and public policies must be enablers rather than obstacles to extending rural connectivity.

Our proposal is essentially to rethink the current strategies and to develop regulatory frameworks specifically for rural areas, based on new public policy approaches centred around 5 elements:

- **Fostering innovation:** In terms of technology, by using emerging technologies and allowing for their flexible use. In terms of finance, by facilitating the development of new business models to attract investments from other sectors and facilitate public-private collaboration. In terms of regulation, by promoting lighter regulatory frameworks to encourage the development of networks in rural areas, along with considering new regulatory measures such as sandboxes to reduce regulatory burdens, the possibility of payment for spectrum through connectivity obligations vs cash payments, and the reduction or elimination of regulatory fees (USF contribution, spectrum fees ...) for rural services which can all help foster investment in rural areas.
- **Encouraging collaboration:** It is important to encourage and facilitate public-private partnerships and alliances between different parties (public, private & NGOs) to make rural connectivity projects viable. Measures to facilitate and encourage infrastructure sharing to generate greater operational and financial efficiency are especially key for rural areas. Furthermore, it is necessary to rethink spectrum policies with regards to accessing it and flexibility with its use, shifting away from a spectrum management model focused on fund gathering to one focused on quick development of networks and services, especially in rural or less attractive areas.

- **Freeing up resources for investments:** Investing cannot occur if the industry does not have the resources to do so. Many elements need to be reconsidered in order to free up funds for new investments. The most important one regards the cost of spectrum, which remains very high in Latin America, but also aspects such as fiscal policies, which among other things impose a high tax burden on our industry. In addition, aspects such as an efficient and effective use of Universal Service Funds can make a difference in extending connectivity in rural areas.
- **Facilitating infrastructure deployment:** It is important that governments and regulators work together to reduce the bureaucratic red tape and administrative costs of infrastructure deployment in general but even more so in rural areas. Additionally, the use of state/public infrastructure by operators should be enabled.
- **Reducing or eliminating technical barriers:** Such as the implementation of infrastructure environmental mimicry obligations and allowing companies to select the appropriate technology to be deployed and thus guarantee technological neutrality.

New business models such as [Internet Para Todos in Peru](#) (IpT), based on the 3 main axis of innovation, cooperation and sustainability, prove how innovative models to close the digital divide in rural areas can work. Through a partnership between Telefónica, Meta, CAF and IDB Invest, since 2019 IpT has brought 4G access to 3.2 million rural Peruvians through its open technology model which incorporates shared access infrastructure/RAN Sharing and uses technologies such as AI and Big Data to automatize processes and reduce costs. The IpT wholesale mobile network is neutral and open to all mobile operators in Peru. The flexible Peruvian regulations for rural areas have allowed for the development of a successful business model with excellent results.

Many of the proposals mentioned above which sparked the IpT concept can also be found mirrored in the AG/RES. 2966 (LI-O/21) resolution of the OAS and its 21-point proposal of initiatives to expand telecommunications and ICTs to rural areas, proof that there is an awareness, not just by operators but also from regulators, that reviewing current regulatory strategies is essential to achieve rural connectivity and digital infrastructure deployment goals.

Identifying the right incentives required to ensure the introduction of emerging ICT technologies and business models

The benefits of connectivity and digitalization and the need to foster new technologies and business models are clear. In order to advance in these goals, it is necessary not only to implement new regulation to foster the deployment of new technologies and networks, but also to reconsider *how* new and existing regulations are implemented, what they do and if they are really necessary. There is a risk that regulation may disincentivise investments and network deployments if not adapted to reality.

A regulatory review to identify which regulations are truly needed and which ones are redundant would help alleviate a number of challenges, making new investments more viable and sustainable. Regulation can be an important enabler, and not an inhibitor, to investment and regulators must play a role in engaging with the industry to identify what changes are necessary to evolve public policies and reach the 5th generation of regulation, as defined by the ITU. Among the many reforms which in our view could be considered, and which would help foster increased investment and innovation, the key ones are:

- Reduction of the regulatory burden through an elimination of obsolete regulations which simply add to the overall red tape, increasing the time and cost of networks and services both existing and in deployment.
- Similarly, regulatory frameworks would be improved by the implementation of Regulatory Impact Assessments and Regulatory Result Assessments, which would help involve more diverse shareholders in the creation of regulation and the analysis of desired impacts, as well as increasing confidence in the continued necessity of the regulations in place.
- To attract long term investments, legal certainty is key. This concept includes having regulatory agencies which make considered decisions and work on issues such as market structure (avoiding excessive market concentration) and on improving regulation predictability.
- The implementation of innovative models such as Sandboxes and experimentation would allow for a wider variety of individual and collaborative initiatives to develop new solutions to old problems, such as the rural-urban digital divide or reducing usage gap for low-income populations, in new and innovative ways.
- A modernization of regulatory frameworks to align better with current market trends, adapting regulation to the new needs of clients, regulators and operators. Flexible and dynamic regulation is key to match the quick developments of the digital world and would help implement emerging technologies more quickly and reach all sectors of society.
- A reduction or reconsideration of regulatory fees and tax burdens on telecommunications service, as in some countries the telecom sector faces a fiscal burden comparable to that imposed on luxury good industries. In this same vein, imposing the same fees and fiscal burdens for both rural and urban services makes rural deployment and service take up more difficult, as the business cases for rural services are already less attractive and in many cases the population of rural areas has lower levels of income.
- Allowing for a flexible use of spectrum, as this flexibility will increase overall spectrum use efficiency, and guarantees a quicker assignment of the spectrum to the user that generates the most value.

Finally, collaboration needs to be fostered at all levels of the industry. This can be between the public and private sector, in the review or design of new regulations, or in the joint development of new business models, such as with Telefónica's Internet para Todos initiative to extend connectivity in rural areas of Peru.