

Telecoms as an Investment in Latin America: COVID-19 Impact and Opportunities

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Catalyst and Omdia view

Catalyst

- COVID-19 is an extraordinary challenge for all countries, particularly those with fewer resources, such as in Latin America, but it is also an opportunity for telecoms operators to emerge stronger from this unprecedented situation.
- The impact of COVID-19 on the economy and unemployment is still uncertain, but the initial forecasts are already very challenging. By June 2020, the IMF estimates that GDP in Latin America will shrink by 9.4% in 2020, four percentage points more than the initial projection in April and the worst recession on record. The IMF projects a mild recovery to 3.7% growth in 2021.
- The impact of COVID-19 on the economy will be significant and cannot be avoided. Precautionary measures are necessary to protect entire industries – including retail, commercial aviation, tourism, and hospitality – from falling apart. The technology, media, and telecoms (TMT) industry may not be as exposed as other industries to the effects of social distancing and lockdowns, but there will be a significant impact arising from the economic crisis and potentially also from regulatory costs that are still in discussion.
- This report evaluates the impact of COVID-19 on communications service providers (CSPs) in Latin America, including providers of fixed and mobile connectivity services. It includes recommendations on how to respond and prepare for “the new normal,” along with the investor point of view.

Omdia view

- **The pandemic has shown how critical internet connectivity is to the economy.** Networks have been shown to be critical for continuing many economic activities, for keeping people connected, and for facilitating tele-education and tele-medicine, among others.
- **Networks saw large increases in traffic (20–50%),** but they showed their capacity to respond and no major problems were detected.
- **The pandemic revealed a positive public-private cooperation in several countries,** and connectivity was declared an essential service. Improvement in connectivity allowed telecoms workers to continue working, facilitated the granting of permits, reduced the burden of regulatory requirements, accelerated authorizations through digitalization, allowed digital interaction with clients, and facilitated temporary spectrum authorizations, among others.
- On the other hand, some **new regulations are putting more pressure on telecoms operators and generating additional costs.**
- **Telecoms stocks prices,** mainly for telecoms companies with large operations in Latin America, **had a negative impact on the sector's market value** in the region, not only when compared to technology giants such as Amazon, Apple, and Facebook, but also compared to towerco companies, which provide infrastructure to telecoms operators. This has resulted in several CSPs selling operations, spinning-off, or attracting investors to their infrastructure assets.
- There is still uncertainty around the duration of the current crisis and its potential economic impact, but is clear that **internet connectivity has a key role to play in driving economic recovery after COVID-19.** ICT is also a key element to reduce the impact of the economic crisis.

Omdia view (continued)

- We can't afford to lose any more time before **making the proper public policy changes to motivate and support network investment in Latin America**. Spectrum cost and availability, taxes, import duties, site acquisition and right of way approval for quick and efficient deployment, and more regulatory flexibility are some of the areas that need to be tackled.
- **Regulators and policymakers need to collaborate** with the private sector, generating policies that both drive economic recovery and help connect the unconnected. COVID-19 is an opportunity to improve market conditions and incentivize more investments.
- COVID-19 is an opportunity to rethink telecoms regulation: **Universal, affordable, and good-quality broadband is the new *El Dorado* for Latin America**.

Omdia recommendations

Recommendations for service providers

- CSPs have an opportunity to come out of this crisis stronger. **This will require them to have empathy and invest in their customers and communities during these difficult times while maintaining a constructive dialogue** with regulators, policymakers, and other players in the ICT ecosystem.
- Service providers should continue to **be good corporate citizens**. CSPs must continue to invest creatively in clients and in the network, supporting the population and showing solidarity as an essential service.
- CSPs should take the **opportunity to generate “emotional attachment” and “sense of belonging.”** Until now, CSPs have had low levels of approval in the Latin American population. Telecoms operators usually score among the companies with more complaints and lower customer satisfaction. COVID-19 is a game changer. Companies are advised to **consider customer satisfaction as their business success indicator along with profit in their developed strategies**.
- **Customer centricity** should be a focus of every company. Having the right value proposition and improving the customer experience in a post-pandemic market should be a priority.
- **Bad debt and churn are going to be two of the major challenges** during the rest of the year as economies weaken, unemployment increases, and businesses close. It will be important to create flexible, socially responsible, short- and long-term, solutions for customers in debt or facing hardship, with a clear understanding of which are the customers that should be retained.
- Infrastructure companies have been very successful in the region. CSPs should work together with these key players in partnerships and new types of alliances.
- Crisis is opportunity. COVID-19 might also be **an opportunity to pursue valuable acquisitions to strengthen the business** and cover countries/areas in the region where an operator has no presence or is not a market leader. COVID-19 will bring a consolidation process in Latin America.

Recommendations for service providers (cont.)

- Moving into digital and increasing digitalization is a clear trend in all industries, and CSPs in Latin America should lead this process. Operators have already accelerated their digital transformation as a result of the global pandemic. **Simplifying and digitalizing processes and support functions** should be a permanent activity with the aim of implementing a full omnichannel personalization strategy.
- Reinforcing the implementation **cost and capex optimization initiatives** aimed at reducing costs and minimizing the impact of top-line pressure should be an ongoing and permanent focus of CSPs. Capital expenditure decisions should be backed by a clear business case with a short- and medium-term return on investment (ROI).
- Is time for **an accelerated private-public sector collaboration**. Continuous and constructive dialogue with the whole ICT ecosystem, with special focus on governments and policymakers, should be a priority.
- Finding new ways of **collaboration and developing partnerships with governments and all participants of the ICT ecosystem is key to emerging strengthened in the post-COVID-19 new normal**. Working together with other telcos, tech players, smaller ISPs, municipalities, infrastructure companies, technology vendors, investment and development banks, entrepreneur ecosystem, universities, and NGOs, among others, should be a continuous and permanent focus of CSPs in the new normal.

Collaboration is the new normal

Recommendations for policymakers

- **Governments and regulators are taking a more important role during the pandemic** and in the post-COVID-19 new normal. We've seen policymakers taking several measures to ensure connectivity to the population during the pandemic, but they are also generating more costs for CSPs.
- Most Latin American economies were stagnating even before the COVID-19 pandemic took hold globally, and CSPs are struggling to attract investors in the stock market. **Governments should implement public policy measures that promote infrastructure investments in the region and make CSPs, who are the main digital infrastructure contributors, attractive to investors.**
- Since the start of the COVID-19 pandemic, there have been numerous instances where regulators have postponed spectrum auctions and some were planning to use pending 4G auctions and 5G as government fund generators. **Additional spectrum, and especially 5G will be a key enabler of economic recovery in the aftermath of the COVID-19 pandemic.** An innovative and pro-investment approach is required to ensure operators receive access more quickly to more frequencies. One of the main constraints for operators taking part in future spectrum auctions will be the cost, because they are already facing an economic burden caused by the crisis. Therefore, policymakers will need to be more flexible when it comes to spectrum payment conditions. Regulators are advised to look at introducing affordable/long-term payment plans for spectrum resources, delaying initial payments to a future date, or even making certain frequency allocations free of charge in exchange for investment and rollout commitments (beauty contest model). Regulators will also need to look at the best way to issue harmonized spectrum more quickly and efficiently.
- **Regulators should ensure their policy framework encourages investment in the sector.** Building out networks will be key to a country's recovery, especially as things go back to a "new normal" that is even more heavily reliant on connectivity, so policymakers should take this opportunity to make huge leaps in coverage and improve current networks. Simplifying the administrative procedures operators must complete in order to roll out infrastructure should be one area of consideration for policymakers, but funding will also be vital. Governments should be encouraged to create funds to support telecoms projects in unprofitable areas where operators do not usually invest and to improve the resiliency of existing infrastructure to ensure coverage is ubiquitous.

Recommendations for policymakers in a post-COVID-19 world

Collaboration is the only way to address complex challenges

- 1 Establish a foundational regulatory and legal framework to generate private investor confidence and attractiveness (flexible approach)
- 2 Develop and execute an accelerated spectrum policy roadmap (affordable, adequate conditions, investment)
- 3 Facilitate and incentivize infrastructure deployment by reducing its cost (partnership flexibility, funds)
- 4 Reduce broadband users' costs (taxes, demand-side incentives)
- 5 Define national digital transformation strategy plans: governments should be digital economy catalysts
ICT as a key enabler of economic recovery included in subsidy recovery measures and tax relief

Source: Omdia

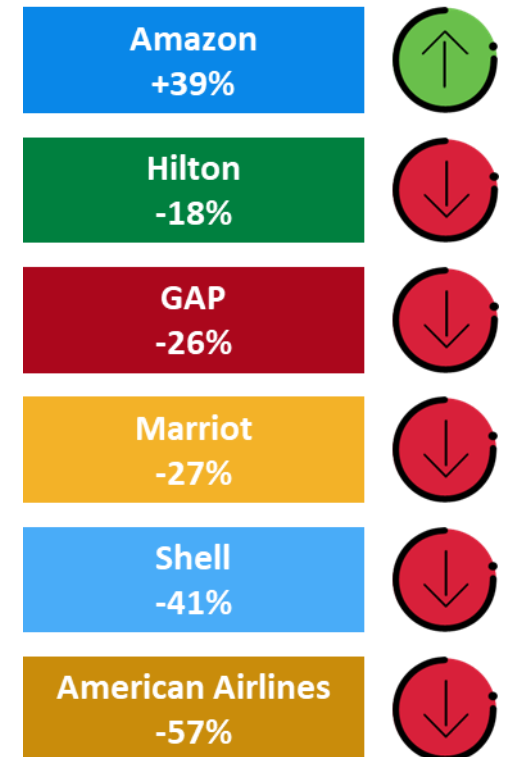
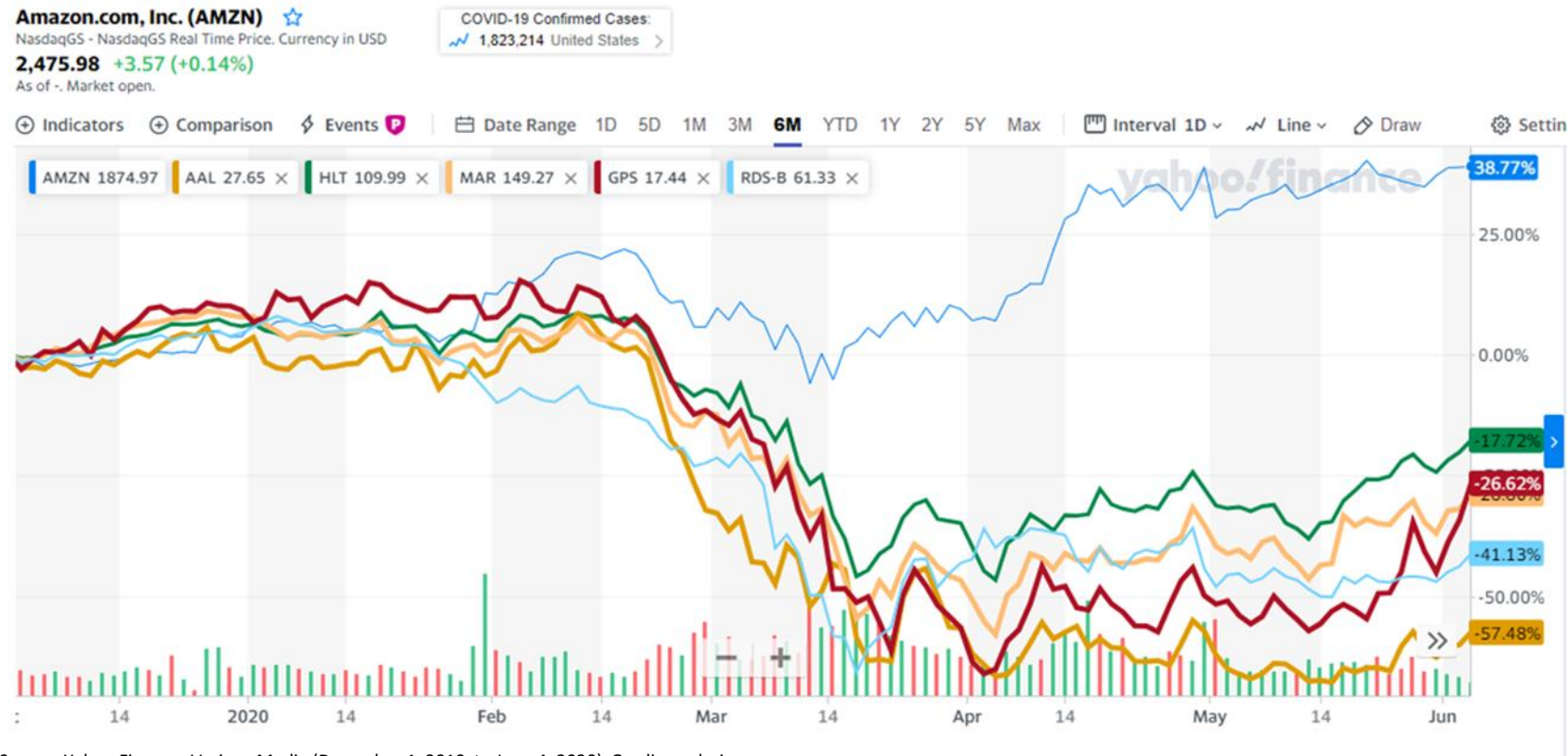
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“COVID-19 is an
opportunity to rethink
telecoms regulation”

The stock market view

COVID-19 has negatively impacted the majority of sectors and companies in a highly volatile global equity market (1)

Stock market share value variation (selected shares) December 1, 2019, to June 4, 2020 (6 months)



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COVID-19 has negatively impacted the majority of sectors and companies in a highly volatile global equity market (2)

- Analyzing the stock market performance, it is not surprising to note that industries that were more directly impacted by the pandemic had large decreases in their stock price, as per the following industry examples:
 - Commercial airlines: American Airlines stock price fell by 57%.
 - Oil companies: Shell fell by 41%, and we observed declines in oil company stock prices as early as April.
 - Hospitality: Marriot fell by 27% and Hilton by 18%. Among the largest hotel chains in the world, Marriot and Hilton were highly impacted by the lockdown and frontier closures.
 - Clothes retailers: GAP fell 26%, with e-commerce partially reducing the impact.
- Not surprisingly, tech giant Amazon was positively impacted with 39% growth in stock prices, boosted by Amazon Web Services (AWS) and marketplace divisions that proved to be essential during the pandemic.

COVID-19 has had an even higher impact in Latin America as turbulent times have made investors risk averse (1)

Stock market share value variation (selected shares) December 1, 2019, to June 4, 2020 (6 months)

Amazon.com, Inc. (AMZN) ☆

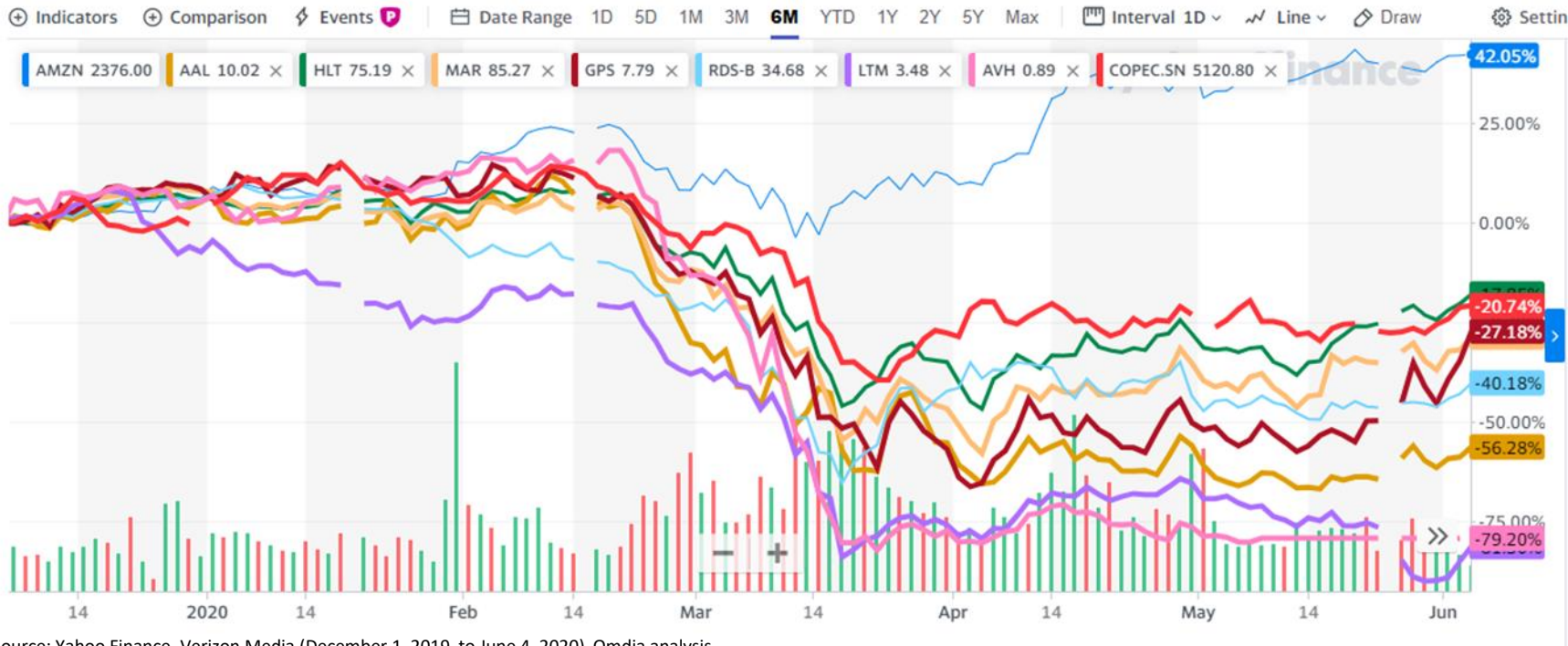
NasdaqGS - NasdaqGS Real Time Price. Currency in USD

2,475.98 +3.57 (+0.14%)

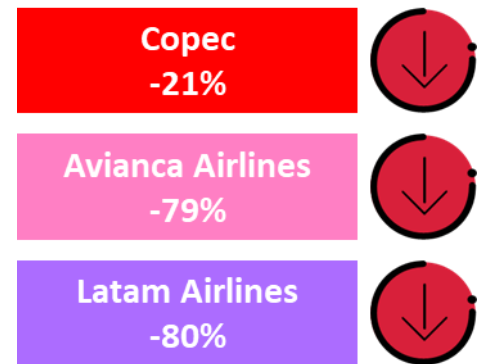
As of -. Market open.

COVID-19 Confirmed Cases:

1,823,214 United States >



Source: Yahoo Finance, Verizon Media (December 1, 2019, to June 4, 2020), Omdia analysis



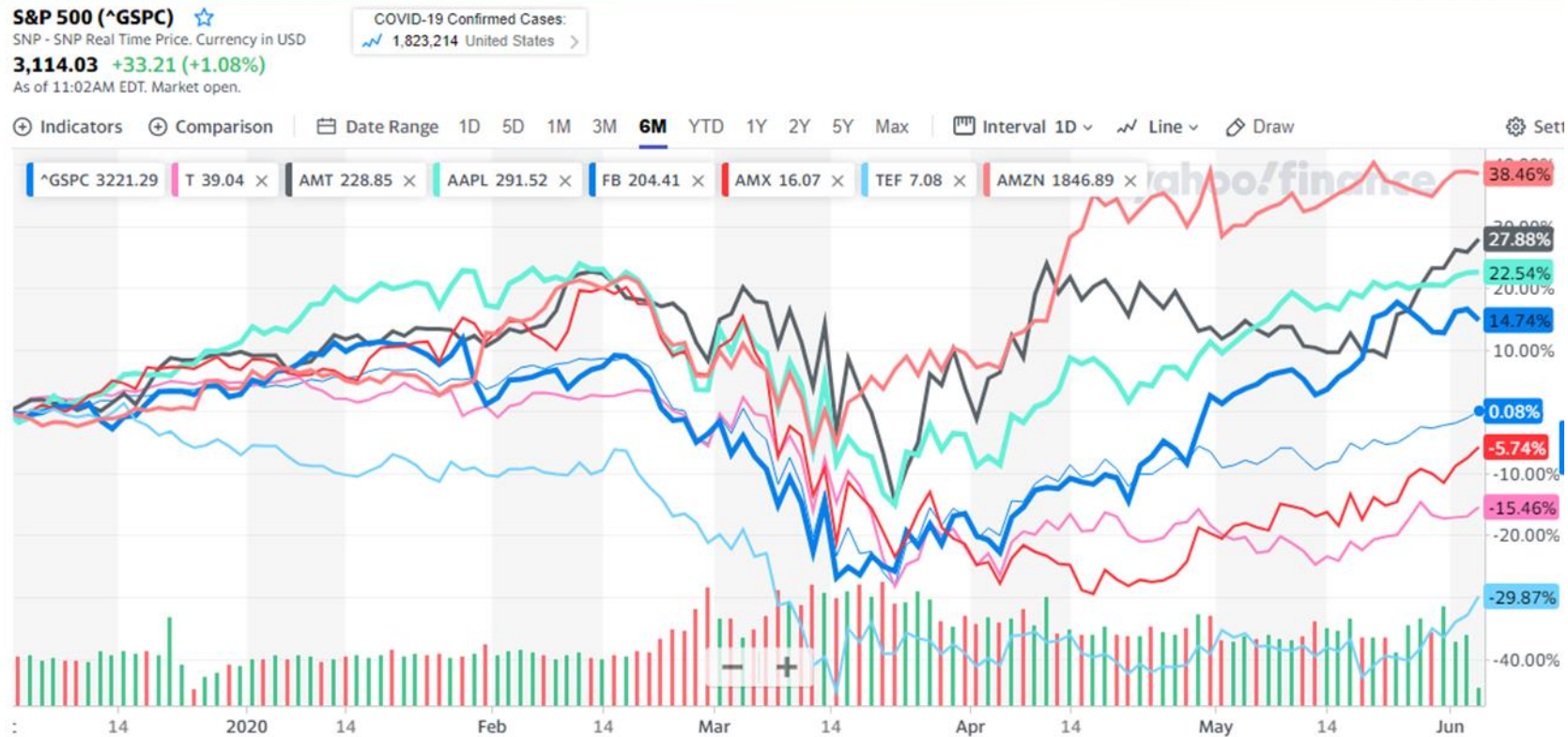
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COVID-19 has had an even higher impact in Latin America as turbulent times have made investors risk averse (2)

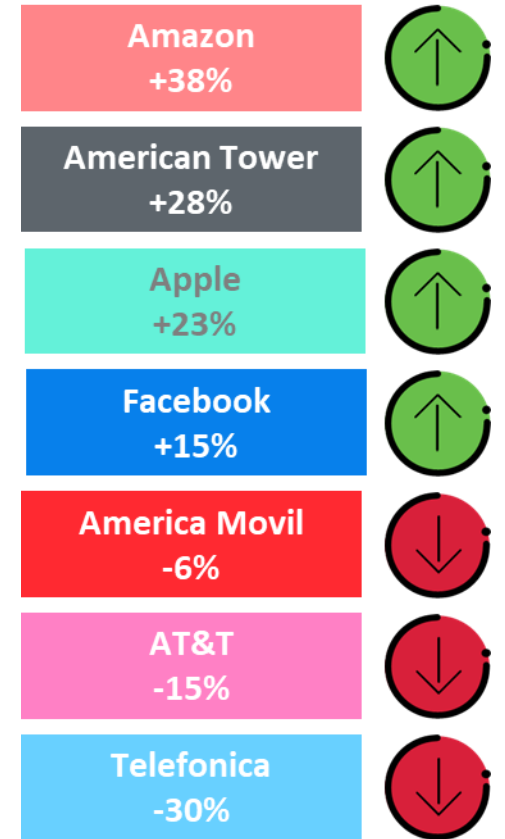
- When there is an international economic crisis, as we are experiencing with COVID-19, the impacts observed in the developed world are notably worse in developing markets.
- This is borne out by investor attitudes to Latin American markets. The economic crisis has had a greater impact in Latin America, and this is because investors seek to be in markets that give them more certainty and more security. Investors are naturally risk averse and take refuge in more stable stocks and in more developed markets.
- In the commercial airlines market, while American Airlines stock prices decreased by 57%, the two largest Latin American Airlines (Avianca and Latam Airlines) both fell by around 80% and have filed for Chapter 11 reorganization process.
- The old economist proverb that says, “When America sneezes, the rest of the world catches a cold” has never been so valid and has even larger negative effects in Latin America’s weaker economies.

Although essential, telecoms were also negatively impacted by the COVID-19 crisis (1)

Stock market share value variation (selected shares) December 1, 2019, to June 4, 2020 (6 months)



Source: Yahoo Finance, Verizon Media (December 1, 2019, to June 4, 2020), Omdia analysis

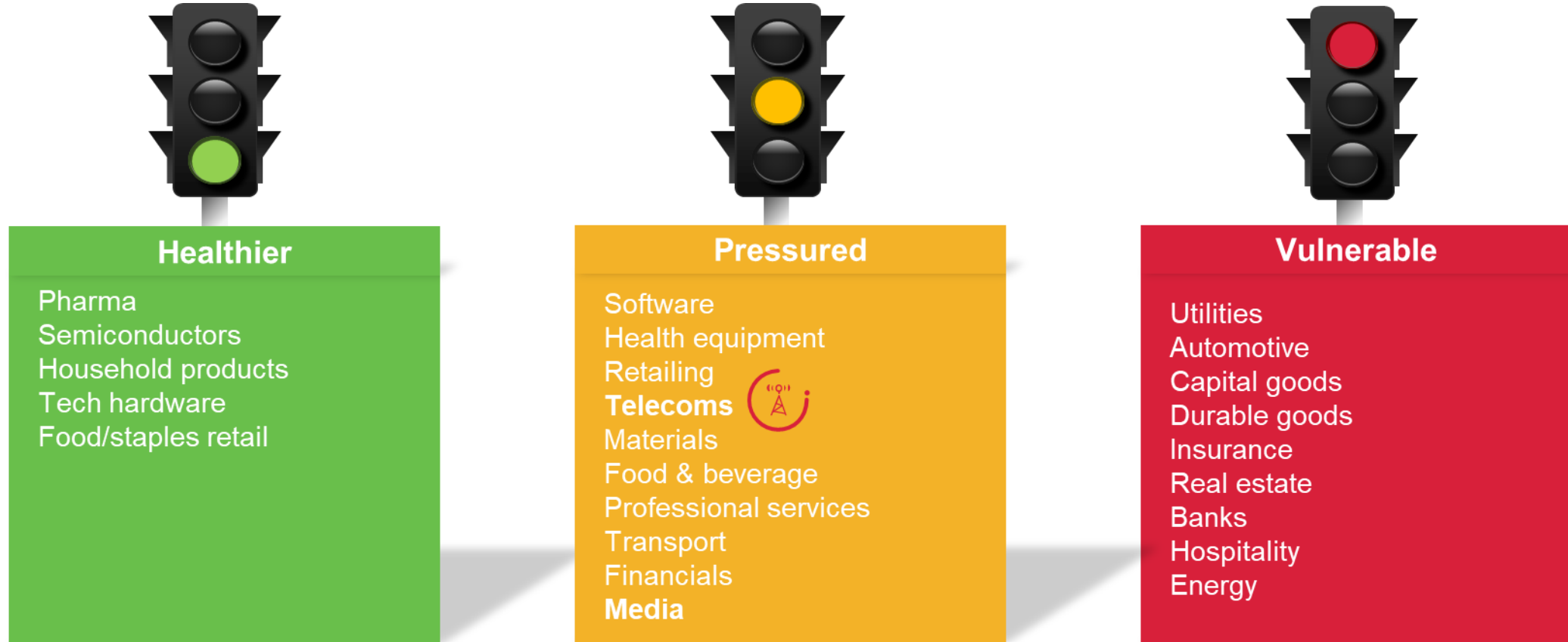


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Although essential, telecoms were also negatively impacted by the COVID-19 crisis (2)

- Analyzing the stock market performance, we can observe that telco stock prices were also negatively impacted:
 - Telefonica fell by 30%.
 - AT&T fell by 15%.
 - America Movil fell by 6%.
- Telecoms stocks prices, and particularly those with large operations in Latin America, were impacted negatively in terms of value (in part due to devaluation), not only compared with technology giants such as Amazon, Apple, and Facebook, but also with towerco companies, which provide infrastructure services to telecoms operators.

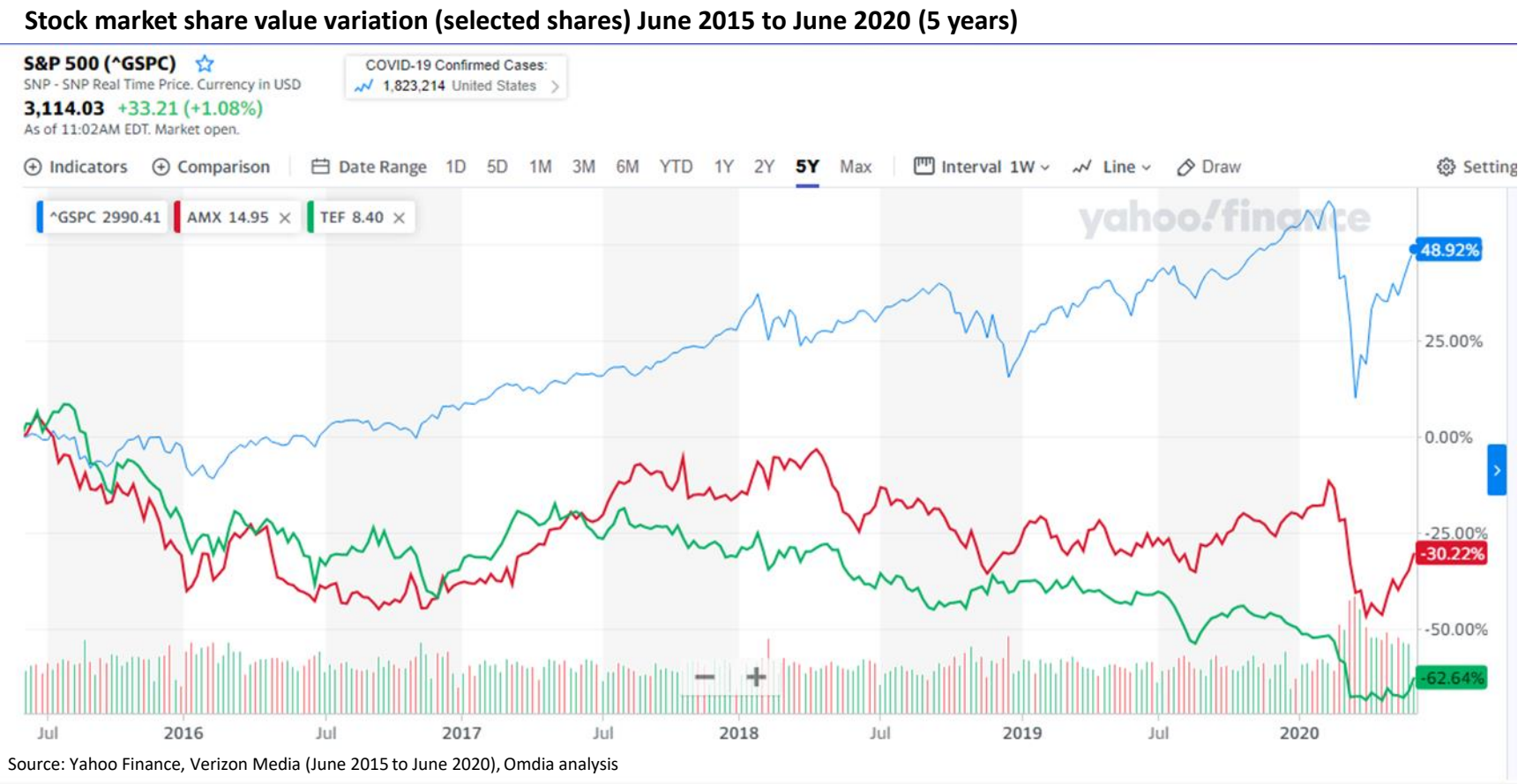
COVID-19 has negatively impacted most sectors but although essential, telecoms is not in the “healthier” group



Source: Omdia analysis based on top S&P 1,200 companies stock performance February to June 2020

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Pressure on telecoms stocks is not new – the main Latin American telecoms-focused stocks have underperformed in the last five years (1)



S&P500 +49%	↑
America Movil -30%	↓
Telefonica -63%	↓

Pressure on telecoms stocks is not new – the main Latin American telecoms-focused stocks have underperformed in the last five years (2)

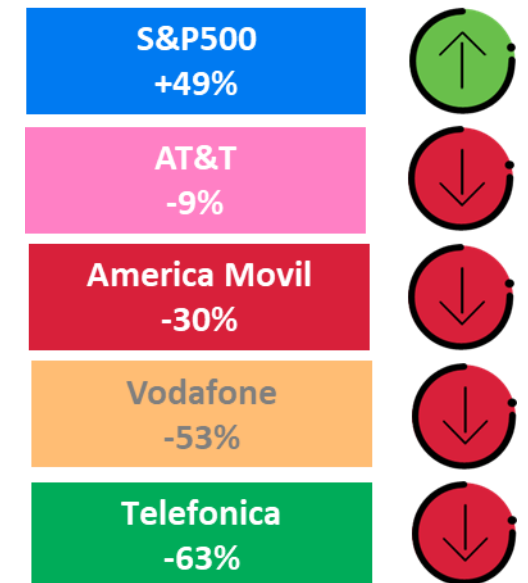
- When we take a longer view, we can observe that in the last five years, the stocks of the two main Latin American CSPs lost significant value.
 - Telefonica ticker decreased by 62%.
 - America Movil ticker decreased by 30%.
- According to the S&P Index, the stock market grew by 49% over the same period.
- We can see how these two leading Latin American focused CSPs underperformed compared to the total market, which was greatly impacted by the spectacular growth of GAFAM (Google, Apple, Facebook, Amazon, Microsoft) and tech companies.
- Further analysis of CSPs shows that the Vodafone ticker, with 76% of its revenue based in Europe, dropped by 53%.
- AT&T, the largest CSP in the western world, a telephone company that transformed itself into a global leader in connectivity and a multinational entertainment conglomerate after acquiring Time Warner and DirecTV, lost 9% of its value. AT&T has mobile operations and large investments in Mexico and operates in Latin America through Vrio (DirecTV and Sky brands).
- This shows a larger picture in which CSPs have underperformed in the stock market and generates worry in terms of investor attraction to this type of stock investments.

Investors are moving away from telecoms stocks, mainly preferring tech and internet companies

Stock market share value variation (selected shares) June 2015 to June 2020 (5 years)



Source: Yahoo Finance, Verizon Media (June 2015 to June 2020), Omdia analysis



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The operator conundrum (pre COVID-19): revenue under pressure, traffic rising, more capex required



Investors broadly positive, but cautious of telecoms

Telecoms valuations have underperformed over the last few years due to challenging industry dynamics

Positives

- Strong free cash flow
- Monetization of mobile data
- Consolidation
- Fewer market entrants
- Video as a growth strategy (for integrated providers)

Negatives

- Low-to-negative growth
- Increasing pressure on margins
- Price deflation
- Hard to raise prices
- Competition
- Capital intensity
- Highly leveraged (debt)
- OTT competition
- ++ Regulation

**COVID-19 has
reduced cash flow
and increased
regulation**

Source: Omdia

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Infrastructure companies attract investors in the stock market (1)

Stock market share value variation (selected shares) June 2015 to June 2020 (5 years)



Source: Yahoo Finance, Verizon Media (June 2015 to June 2020), Omdia analysis

American Tower

+190%

SBA

+172%



Infrastructure companies attract investors in the stock market (2)

- Investors have shown great interest in infrastructure companies in recent years. We can see that the two largest independent towercos in Latin America increased their stock value:
 - American Tower stock value rose by 80% (by 1Q19 American Tower owned 37,500 towers and is now the largest player in the region). Additionally, American Tower acquired 3,242 towers from Entel Chile in December 2019.
 - SBA's stock value grew 171% (by 1Q19 SBA owned 13,091 towers – it is currently the second-largest independent towerco in Latin America and third-largest of all towercos in the region).
- By 1Q19, the following players were also gaining scale:
 - America Movil Group owned Telesites (16,248 towers) is the second-largest towerco in the region.
 - Phoenix Tower (7,350 towers) and Grupo TorreSur (6,500 towers) are fourth and fifth in the ranking.
 - Telxius, owned by Telefonica, is another key player with 3,390 towers.
- There are other local players with smaller share in towers in the different Latin American markets.
- Operators still own around 50% of the towers in the market, but the major trend is to sell the towers and focus in their core business.

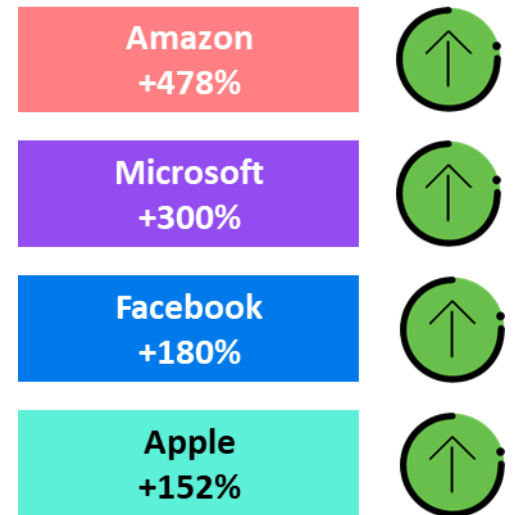
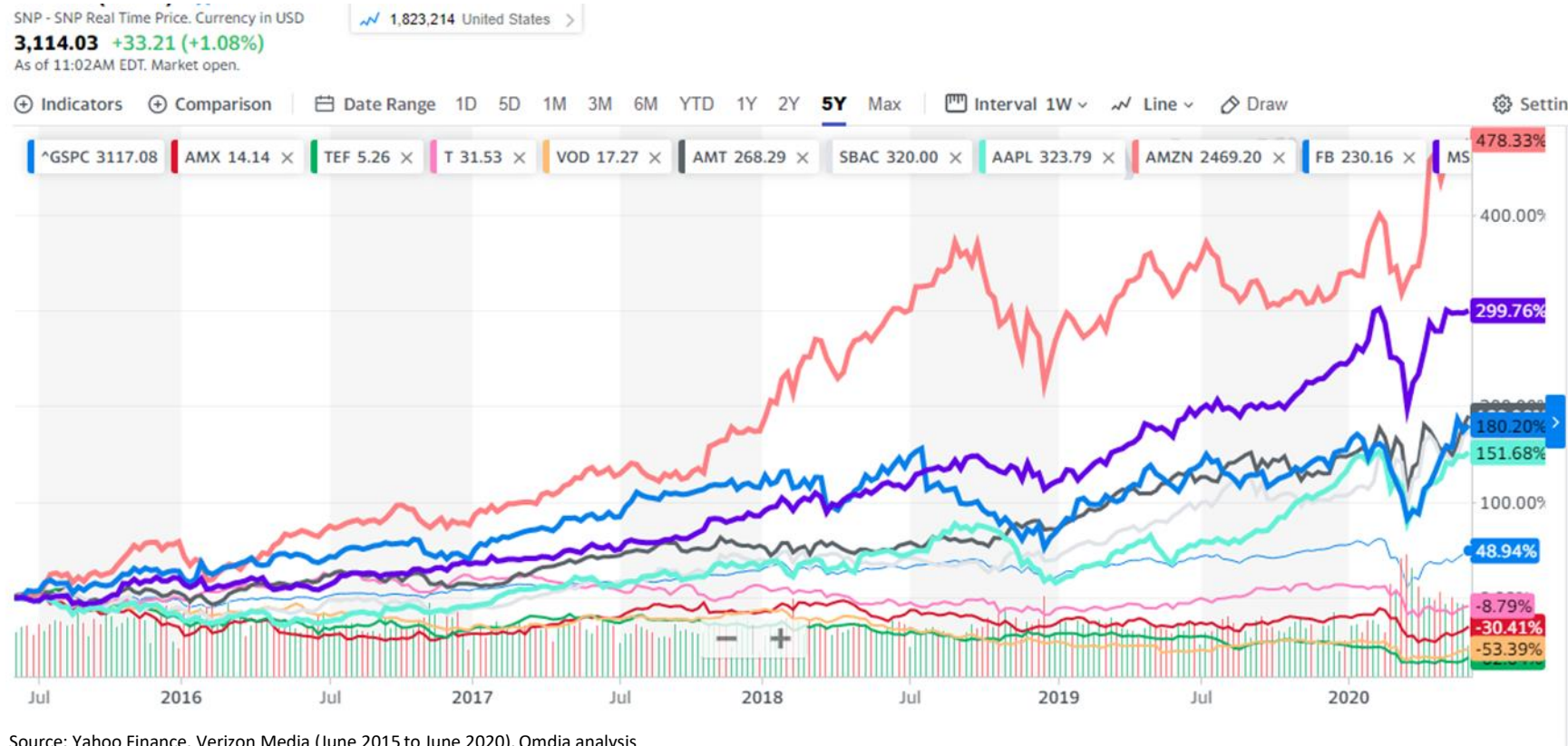
Source: Yahoo Finance, Verizon Media (June 2015 to June 2020) , Omdia analysis, TowerXchange

Infrastructure companies are gaining traction in the market

- Towercos are carrier neutral and they mainly have a real estate model.
- Operators globally and in the region have been divesting from towers as a way of converting capex to opex to improve their financials. Towercos usually have a secured return in the form of long-term lease contracts.
- Towercos operate under an efficient maintenance model in terms of the acquired towers, and they also build new towers in strategic places where there is high demand.
- Towercos are developing additional infrastructure opportunities driven by fiber. American Tower has made agreements with Telefonica in Brazil, Argentina, and other Latin American markets to deploy fiber under a “real estate model.” Under the agreement, American Tower builds and operates the infrastructure, while Telefonica manages connectivity and commercialization with clients. American Tower makes the capex investment, while for Telefonica, the deployment becomes opex. In addition, Telefonica Brasil presented a franchise model for fiber deployment under the Terra brand, with the aim of accelerating it in cities with more than 50,000 inhabitants.
- Although towercos are hugely dependent on CSPs, the stock market shows very different performances with towercos attracting a lot of interest and market growth. This shows that operators are “squeezed” in an environment where the rest of the value chain extract more value and attractiveness from the investment community.
- The strong cash flow from CSPs to towercos shows the value of CSPs, but that is not reflected in the market value of the ones that invest and risk more comparatively.

And the winner is ... GAFAM (Google, Apple, Facebook, Amazon, Microsoft) and Netflix (1)

Stock market share value variation (selected shares) June 2015 to June 2020 (5 years)



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And the winner is ... GAFAM (Google, Apple, Facebook, Amazon, Microsoft) and Netflix (2)

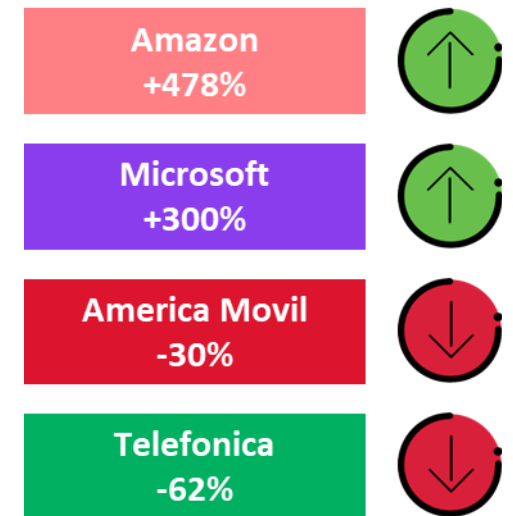
- It is well known that the “tech giants” (the largest and most dominant companies in the information technology industry) have been the great winners of the stock market with rocketing growth in recent years. They are among the top 10 most valuable companies in the world in terms of capitalization.
- They are usually referred to as GAFA (Google, Apple, Facebook, Amazon), GAFAM (recognizing the resurgence of Microsoft), or FAANG (to include leading OTT video streaming service, Netflix).
- At varying times, the maximum market capitalization of each of these five technology companies has ranged from around \$500 billion to around \$1.4 trillion.
- These companies, have been the focus of regulatory pressure because of concerns over market power, monopolistic practices, and lack of regulation in comparison to traditional players, and there isn't a clear roadmap regarding how a more level playing field could be achieved. Taxation is the starting point.

Tech companies significantly outperform telecoms companies in the stock market (1)

Stock market share value variation (selected shares) June 2015 to June 2020 (5 years)



Source: Yahoo Finance, Verizon Media (June 2015 to June 2020), Omdia analysis



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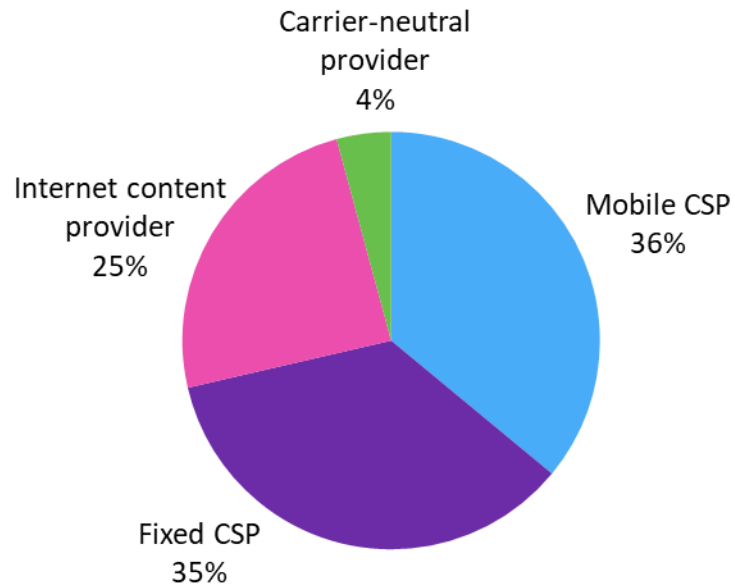
Tech companies significantly outperform telecoms companies in the stock market (2)

- Gone are the days when telecoms companies were the top performers in the stock market.
- While America Movil stocks decreased by 30% and Telefonica by 62% (not taking the dividend payment into account), Microsoft grew by 300% (although it was heavily sanctioned due to monopolies practices) and Amazon by an impressive 478%.
- This reality is generating a tendency towards divestment from telcos and a major refocus on both tech and towerco companies.

The investment view

Capex investments: Global communications provider capex

2019 communications provider capex by provider type (total: \$475bn)



- Communications service provider capex accounts for more than 71% of total investments.
- Non-telco capex (OTT and cloud services providers) is growing but still accounts for less than 29% of total global.

Source: Omdia Communications Provider Revenue & Capex Tracker: 4Q19

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70% of network investments worldwide are made by telcos

Three types of communications providers are building large telecommunications networks with different economics

Metric	Communications service providers (CSPs)	Internet content providers (ICPs) (OTTs)	Carrier-neutral providers (CNPs)
Revenue growth (2019)	-1.3% (-5.8% in 2015)	10%	6%
Capex as % of revenue (2019)	17%	7%	38%
revenue 2019	\$339 billion	\$116 billion	\$10 billion
Definition	Companies/units providing telecoms (voice, data, video) services over fixed/wireless networks, primarily to end users	Companies whose primary business is the creation, storage, and dissemination of digital information	Companies with data center, fiber, and/or cell tower networks who sell/rent capacity or services to CSPs, ICPs, and other providers
Also known as ...	Operators, carriers, telcos, service providers	OTT, web 2.0, digital media, web-scale, hyperscale	Tower operators, infrastructure specialists, multitenant data centers
Subsegments	Fixed, mobile (~45/55 split)	Two segments – OTT and cloud services – but most are hybrids	Towers and data center/fiber – roughly equal split
Largest providers (2015)	China Mobile, AT&T, Verizon, China Telecom, NTT, DT, China Unicom, Vodafone, Telefonica, America Movil, Orange, Comcast, Telecom Italia, Charter, KDDI, Softbank, BT, Bharti, Liberty Global, Altice	Apple, Google, Microsoft, Amazon, Facebook, HPE, IBM, Alibaba, Oracle, Fujitsu, Salesforce, Tencent	Equinix, Crown Castle, Zayo, Digital Realty, CyrusOne, American Tower, Dupont Fabros, Equinix, CoreSite Realty, Rackspace, Bharti Infra

Source

dia

Impact of COVID-19 on capex, opex, and regulation

In a pandemic, connectivity is a key priority

Telcos are building bridges by helping citizens to stay connected

- In terms of technology, operators responded both rapidly and broadly.
- Most of the networks were able to manage the growth in traffic, supporting major traffic growth of 40–50% in a few short weeks (equivalent to a year's increase).
- The new higher rate of network usage is here to stay, leading to technology upgrades of networks in order to cope with traffic growth.

This effort means additional costs ...

CSPs increased capex and opex because of COVID-19

Operational costs to ensure business continuity

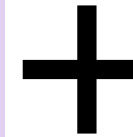
- Adapt to new protocols to protect employees and customers (provide masks and gloves, adapt offices, adapt logistics)
- Install massive home office implementation (buy laptops, connectivity requirements)
- Digital channels and changes in customer service model that initially require significant investments
- Provide support to employees during times of emotional distress
- Increase digitalization process and **IT transformation**

Capex and opex requirements to cope with increased network demand

- Add capacity to the network to manage the traffic load (around 20–50% traffic increase)
- Improve capacity to mission-critical customers and health institutions
- Provide connectivity services to certain clients and VPN services
- Spectrum configuration (temporary spectrum) and other network adjustments

Customer and community support

- Ensure basic connectivity and free access to specific content and/or specific customers
- Connect hospitals, government, public health
- Donations
- Collaborate to minimize COVID-19 outbreak (provide tracking information, tracking app collaboration)



Regulatory obligations

Source: Omdia, based on company websites, press clippings, regulator

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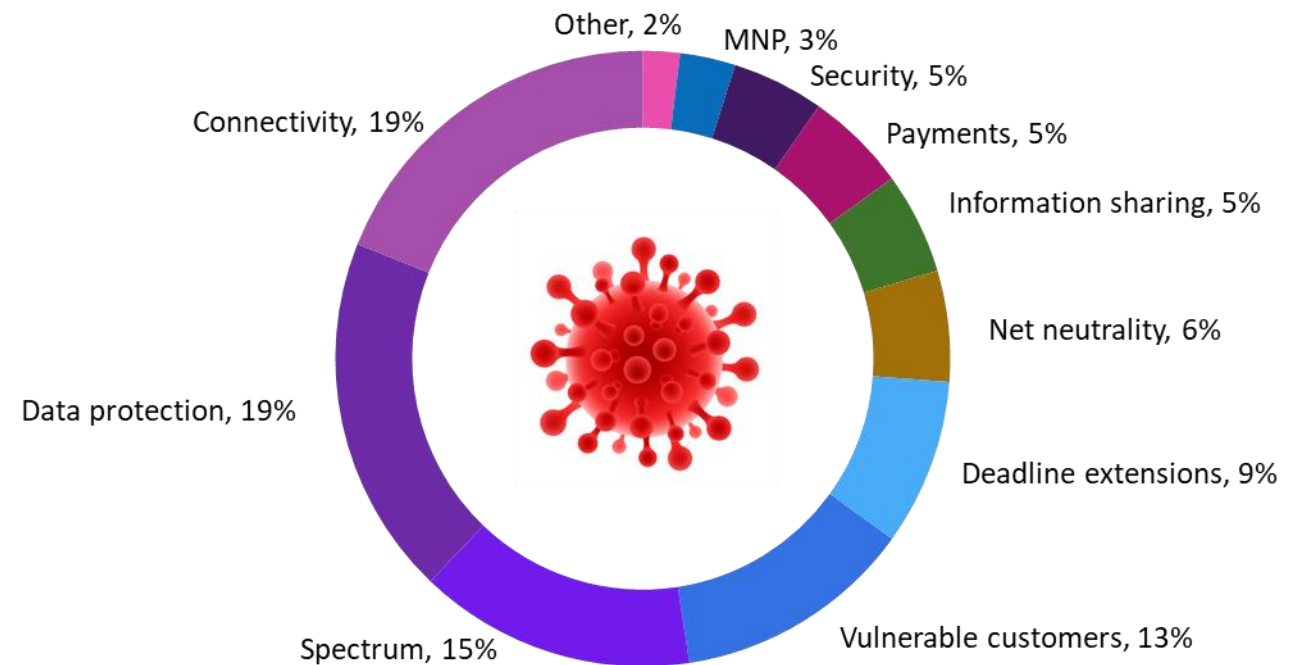
New pain points are beginning to emerge for telecoms operators

- **Bad debt** increase due to financial hardship
- **Limited net adds** due to store closures
- **Reduced content revenue** due to cancelled sports events and advertising contraction due to advertising budget reduction
- **Fall in international roaming revenue** due to travel bans
- **Lower voluntary churn** levels are expected across operators, complicating operators' needs to capture market share
- **Lower device revenue** due to changes in buyers' behaviors (purchase delays for non-essential goods and extended lifecycles)
- **Lower subscription revenue** as customers with a fixed broadband connection move to a prepaid or lower postpaid mobile plan
- Pay TV: increases in **cord-shaving** (and **cord-cutting** in some cases) and the need to offer more bundling and discounts for retention
- **Financial difficulties and closures among SMEs** due to economic crisis have a direct impact on bad debt and churn
- **Higher traffic levels** become the "new normal" (vs. one-off spike)

COVID-19: Regulation response (government and regulator initiatives)

Most of the regulation generates additional costs

Regulatory initiatives to address COVID-19 pandemic, % of total announcements by topic at July 1, 2020



Source: Omdia COVID-19 regulation tracker worldwide (status 1 July 2020)

Source: Omdia

© 2020 Omdia

Additional regulatory costs due to COVID-19 in Latin America

	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Connectivity: limitations to disconnect specific customers	Yes	Yes	No	Yes	Yes	Yes
Vulnerable clients: solidarity plan	Yes	Yes	Yes	Yes	Yes	Yes
Other financial obligations	No price increase till end-2020 Tariff control		Facilitate expedite contract termination			Delayed payments could be paid in 12 instalments no interest
Positive measures that reduced costs				VAT exemption for mobile and internet plans (less than \$18) four months	Temporary spectrum	Temporary spectrum Municipal approval by default
Other positive measures	<ul style="list-style-type: none"> • Agreements with content providers to reduce streaming quality • Connectivity responsible use guidelines • Continuity facilitation 					
Net cost impact for CSPs	+++	+	++	+	+	++

Source: Omdia

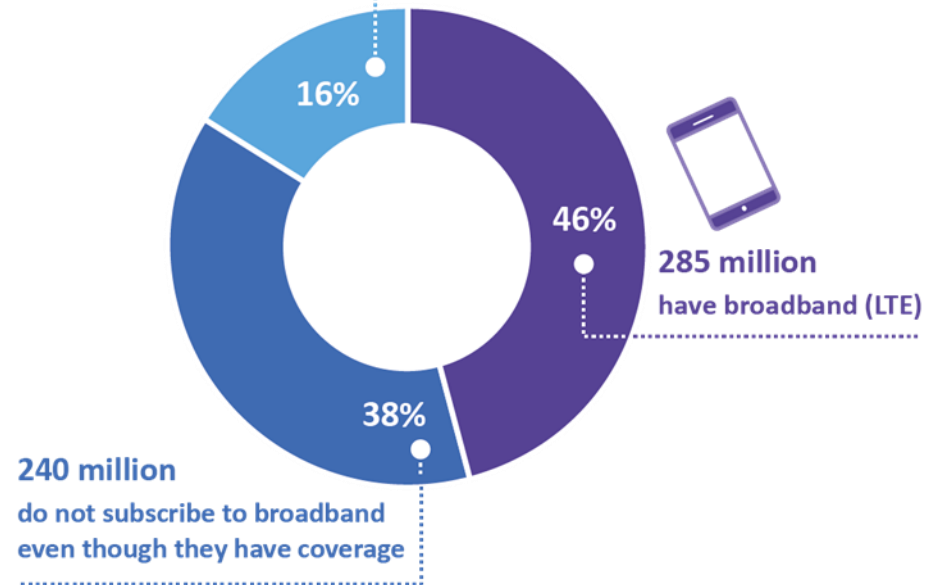
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“COVID-19 is an
opportunity to rethink
telecoms regulation”

COVID-19 reinforces the need for connectivity and connecting the unconnected – inadequate broadband is holding the region back

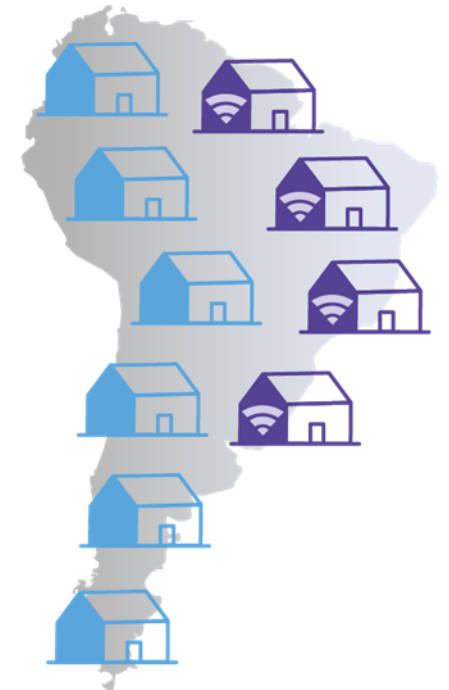
- In the battle against COVID-19, digital technologies are front and center.
- The digital divide persists in Latin America and will widen if no public policy action is taken.

100 million
with no broadband coverage



Source: Omdia

6 out of 10
households don't have fixed broadband

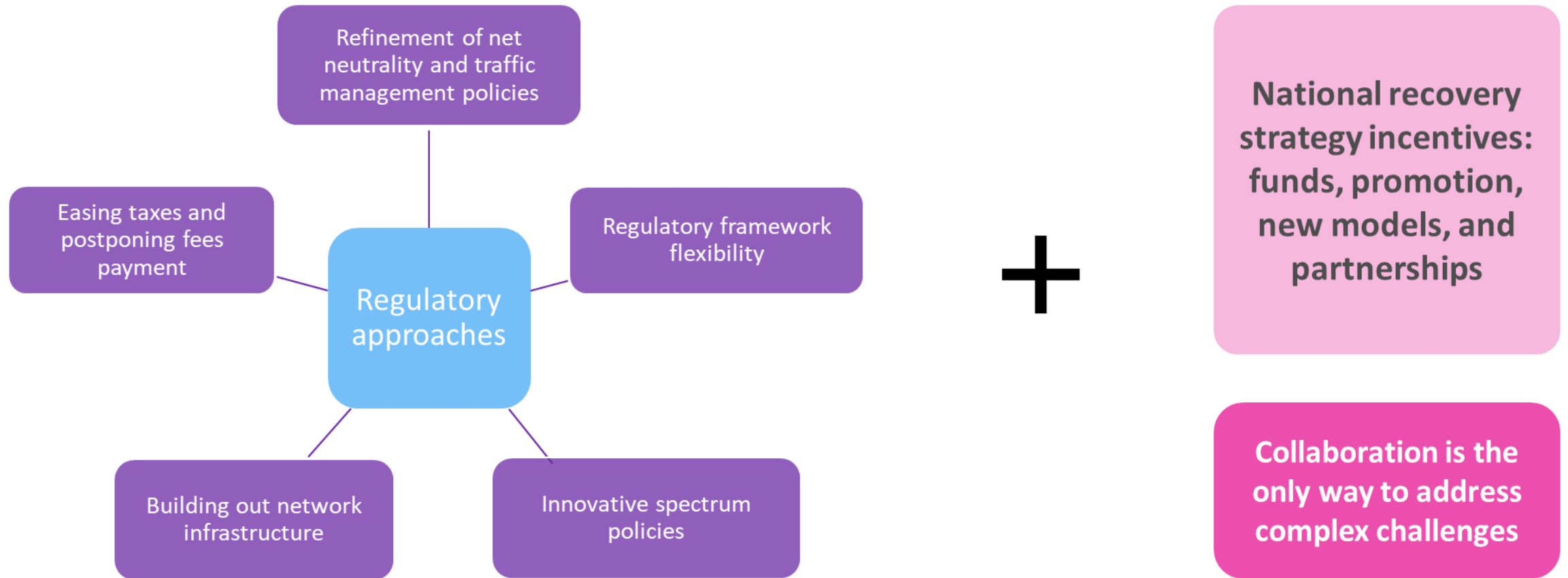


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Latin American policymakers must take urgent action to leverage ICT as a driver of economic recovery post COVID-19

- As the world continues to cope with the effects of COVID-19, the ICT sector has shown how critical it is to the economy. Telemedicine, tele-education, remote/home working, and maintaining contact with friends and family are just some of the examples. This unprecedented crisis has shown that connectivity is an essential service. Broadband networks are a key driver of economic and social development. Policymakers must take urgent action to accelerate digital infrastructure deployment, reduce the digital divide, and consider ICT as a key enabler to drive economic recovery after COVID-19.
- **Key public policies areas:**
 - **Establish a foundational regulatory and legal framework to generate private investor confidence and attractiveness.**
 - **Develop and execute an accelerated spectrum policy roadmap** (affordable or long-term payment plans or free of charge in exchange for investment commitments). In certain cases, even financial support from governments will be required. Innovative approaches must be explored.
 - **Offer tax relief** (for operators, equipment/devices, and end-users).
 - **Enable partnership flexibility** – allow agreements between players/co-financing/RAN sharing/collaborative models/public-private partnerships/innovative partnerships.
 - **Provide financial support** (investment support and subsidies).
 - **Facilitate deployment** – support municipality approvals and use of existing resources (government buildings, street lights, ducts etc.).
 - **Offer demand-side incentives.**
 - **Develop regulatory flexibility** (including removing outdated or non-essential regulation and net neutrality flexibility).
 - **Establish national digital strategies** that recognize ICT as a key economic recovery enabler.

Innovative regulatory approaches aimed at operators during the COVID-19 crisis

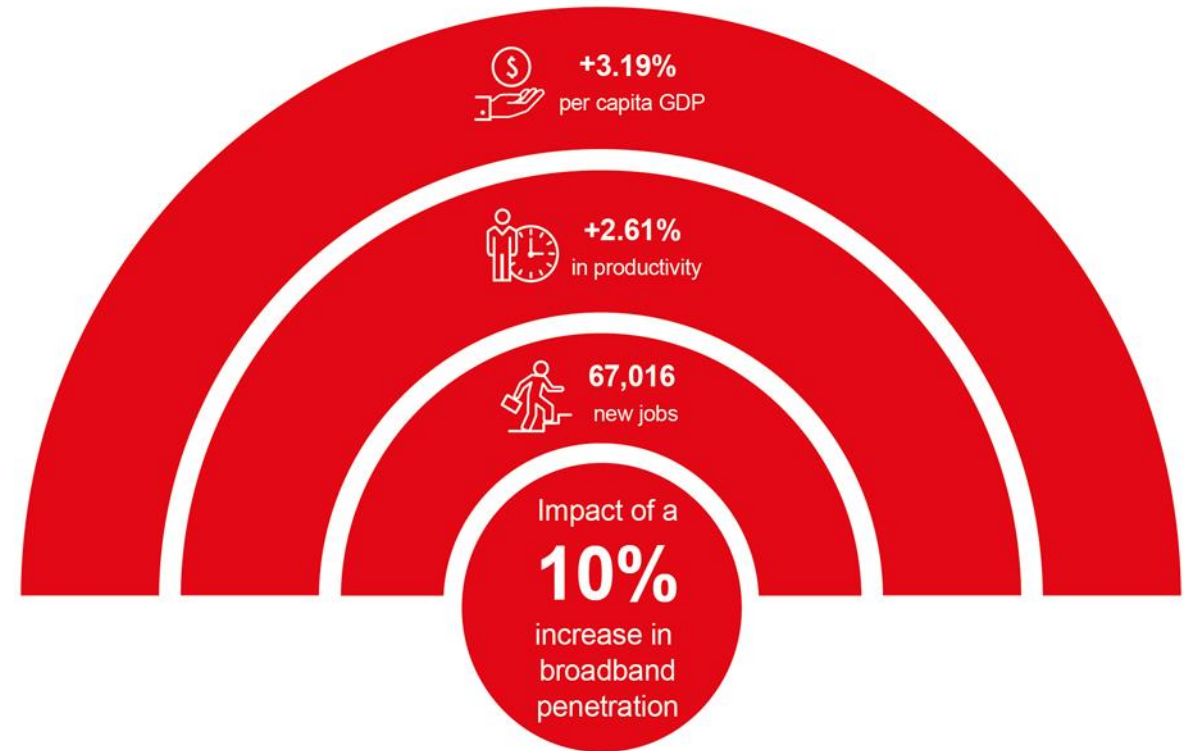


Source: Omdia Innovative COVID-19 Regulatory Measures

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Broadband and economic growth in Latin America

- Connectivity is a necessary condition to foster the development of the digital economy, and COVID-19 has highlighted the key relevance for Latin American economies of the need to accelerate digital infrastructure deployment.
- Although this is not new, the pandemic has generated more focus from governments on digital infrastructure needs.
- According to an Inter-American Development Bank (IDB) study of the Latin American region, on average, countries that increase broadband penetration by 10% also increase per capita GDP by 3.19% and productivity by 2.61% and generate 67,016 new jobs (see Figure 1).
- A complementary finding of this same study is that the higher the broadband penetration rate, the greater the multiplier effect of an additional increase of broadband on GDP, productivity, and employment (IDB, *Socioeconomic Impact of Broadband in Latin American and Caribbean Countries*, 2012).



Source: IDB

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Recommendations for policymakers in a post-COVID-19 world

Collaboration is the only way to address complex challenges

1

Establish a foundational regulatory and legal framework to generate private investor confidence and attractiveness. Flexible approach.

2

Develop and execute an accelerated spectrum policy roadmap (affordable, adequate conditions, investment).

3

Facilitate and incentivize infrastructure deployment by reducing its cost. Partnership flexibility. Funds.

4

Reduce broadband users' costs (taxes, demand-side incentives).

5

Define national digital transformation strategy plans. Governments should be digital economy catalysts. ICT as a key enabler of economic recovery included in subsidy recovery measures and tax relief.

COVID-19 reinforces the need for connectivity: “connect the unconnected”

Source: Omdia

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“Universal, affordable,
and good-quality
broadband is the new
El Dorado for Latin
America”

El Dorado: a legendary treasure city of South America abounding in gold, sought by the early Spanish explorers.

Appendix

Appendix

Further reading

Connecting the Dots: Key Strategic Opportunities in a Post-COVID-19 World (June 2020)

Telecoms Regulation COVID-19 Tracker: June 10, 2020 (June 2020)

“COVID-19 in Regulation: Spectrum can be an ally to immediately increase broadband capacity,” (March 2020)

“Spectrum policy best practices and recommendations for policymakers in a post-COVID-19 world,” (June 2020)

Innovative COVID-19 Regulatory Measures (July 2020)

Driving Digital Infrastructure Investments in Latin America to Accelerate Social-Economic Development (September 2019)

COVID-19 TMT Response Tracker: 1Q20 (May 2020)

COVID-19: Telco and Government Responses to the Global Pandemic (April 2020)

Insights on Latin America (February 2020)

The Enterprise COVID-19 Playbook (June 2020)

Communications Provider Revenue & Capex Highlights: 1Q20 (July 2020)

Communications Provider Revenue & Capex Forecast: 2020–25 (July 2020)

Insights on Latin America (February 2020)

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Appendix

Omdia Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Omdia's consulting team may be able to help you. For more information about Omdia's consulting capabilities, please contact us directly at consulting@omdia.com.

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