

Private Session

CEO Breakfast Report

Mobile World Congress 2014

Wednesday 26 February 8:00 - 9:00

The digital world has substantially redefined trade, and continues to be one of the key drivers of economic activity across the globe. The digital economy is on pace to reach US\$ 4.2 trillion in the G20 states by 2016, which represents more than 5% of GDP; in some countries, the digital economy will exceed 10% of GDP. It would rank as one of the world's top five economies, behind only the United States, China, Japan and India, and ahead of Germany. With a growth rate of 15%-25%, it is developing significantly faster than the economy as a whole and may be one of the engines to overcome the recession.

The CEO breakfast organized by the World Economic Forum during the Mobile World Congress 2014 convened key industry senior executives to discuss the role of the telecommunications sector over the next few years. While a high level of growth is expected in the industry with the next 3 billion people coming online and the surge in connected devices and development of applications, substantial barriers remain. Operators struggle to justify investments in new infrastructure due to fragmented markets and out-of-date regulations. Likewise, regaining consumer trust in data privacy and security issues are challenges.

Paul Jacobs, Chairman and Chief Executive Officer of Qualcomm, co-hosted the breakfast and gave an overview of the points to be addressed.

Questions raised included how to:

1. Stimulate technological and business model experimentation in infrastructure and services markets
2. Encourage infrastructure investment models that provide adequate returns for stakeholders and promote greater usage of digital infrastructure and services
3. Strengthen the trust, transparency and control with individuals over the data that is made by and about them

The following provides an overview of the key themes addressed during the session.

Reaching the Next 3 Billion

While connecting the first 3 billion people was considered straightforward, reaching the next 3 billion will be far more challenging. Infrastructure innovation is needed to make services more affordable, for example through infrastructure sharing. More low-frequency spectrum (at reasonable prices) must be released to reach consumers efficiently. The reduction of smartphone prices to US\$ 25 will also be critical. To solve the most difficult technical and financial challenges, one participant suggested that stakeholders focus on serving the bottom billion and the others will follow easily.

While reaching the next 3 billion is seen as vital for growth, participants also expressed the need to concentrate on the existing 3 billion and making this group more profitable.

Need for Less Restrictive Regulation

Participants agreed that one of the greatest threats to innovation and growth is overzealous regulation. In fragmented markets, regulators need to allow consolidation. Likewise, the mind-set of regulators needs to change. The ICT sector should be seen as a natural asset (not a taxable asset) as it is at the heart of the transformation of society in terms of re-defining healthcare, education, job creation and other dimensions of inclusive growth.

Governments and policy-makers need to be educated about the social and economic benefits that result from investment and growth in the telecommunications sector. The industry needs to be correctly viewed as an engine for technological advancement and positive change.

While the GSMA can bring together the ecosystem players to understand the future of the industry, it was suggested the Forum can play a more effective role with governments. The telecommunications community should draw on the Forum's neutral platform and global networks to bring together business leaders and policy-makers for collaborative action. It can act as a catalyst to help operators be understood more effectively.

Need for Collaboration between Telecom Operators and Digital Services Providers

There are complex views concerning digital services players among telecommunications operators, including the belief that providers do not compete on a level playing field. They do not have to deal with steep costs of infrastructure investments and high levels of taxation and consequently benefit “for free”. However, participants also recognize that digital services players help attract customers and therefore should not be blamed for a lack of incentives to invest. As one participant said, “our networks are full because of Facebook and other exciting services.” There was agreement that telecoms and digital services players need to collaborate and find mutually beneficial solutions for the sake of consumers.

Data Privacy and Security

Consumer ownership, trust and transparency are at the heart of data privacy issues. The creation of a transparent framework would help consumers understand what data is being collected and how it is used. Governments believe they are protecting the interests of consumers by taking a strict consumer point of view. However, their view on data is often very restrictive and creates tremendous barriers to innovation for stakeholders to overcome.

When consumers and governments view the benefits of data and connectivity as indispensable, governments will have no choice but to adjust their stance. Industry leaders must therefore focus on proving the value of data as they restore and increase trust in the eyes of consumers and governments.

Please visit www.weforum.org for more information concerning the World Economic Forum and its Telecommunications Industry community.

