

Venezuela's way onto the Information Superhighway

by Roberto Smith-Perera, Chairman, ImpSat, Former Venezuelan Minister of Transport and Communication

Abstract

When, in April 1990, I first proposed to the Cabinet that the telephone company should be privatised and the telecommunications sector opened up to competition, the idea was received with scepticism by the ministers and the President. Iconoclastic. Unrealisable. Not politically viable. They just could not understand that Venezuela had no alternative in the face of the changes which were about to occur in the world but to transfer the responsibility for the development of telecommunications (and many other public services) to private investors and to denationalise a sector which for many years had been limited by the inability of the public sector to develop the communications network effectively and with vision.

A few months later the government changed its mind, I was designated Minister of Transport and Communications and given the green light to go ahead. Six years later the results of that vision are surprising, and Venezuela is shaping up as one of the Latin American countries with the best prospects for the creation of a world class telecommunications network thus preparing the country for the twenty-first century.

From the misery of state control to the revolution of the open market

Telecommunications in Venezuela had been going through serious difficulties ever since the 1970s when the service was of a notably poor quality. 51% of local calls and 80% of international calls did not get through; only 47% of repairs were carried out within 48 hours of being reported. There was a potential demand for 3.2 million lines but only 1.5 million lines were in service, of which 19% were digital. The data transmission services and rural, public and cellular telephone networks were either very inadequate or non-existent. The country needed about 10 thousand million dollars in order to meet demand and improve its service before the year 2000.

Faced with this dramatic scenario, we concentrated our efforts upon opening the sector up to competition, the privatisation of assets and the administration of basic telephone services as well as putting of a new regulatory system into practice.

A privatisation scheme which would attract the best telephone companies in the world was drawn up. The long term concession included a period of protection from competition in basic telephone services in order to be able to guarantee the financing of an ambitious plan for expansion and modernisation to the tune of 7 thousand million dollars. At the same time, the sector was opened up to competition in all of the other services: cellular telephony, data transmission and public and rural telephones.

CANTV's capital was distributed between the operator, who was to have complete control over the administration, the employees with 11% and the rest retained temporarily by the State so as to be sold at a later date on the stock market.

The results of the privatisation of CANTV were encouraging and became the country's most important achievement in this field to date and an example which was later followed in other parts of Latin

America. The prospect attracted the best companies in the world and a good price of 2 thousand million dollars was obtained for 40% of the shares. As the sale included guarantees of the improvement of the service and the expansion of the network, it was expected that the company would soon begin to make great strides. In actual fact GTE, the firm which won the tender, has consistently exceeded the targets for improvement and investment.

In 1991 the concession for cellular telephony was sold. It was the first time in Venezuela that a concession had been granted by means of public international tender. More than 80 new data transmission projects, value added services, public and rural telephones and private networks, have been started up since 1990.

A new regulatory body (CONATEL) was set up with the aim of supervising the application of the rules in the field of telecommunications concessions, as well as the respecting of the licences.

What lies ahead?

As a consequence of all this, Venezuela can today announce the development of one of the most advanced telecommunications systems in Latin America within a few years as its aim. In order to do this we already have companies, human resources and a mastery of the technology which are amongst the best in the region. We also have at our disposal a regulatory scheme which provides telecommunications with clear guidelines for action in the future. These factors, together with an advantageous geographical situation, will make it possible to achieve quantitative and qualitative growth of Venezuela's telecommunications, to the benefit of our national development, in a way which is comparatively faster than in other countries. This will make it possible to create a regional strategy centre for companies and governments in Venezuela.

The effort needed to achieve this objective will be immense. It will be necessary to guarantee the conditions which were established in 1990 to attract the maximum amount of investment by the best companies in the world to a sector which, a few years ago, was dominated by a government monopoly. Therefore continuity must be given to a strategy based upon rapid development of the telephone network, the incorporation of new technology and new telecommunications services under a competitive system. Built on the backbone of a network of advanced basic services, this strategy attempts to develop new voice transmission and distribution, video and electronic information services with the capacity for interaction between various users - the "information superhighway".

The development of basic telephone services is a necessary condition for achieving the incorporation of the most modern communications technology into all aspects of society. In order to do this, the fundamental policy of the State should be to fulfil the concession contract signed with CANTV and ratified by the National Congress in 1991, which lays down the requirements for new capacity, modernisation of the network and improvement of the quality of service of the main telephone operator in Venezuela. As the State is guaranteeing its regulatory, tariff and fiscal commitments to the operator, it should also demand the fulfilment of the conditions of investment and organising effort laid down in the concession.

It is impossible to develop a telecommunications sector without a harmonious relationship between the

government and the main telecommunications operators, one which makes the greatest penetration by quality telephone services in all parts of the country possible, principally in the most important areas of production, distribution and consumption.

The development of the basic network up to the year 2000 should be complemented by a growth in quantity, variety and quality of the communications services which are offered in free competition. In order to accomplish this, the second pillar of the State's telecommunications policy should be to achieve the fastest possible development of related services, including mobile cellular telephony, private networks, data transmission services, cable video services and public telephones.

This implies that the concessions and licences granted for various telecommunications services - more than 80 to date - will become the base for a solid and permanent investment effort by the private sector needed to meet the ever more sophisticated demands of users. This will be for the benefit of national development, which will continue to create in Venezuela the densest, most diversified network of telecommunications services in the region.

The next steps

At the present time, with more than 5 thousand million dollars worth of private investment in telecommunications, Venezuela is preparing the next stage of development forward.

The Government has recently announced the handing over of new rural telephony concessions, personal communications services (PCSs), a new concession for cellular telephones with GSM technology and various other plans for increasing investment and competition in the sector. Furthermore, Venezuela is at the head of the "Simon Bolivar" project, which aims to launch a system of satellites for the countries in the Andean Group (with Bolivia, Colombia, Ecuador and Peru).

Conclusion

In this way, it is possible to believe that Venezuela could become an important centre or "hub" for telecommunications for the Americas once all the countries in the hemisphere lend themselves to the creation of a free trade area before the year 2005.