

## **Case Study 2:**

# **Community Telecommunication Cooperatives in Argentina: The case of TELPIN**

Susana Finquelievich & Graciela Kisilevsky

### **LINKS**

#### **Report Summary**

Located in the south-east of the province of Buenos Aires, the city of Pinamar was conceived as a tourism development project. Between 1949 and 1953, groups of Italian immigrants settled in Pinamar. They carried with them a strong community conscience, as well as the European experience of cooperative organisations. As Pinamar developed into a fashionable seaside city, there was an urgent need for communication to support the growing tourism industry. In 1962, a group of 82 neighbors, created the Pinamar Telephone Cooperative (Cooperativa Telefónica de Pinamar, TELPIN Ltda.), one of the first telephone service cooperatives in Argentina. The cooperative's goal is to provide quality telecommunications services, without losing its community sense.

As of late 2004, TELPIN has approximately 18,000 lines installed and 720 digital links with the rest of the world.<sup>1</sup> Its internet service, TELPINet, was launched in 1998 and now TELPIN has 1,120 broadband connections and 3,500 area dial-up connections. 50 of the broadband connections are offered free of charge to Pinamar Schools, the public library, the volunteer fire department and other community institutions. Two hundred and twenty dial-up connections are also provided free to individuals with physical impairments. Revenue from telecommunication services, including the dramatic increase in national and international long-distance revenue during the tourist season, generate benefits which are invested in improved services or returned to shareholders/community members as discounts (e.g. TELPIN's subscribers do not pay subscription fees during the winter).

TELPIN is considered the most successful and innovative telecommunications cooperative in Argentina. A number of factors have been key to its success:

- the presence of local champions willing to offer their expertise and their knowledge;

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- the balance of community and enterprise-oriented management styles and objectives and community participation in major management decisions, e.g. on investment in new technologies;
- the quality and responsibility of human resources and the emphasis on ongoing training of staff;
- the willingness to introduce technological and organisational innovations;
- the use of cutting edge technology;
- the quality and pricing of services;
- its superior customer relations.

All of these elements earned them the support and commitment of the community, which is itself a key reason for TELPIN's sustainability.

The benefits to the community derived from TELPIN include: a complete range of telephone services at lower cost than that offered by the private sector, internet at affordable prices, full free telecommunication services for the community's institutions, innovative technology, and generation of local employment. The community owns and finances the cooperative, and controls its finances and investments.

### 1. The General Context

A telephone and internet cooperative is defined as an autonomous association of individuals who decide to join forces to resolve common economic, social, and cultural needs and aspirations through a jointly owned and democratically managed enterprise. In Argentina, community telecommunication cooperatives (CTCs) were first created in the 1960s by community members to fill in for the State monopoly that was unable to provide telephone service in remote areas. In 1989, the State telephone enterprise was privatised but the cooperatives continue to operate and to expand to new rural and low-income communities that do not interest the large private telephone enterprises.

Communities must be connected to telecommunication infrastructures in order to access information, knowledge, services, and economic opportunities for development. Hence, groups of neighbours in diverse communities decided to create autonomous, self-sustainable telephone cooperatives, where the members would have democratic control over the management, as well as an equitable economic participation. These cooperatives grew and introduced new technologies such as the internet to supply their members with new services at affordable costs.

... In many cases, mainly in small communities, if inhabitants don't have access to telecommunications through a cooperative, it's impossible to be communicated. The private sector will not invest in non profitable communities: it's the philosophy of the capitalist world (Source: Editorial Journal EN LINEA N°. 59 July / August 2004 - Authors' translation.)

In Argentina, there are two main Cooperatives Federations: FECOTEL (Federacion de Cooperativas de Telecomunicaciones Ltda.), and FECOSUR (Federación de Cooperativas del

Servicio Telefónico de la Zona Sur). Between the two they represent 350 telecommunications cooperatives. FECOTEL, the largest, is 40 years old. The cooperative sector serves more than 2.5 million Argentinians - approximately 8% of the country's population - with 600.000 lines, bills approximately around US\$100 million per year, and employs 3,500 individuals.

### **1.1 Legal Status of the Cooperatives**

Beginning in 1959 and continuing until privatisation in 1989, telephone services in Argentina were managed by ENTel, the state telephone monopoly, which provided service to profitable urban areas, and avoided the expense and complexities of thinly populated rural areas. A special regulation allowed the creation of telephone cooperatives, non-profit organizations qualified to provide telephone services in their areas, if the areas were declared non-profitable by ENTel. The first cooperative was born in San Genaro, Santa Fe, in 1959. In 1960, a State Decree authorized ENTel to build telephone exchanges for cooperatives, as the later required. The cooperatives retained their concessions when ENTel was finally privatized in 1989.

As with all cooperative enterprises, telecom coops are governed by national legislation that defines them as 'social enterprise enterprises' as distinct from traditional, market-oriented enterprises.

### **1.2 Funding**

Cooperatives main investment funds come primarily from their members or shareholders, including local enterprises interested in having local telecommunications services.

While some cooperatives borrow from national or provincial banks, representatives interviewed for this study reported that it was difficult for coops to get significant loans.

It's difficult to have access to reasonable credits: banks always grant cooperatives soft credits, social credits, so these loans pass as philanthropic loans made to support good works in the community. (...) We have correct financial balances, and we are audited each three months by an international consultant, Deloitte, but even so we cannot depend on bank credits. – TELPIN's Manager, Eng. Juan Santoianni

One of the problems affecting cooperatives is their tax status. During the military dictatorship from 1976 to 1983 the government took a number of measures against the cooperative movement. One of these was to eliminate the tax benefits that cooperatives had enjoyed as not-for-profit enterprises that reinvest surpluses rather than distribute them. The return of democracy was not accompanied by a return of the tax exempt status previously enjoyed by cooperatives, which remains one of the sector's central demands.

Cooperatives don't care about profits, providing they don't lose money, but they do care about the services they provide the community. For private enterprises, the principal goal is to get economic benefits. At present, some cooperatives must create partnerships with commercial enterprises, in order to get funds, to ask for licenses, or because cooperatives don't have enough money to invest in innovations. This is a recent trend. Personally, I think it's dangerous, because it may distort the cooperative sense. – Ricardo Bacalor, MICROTROL Director, provider for cooperatives, October 2004. The translation is the authors'.

### **1.3 Ethical Considerations**

FECOTEL (2004) is strict regarding cooperatives' ethical behavior. Its associates must "always and in all their actions, respect the cooperative principles: open and voluntary membership; members democratic control of the organization; members economic participation; autonomy and independence; education, permanent training, and information; cooperation between cooperatives; and engagement towards the community".

Associate cooperatives are "to work in defense of the cooperative movement, and particularly, of the telecommunications cooperative movement, represented by FECOTEL; Cooperatives must observe cooperative values, based on mutual help, responsibility, democracy, equality, equity, and solidarity.... They must not act in the pursuit of hegemonic or dominant positions". Regarding the relations between cooperatives associated to FECOTEL, they are expected to "celebrate agreements between them, with the purposes to the construction of cooperative networks though the integration of entities belonging to the social economy, in order to improve and /or incorporate new services, and working toward the implementation of universal service". They must also "Promote cooperative practice, in order to achieve the best services at the lowest possible costs, avoiding unnecessary intermediations, and searching to incorporate the highest possible number of users to cooperative services".

### **1.4 Technological Update and Services Provided**

The degree to which CTC's make use of the latest technological innovations varies according to their particular community's needs and economic possibilities. Their autonomy, as well as – in most cases – their small size makes them flexible enough to adopt new technologies at a relatively fast pace. Many of them are now using IP data networks, and they are beginning to carry voice over IP, although traditional digital commutation centrals will be in service for many years<sup>2</sup>. They are also using wireless IP for low-populated areas or for rural areas yet not reached by copper wire networks.

Some cooperatives are using corDECT, a wireless local loop technology developed at the Indian Institute of Technology and based on the Digital Enhanced Cordless Telecommunications (DECT) standard. CorDECT was designed to provide cost-effective, simultaneous high-quality voice and data connectivity in rural areas. The cooperatives which use this new technology are: Batán, Bavio (Gral Mansilla), Del Oso (Chubut), Bolsón (Neuquén), Silvio Perico (Córdoba). Others from the north of Santa Fe are planning to introduce the technology. (Source: interview with Mr. Mariano De Lew, Buenos Aires corDECT provider, interviewed in October 2004).

CTCs provide telephone and internet services, via dial-up and/or broadband (ADSL or WiFi) connections, as well as IP telephony, to their communities at significantly lower costs than the large private firms (Telefónica and Telecom). Most of them offer also free community services, such as courses on information and communication technologies (ICTs), free internet access for public schools, libraries, and the public facilities (police stations, hospitals, etc.).

According to authorities from the national broadcast regulator, COMFER, (Comité Federal de Radiodifusión), Argentina's proposed new broadcast legislation will permit coopera-

tives to supply cable TV. CTCs are keen to offer a package including cable TV, telephony and internet access for a monthly cost of US\$16.

### **1.5 National Initiatives**

On the national level, some 300 electricity and telephone cooperatives have decided to join forces to provide mobile phone services from 2006 onwards<sup>3</sup>. The project will begin offering service in the province of Buenos Aires, Santa Fe's central and southern areas, and southern Cordoba. The exchange and a transmission network will be used for the cellular network as well as for local interconnections with all the served towns. The mobile service's business plan foresees low charges for local calls and for calls within the network. The potential market for the first phase is 200,000 lines. A planned national expansion estimates that the service could gain 1.100.000 users. (Source: EN LINEA N°. 59 July / August 2004).

### **1.6 The Near Future**

Argentina's community telecommunications cooperatives are enjoying the best of times in 2004. They provide 600,000 telephone lines, new broadcast legislation will reportedly allow them to offer cable television as well as broadcast services, they are about to launch a mobile telephone network, they are shareholders in Argentina's Nahuel 2 satellite, due to be launched in 2005, and, for the first time in many years the national government is a strong supporter of the cooperative movement. The combination of low-cost high-quality local service plus a high level of national coordination has made CTCs Argentina's third telecommunication provider.

## 2. A Community Telecom Cooperative by the Sea



## 2.1 Background and Context

Located in the south-east of the province of Buenos Aires, Pinamar is located in an area known *Montes Grandes de Juancho*. Originally belonging to four *estancias* or ranches - “Martín García”, “La Invernada”, “El Rosario” and “Manantiales”-, the twenty-five kilometers of beaches and sand dunes were settled in 1907. In 1908, the Southern Railways (Ferrocarriles del Sud) built a small station, named Juancho, which would later receive the flow of tourists that arrived to the cold and windy seaside.

That year, the Belgian entrepreneurs Fernando Robette and Agustín Poli arrived in the area with the goal of building a beach town on the Atlantic coast, similar to their native town, Ostende. They bought the sandy land, and conceived a tourism development project that included hotels, beaches, a railway station, public buildings, avenues, lands for the cemetery, and a wide central avenue. In 1912 the Rambla Sur (South Avenue) was started, and the Thermas Hotel (now the Hotel Ostende) was built. Successive urbanization projects succeeded in creating a ring of small towns –Cariló, Ostende, Valeria del Mar, Montecarlo- and in reinforcing the sand dunes with pine plantations, generating the beach name: Pinamar, joining the words for pine and the sea.

Between 1949 and 1953, groups of Italian immigrants, hard-working settled in Pinamar. They carried with them a strong community conscience, as well as the European experience of cooperative organisations. In that period the community was organized, and local clubs and institutions, including a primary school and a public health unit, later transformed into a health cooperative (Cooperativa Unidad Sanitaria Pinamar Ltda.). In 1948, a group of neighbours began meeting, to consider the cooperative provision of public services; the next year, they created the Pinamar Water and Light Cooperative (CALP, <http://www.calp.com.ar/Historia.htm> ) which still serves the district with electricity, water and sanitation infrastructures and services.

In 1962, Mr. Enrique T. Susini<sup>4</sup>, along with a group of 82 neighbors, created the Pinamar Telephone Cooperative (Cooperativa Telefónica de Pinamar, TELPIN Ltda.), one of the first telephone service cooperatives in the country.

On July 1, 1978, the Pinamar Urban Area -Municipio Urbano de Pinamar- was officially established. It now includes the towns of Montecarlo, Pinamar, Mar de Ostende, Ostende, Valeria del Mar, and Cariló, and has become a regional services centre linked mainly to the tourism industry. It covers a total area of 6,720 Hectares, and has a seafront of 21 kilometers, including an urbanized sector along 12 kilometers of the coast. According to the 2001 National Census, Pinamar has 20,666 permanent inhabitants, although it receives nearly a million visitors in the summer months. Thirty-nine percent of the inhabitants are economically active: of these, 64 percent have steady jobs, while the rest are unemployed or underemployed<sup>5</sup>. Twelve percent of the employed inhabitants work for the public sector, including the municipality and public schools. Regarding employment posts in the private sector, members of the local government suggested that they belong mainly to the hotels and restaurants sector. At 99 percent, the literacy rate is among the highest in the country<sup>6</sup>.

## **2.2 Origins and Launch**

As Pinamar developed into a fashionable seaside city, there was an urgent need for communication to support the growing tourism industry. However, the town was too new, and the year-round population too small to be of interest to ENTEL. On November 14, 1962, TELPIN was created by Dr. Enrique T. Susini, together with a group of 82 Pinamar residents, most of them founders of the local community. A few months later, on January 1, 1963 TELPIN launched its telephone service, providing 92 lines to the same number of homes.

In 1980 the traditional telephone central was replaced by a Japanese digital exchange, the first to be installed in the country. This innovation allowed the cooperative to offer to its shareholders services (wake up call, voice mail, conferences, etc.) that only a decade later, and after the privatization of the Empresa Nacional de Telecomunicaciones (ENTEL), were provided in the rest of the country. In 1982, TELPIN started to send detailed phone bills to its shareholders, without additional costs. In 1984, it was the first company to offer international direct dialing. In 1993, TELPIN again upgraded its exchange, preparing the ground for the communication changes that are taking place.

Since the 1980s, I have spent a few months each year in Pinamar. I noticed right away that the telephone worked much better than in Buenos Aires, and that it was extremely easy to get a phone line: when in Buenos Aires it took months of painstaking paperwork, in Pinamar it took only a couple of days. In those times in which it was incredibly difficult to get a phone line in Buenos Aires, and when the State telephone network worked so bad, businessmen used to come to Pinamar on week days, and make all their national and international phone calls here. It was much easier and cheaper. Of course, they also stayed the weekends, which was good for the general business! - Amelia Ozaeta, part-time Pinamar inhabitant, former restaurant owner)

As of late 2004, TELPIN has installed some 18,000 lines, as well as 720 digital links with the rest of the world<sup>7</sup>. Its internet service, TELPINet, was launched in 1998 and now TELPIN has 1120 broadband connections, and other 3.500 area dial-up connections. Fifty of the broadband connections are free, for Pinamar Schools, the public library, the fire department and other community institutions. Two hundred and twenty area dial-up connections are also free: they were granted to individuals with physical impairments, among other users.

The cooperative's goal is to earn a distinguished place as telecommunications services provider, without losing its community sense.

These and other services, as well as the consumption increase during the tourist season, generate benefits which return to the shareholders as discounts (e.g. TELPIN's subscribers do not pay subscription fees during the winter) or to the community in general (e.g. *Internet Educativa*, discussed later in this paper).

Being a Cooperative, TELPIN invests its benefits in the community. For example, in the years in which the cooperative makes a surplus, users don't pay any minimum charge. We don't pay it either during the off-season months. Local calls are unlimited, which makes easy to use the Internet: you can be connected for as long as you want for a fixed monthly fee. - Amelia Ozaeta, part-time Pinamar inhabitant.

**TELPIN'S headquarters**

Table 7 – Growth in TELPIN's telephone lines 1981-2004

While Pinamar's cooperative is atypical as its development was supported by the seasonal revenues of an elite public –tourists– it is also true that the telephone service itself helped to attract upper and middle class tourists, giving Pinamar a *competitive advantage in telecommunications*. As highlighted in the case of the businessmen who traveled to Pinamar from Buenos Aires to make use of its superior phone service, the tourists that chose Pinamar needed good communications when they were away from home and business, and other tourist areas did not offer them.

Year	No. telephone lines
2004	18.000
1999/2000	17.710
1998/1999	15.900
1997/1998	14.782
1995/1996	11.185
1993/1994	9.500
1991/1992	6.383
1989/1990	5.031
1987/1988	4.630
1985/1986	4.040
1983/1984	2.895
1981/1982	2.033

Source: Pinamar's House in Buenos Aires and Cooperative TELPIN

### ***2.3 Evolution of the Number of Users***

TELPIN has 18.000 lines users, having reached a point of market saturation in the city of Pinamar. Each telephone line represents one share. In the case of multiple phone lines in one place, such as hotels, the Cooperative considers multiple shares, but their owners are entitled to only one vote in the Cooperative's assemblies and meetings, following the rules established by the Argentine cooperatives.

As of November 2004, TELPIN had 1,120 broadband connections (50 of them are free, for Pinamar Schools, the public library, the fire department and other community institutions), and other 3,500 area dial-up connections (220 of them are free: they were granted to individuals with physical impairments, among other users).

### ***2.4 Expansion Policies and New Market Strategies***

As mentioned earlier, in Argentina the National Telecommunications Enterprise - Empresa Nacional de Telecomunicaciones (ENTEL) – managed the whole country's telephone network, except for the areas served by cooperatives and small local enterprises. After its privatisation in 1990, the government divided the telephone network's administration: with the French Telecom operating in the northern half of the country, Telefónica de España in the southern half. The city of Buenos Aires, where much of Argentina's economic activity is concentrated, was also split in two, with telephone service in the northern neighbourhoods managed by Telecom, and the southern neighbourhoods, by Telefónica.

After privatization, telephone market showed substantial changes. Digitalisation increased from 13% in 1990 to 100% in 1999. In the same period, the number of lines grew by 250%, which resulted in an additional 5 million subscribers. In a much more competitive market, TELPIN kept its local monopoly in local services, as well as in long-distance services, and even the large enterprise Telefónica de Argentina could not take away its subscribers<sup>8</sup>, even in the moment in which the State deregulated the telephone market. This fact can be explained mainly because the Cooperative had already provided its users with a service level and a loyalty-reward policy that was equal or superior to the one proposed by Telefonica. Besides, the special services offered by TELPIN –free local calls, important discounts in subscription fees during low season months, a user-oriented attention policy- helped to keep the subscribers in “their” cooperative.

One of the main differences I perceive between TELPIN and Telefonica is the quality of the over-the-counter attention. Not only are TELPIN's employees always kind and serviceable with the public: they are also clearly engaged with the Cooperative. You can feel that they are proud to work for the community. - Amelia Ozaeta, part-time Pinamar resident

The levels of pluriannual growth show that during the period 1990-1999, TELPIN's subscribers, far from migrating to other providers, increased 5031 to 17.710: a 352% growth rate, much higher than Telefónica and Telecom's growth rate in the rest of the country<sup>9</sup>.

It should be pointed out that while different cooperatives have different tariffs, they are generally less expensive cheaper than private telecommunications enterprises. In TELPIN's case, members pay a monthly fee of approximately US\$4, including taxes for unlimited local calls. National long distance calls of less than 110 kilometres cost less than US\$0.01

per minute and over 110 kilometres cost US\$0.024 per minute. One of the two large private companies, TELECOM, charges a basic monthly fee of US\$5.80, 45% higher than TELPIN's, and *it charges for local calls*.

### **2.5 Evolution of the Business Model and the User Profile**

When TELPIN was created, it had to get a license from ENTel. The Cooperative was considered, from its conception onwards, as a community cooperative, with strong social duties. However, the business policy is to act as efficiently as a private enterprise. Its sources of revenue are the 18,000 associates' quotas, paid punctually every month plus the revenue from national and international long distance, which increases significantly during the tourist season and on weekends.

TELPIN is managed by a Management Council, integrated by a President (Eng. Jorge Shaw), a Vice-President, a Secretary, an under Secretary, a Treasurer; five senior Counselors, and four deputy Counselors. According to TELPIN's general manager, Juan Santoianni, the organization has adopted an entrepreneurial structure, with a general management and a number of area managers who manage given sectors rather than lines of products.

The champions' decisive role becomes evident in TELPIN. All the important initiatives were originated by a small group of enthusiasts like Santoianni, the General Manager, Claudia Gomez Costa, Director of TELPIN Educa, and the president of the cooperative, Dr. Eduardo Shaw.

TELPIN also invests significantly in ongoing training of its staff. Juan Santoianni explains:

A telecommunications enterprise must be fully informed about the market tendencies, and training is a key issue in this matter. We must foresee where telecommunications are heading. The internet is gaining strength, and the next issue will be telecommunication services convergence, plus news services and contents (...) We don't believe that cooperativism goes against entrepreneurial best practices. I would say that a poor understanding of cooperativism is the one that accentuates only its solidarity role, without providing good, innovative, efficient services to the community. We're a telecommunications cooperative: We don't fund a soup kitchen, but we provide the best democratic communications services we can.

TELPIN has also been able to capitalise on its members' experience in a way that may not be available for other communities – as tourist centre that attracts many temporary residents from upper-middle and middle classes, a number of the cooperatives shareholders are themselves entrepreneurs or professionals and the cooperative has been able to incorporate their expertise and advice into its management.

We've been lucky: some important entrepreneurs, who don't live in Pinamar the whole year, participate in the cooperative as ad-honorem counselors, engaged with the community. They contribute their know-how and their expertise. - Juan Santoianni, TELPIN general manager

The cooperative has special payment plans for poor users and those with financial difficulties. For example, seasonal workers pay only US\$2.50 per month for a phone line with unlimited local calls, less than they would pay for bus transportation if they had to travel in the area to search for work. Additionally, for months when the cooperative's bal-

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ance is particularly plentiful and in the winter, a discount is granted to all the users. TELPIN has also implemented a cross subsidies for certain services, subsidising subsidizing local calls with revenue from more lucrative national and international long service.

Before we reached the saturation point (telephone lines in all permanent residents' homes), we had free public telephones, by placing telephones on a tag pole, with no cost use. Today the only ones that use these public phones (now paying) are the tourists. However, most of the tourists have telephones in the houses or apartments they rent. - Juan Santojanni, TELPIN General Manager

By 1999, Cariló was the only town in Pinamar which was not served by TELPIN, but by the Spanish enterprise Telefónica, which had 800 lines in the community. At the time, only Telefónica and Telecom were able to compete. TELPIN established a separate company which entered into an alliance with Telecom. The agreement between TELPIN and TELECOM establishes that the partners provide jointly offer long distance and local telephony services outside the Cooperative's original area. The new company now has 1,200 lines in Cariló and is extending its services to other communities in General Madariaga, and to the cities of San Clemente, Santa Teresita and Necochea, reaching 10.000 new clients.

The internet also plays an important role in the cooperative's financial sustainability. In 1998 the cooperative established a connection to the internet backbone and bought equipment enabling the simultaneous connection of 60 modems. For the first three months they offered members unlimited free dialup internet access after which they charged a monthly subscription. By the end of the free trial period the network had reached saturation level, and TELPIN had to buy more equipment. The cooperative's scheme differed from other ISPs, which usually use one modem for each 20 users, charging for each minute of connection. TELPIN had one modem each 5 users, and a low rate for unlimited access. As a result, the service quickly attained a critical mass of users and by 1998 was generating a surplus, even after counting the amortizations for the acquired equipment.

The cooperative's shareholders can have a second telephone line for a symbolic monthly cost of one peso, about US\$0.33. Since local calls are free, the only cost they must pay to have unlimited dialup internet access is a monthly subscription fee, currently US\$12 (including taxes). As of November 2004, TELPIN has 4620 broadband connections, including all the towns served by TELPIN. ADSL The cooperative's shareholders can have a second telephone line for a symbolic connections are offered at about US\$24 for 256 kbps and US\$36 for 512 kbps and webhosting costs US\$7 per month.

TELPIN provides free internet access to all of Pinamar's schools, donated eight computers with free access in the public library, and supplied free equipment and access to the local voluntary firemen's quarters.

From 1990 onwards, TELPIN improved its management and explored the production of new goods and services:

TELPIN was a bureaucratic organization: you came to ask for a service and you had to complete quadruplicate forms. There was a technological capacity to increase the services, but there was also an administrative incapacity to sell services as fast as they were required.

During that time, all that was changed: we created the Systems Area, because there were no systems for small cooperatives; only for large enterprises, as Telecom. Systems were also valued in millions. Therefore, we developed our own technological solutions, which afterwards were also useful for other Coops. (...) For example, we have sold equipment for small telephone exchanges – previously supplied only by Siemens – to almost 80 small cooperatives. We have signed an agreement with Siemens: we produce the equipment; Siemens buys it, and commercialises it. - Juan Santoianni, TELPIN General Manager

Six smaller cooperatives have bought the whole of TELPIN's organisational, managerial, and administrative system:

It's not just a system: it's a whole working philosophy. The system has been developed to work online, as following: for example, when you buy an extra service, as call-waiting, the service is connected to your line instantly, without any delays, without going through paperwork in different departments, nor checking if your payments are updated. You are proposed a payment plan, and you pay the first installment, adjusted to the user's economic possibilities. House owners that rent their houses for the summer can see online the telephone consumption made by their tenants, and be paid by them immediately. This does not only help our neighbors, but also our growth. - Juan Santoianni, TELPIN General Manager

## **2.6 The Community's Role**

TELPIN operates according to established principles and practices of the cooperative movement, ensuring transparency and enabling meaningful member participation. It is one of the largest businesses in the community, and it is owned, financed and overseen by the community.

TELPIN's ultimate authority is its annual General Assembly, open to all members of the cooperative. The General Assembly elects a volunteer Council, which oversees the operations of the cooperative. In practice the general assemblies are not controversial and on all but one occasion a single slate has been presented for endorsement. This is not to say that all members of the Council agree on all issues, rather it reflects the cooperative's policy of incorporating dissent within the Council. In practice a disproportionate number of the Council members are local entrepreneurs. However, according to TELPIN's General Manager this does not mean that the interests of the business community are over-represented as the Council is considered representative of the community and the presence of entrepreneurs on gives the cooperative access to necessary expertise that might otherwise be overly expensive or unavailable.

Being a member of TELPIN's Council is considered a source of pride in town (...) We have been lucky to have access to some outstanding entrepreneurs' know-how. For them, making the cooperative work is a pleasure and a hobby, given that no Council member receives any kind of payment. - Juan Santoianni, Manager

The cooperative's transparency (monthly financial statements and periodical management reports are available to all members) ensure that its members can be aware of and express their opinions on management and direction of the enterprise. The resulting member/customer loyalty has been a key factor for the Cooperative's self-sustainability.

An anecdote illustrates the users' fidelity to TELPIN: In 1999, Telefónica asked the National Communications Commission (Comisión Nacional de Comunicaciones, CNC) to open up Pinamar area for long distance services competition. Telefónica mobilised seven vans, equipped with four employees each, to rake the area, calling on each house and apartment to sign people up to its own long distance services. At the end of two weeks, during which they tried to mislead people by claiming that TELPIN was not able to provide long-distance telephone service, they had managed to get only fifteen contracts. Fourteen of these returned to TELPIN when they learned that the cooperative did in fact offer long-distance service. Only one user kept his Telefónica line "to give it a try".

### 3. A Cooperative for Information Society Education

As already mentioned, TELPIN provides free internet access to Pinamar's public schools and libraries. However, the cooperative's most outstanding contribution to education is *Internet Educativa*<sup>10</sup> (Educational Internet). Launched in 1999 the programme provides ICT training for teachers, in addition to computers, connectivity and technical services. Originally intended as a single introductory course on use of PC use in the classroom, the programme has added successive modules covering pedagogical practices, information management, website design and so on. The goal is to train teachers in the adequate use of ICTs in education, so the courses don't focus on the traditional tools (Word, Excel, etc.) but on tools and practices that allow both teachers and students to appropriate the new cyber territory, navigate through it, integrate virtual networks, and incorporate their own content. Educators are equipped with the basic tools that allow them to acquire the cultural capital they need in the information society, and in turn, make their own contributions to the new society.

This is the only case in Latin America with these characteristics, and with teachers that have been continually trained over the past since six years. We're speaking of teachers who did not know how to turn a computer on, and who are now working in collaborative networks, and generating marvellous projects. (...) We have made significant achievements. For example, we're part of the Federal Network of Continuing Educational Training (Red Federal de Formación Docente Continua), which formally accredits the courses, an additional encouragement for teachers.... Now several provinces and cities in the country have invited us to study how to implement Internet Educativa there. - Claudia Gomez Costa, Director of TELPIN Educa.

At present, all of Pinamar District Schools have their own websites, built by their own teachers and students. Leaving aside esthetic or contents considerations, it is interesting to note the diverse identities reflected in each of the websites, and the excellent use of informatics tools: besides text, most of them use images, sound, and videos. In Pinamar, five kindergartens, eight primary schools, two Secondary schools, one physical Education Center, three education management institutions, and sixteen community organizations<sup>11</sup>, are part of *Internet Educativa*. All of them are supplied with training, computers, internet connections, server and technical services.

TELPIN has not limited its educational actions to Pinamar: in the year 2000, it extended *Internet Educativa* to the nearby General Madariaga District, and in 2001, to the city of Trenque Lauquen, in the La Pampa Province. TELPIN's achievements eventually reached the National Ministry of Education, which decided to implement the Course: "Appropriate Use of the Internet in Education" for 1000 Trenque Lauquen teachers.

In August 2001, the course was chosen by the Fundación Equidad<sup>12</sup> to be implemented in the Province of Neuquén, Patagonia, within a school modernisation programme funded by the oil company Repsol-YPF. Two TELPIN training teams traveled to the course's headquarters: one of them San Cabao - Junín de los Andes - (southern area) and another to Manzano Amargo (northern area), training 49 teachers from 19 remote schools.<sup>13</sup> From September to December of the same year, Equidad and Repsol-YPF funded a course for urban areas. Teachers from 90 schools in the towns of Neuquén, Cutral-Có, Plaza Huincul, Rincón de los Sauces, Zapala and San Martín de los Andes, were trained.

In 2002, TELPIN Educa inaugurated its new headquarters in the "Manuel Belgrano" public library. A room with 20 networked computers serves both as a laboratory used by FUPIN<sup>14</sup> in its Technical Degree in Informatics, as well as by TELPIN Educa, for its courses. In May 2002, after a year of research and development, TELPIN Educa launched its virtual platform for virtual learning, called "TELPIN Educa Virtual Educational Campus"<sup>15</sup> It's a virtual tool for on line training directed at teachers and professors all over the country.

The following year the experience was extended to the Provinces of Santa Cruz and Chubut. As of October 2004, more than 2000 teachers and professors in Buenos Aires, Neuquén, Chubut and Santa Cruz have been trained to use information and communication technologies for educational purposes.



#### 4. Analysis and Conclusions

Community telecommunication cooperatives are accomplishing a social role unparalleled in Latin American countries<sup>16</sup>, not only as service providers, but also as employment generators. In our research we have identified the following nine advantages of cooperatives:

1. They are the only telecommunications providers with an entirely Argentine capital base (local communities' capital). The members of FECOTEL, which represents 250 of Argentina's telecom cooperatives, manage around US\$3 billion of community assets. The initial capital is from member contributions. Profits are not exported, but used in the community to enhance services and reduce costs

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2. They are social centres. They provide local content and enhance community activities.
3. They are a source of employment for skilled and unskilled labour (3,500 people work in CTCs in Argentina).
4. They provide training in the diverse uses of ICTs.
5. The successive economic crises suffered by Argentina were not used as excuses to fire employees.
6. They are solidarity economy enterprises; therefore, their economic surplus is invested in other community projects, contributing to the local and regional economy.
7. They provide high-quality advanced telecom services, including low-cost internet access.
8. Local capital does not migrate to foreign countries. CTCs encourage local economic development and improved standards of living in the community.
9. They are agents of democratization and social appropriation of telecommunication infrastructures.

“The cooperative movement has a very important characteristic: cooperatives belong to their cities, towns, communities, they are part of them, of their economy, their social life. Their elected councils must be careful with their actions and investments, because the community has direct control over them. In smaller communities inhabitants know each other; this implies a great deal of social control. The cooperative movement is doing a great work in Argentina. Some time ago, under the influences of past national governments, you could find some corruption, but at present it has been changed: cooperatives are undergoing an improvement process. (...) The telecommunications cooperatives movement is growing, while they are also providing other services to the communities: they’re not just supplying data transmission, telephony, and television, but also electricity, water and sanitation, burial services, briefly, all the social services needed by communities. Somehow, some of these services will support the others. - Ricardo Bacalor, MICROTROL Director, supplier for telecom cooperatives, October 2004. Authors’ translation.

Within these cooperatives, the case of TELPIN is paradigmatic: it is considered to be the most successful and innovative telecommunications cooperative in the country. Its creation had some auspicious circumstances, not easily replicable in other experiences: among its 80 initial associates there were some of the most successful entrepreneurs in the area; a local enterprise, Pinamar, S.A., made a substantial financial contribution when the cooperative was founded; and the nature of the local economy, related to tourist activities that demanded communications with the world, meant that residents were quick to understand and support the initiative.

However, these were not the only key factors contributing to its success: the main factors are the existence of passionate, lucid champions willing to offer their expertise and their knowledge to make TELPIN the most innovative cooperative in the country; the management, simultaneously community and enterprise-oriented, together with the constant updating and training of the management staff; the willingness to venture into technological and organizational innovations, and most of all, the quality and responsibility of the human resources.

**Box 1 – Some lessons learned**

Community Telecommunications Cooperatives are potential tools to democratise communications, since the community becomes the owner of its own communications infrastructure.

Commitment to the community is fundamental to the success of cooperatives. This implies continuous efforts to provide new technologies, managerial efficiency, better and less expensive services, and superior customer services.

In order to be replicable in other Argentina regions, or in developing countries, CTCs will require: adequate legislation that allows them to provide service to communities overlooked by other telecom operators and eventually to compete with them; a favorable tax status; a talented, preferably professional management, responsibly open to managerial and technological innovations.

The launching of CTCs requires the community to make serious financial contributions –not only the potential users, but also local enterprises– and from National or provincial Banks soft loans. Low-income communities may have difficulties in implementing CTCs, unless they can negotiate investments from Banks or international organizations.

The involvement of lucid and enthusiastic local champions is essential for the success of CTCs initiatives, not only for the first stages, but also for long-term sustainability.

Cooperatives can have better results, either when negotiating with governments or with private enterprises, if they can form national networks or federations.

Capacity building is essential for long-term accomplishment: constant training of the cooperatives' staff is a key factor for success.

Communities also need training to use the advantages of Information Society: CTCs can play a role as community educators.

TELPIN's success also stems from its use of cutting edge technology, the quality and pricing of its service, and its superior customer services. All of these elements earned them the support and commitment of the community.

The benefits to the community derived from TELPIN are include: full telephone coverage at lower cost than that offered by the private sector, internet at affordable prices, full free telecommunication services for the community's institutions, innovative technology, and generation of local employment. The community owns and finances the cooperative, and controls its finances and investments. TELPIN investments in technology have the full community's support and the community's commitment to the cooperative has been a key reason for its sustainability.

Moreover, *TELPIN Educa*, has achieved significant results and made a remarkable social and cultural impact on the community, not only in Pinamar, but also in other regions in the country.

The main innovations involved in the general TELPIN initiative were mostly managerial and technological. From the managerial point of view, the fact of using the most expensive services, such as international telephone calls, to subsidize the most popular ones, such as local calls, the concept of managing the cooperative as an enterprise, while keeping its social values and the quality of the human resources involved ensured its sustainability

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and continuity. From the technological point of view, the cooperative was a pioneer from the beginning, introducing technologies and services much earlier than the large, private telecommunications enterprises.

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<sup>1</sup> Source: TELPIN, <http://www.telpin.com.ar>

<sup>2</sup> <http://www.cicomra.org.ar/eventosycursos/Eca2003/Presentacion%20A%20Maccio.pdf>

<sup>3</sup> [http://www.lacapital.com.ar/2004/07/17/economia/noticia\\_117081.shtml](http://www.lacapital.com.ar/2004/07/17/economia/noticia_117081.shtml)

<sup>4</sup> Dr. Enrique Susini, together with a group of friends, had organized the first radio emission in Argentina. On August 26, 1920, an aria from Wagner's opera Parsifal was transmitted from the roof of the Colon Theater, in Buenos Aires. Dr. Susini and his friends thought that "... *this marvelous invention may be the most extraordinary vehicle for cultural dissemination*". Dr. Susini, one of TELPIN founders, believed that the telephone had the same social role. The difference between both experiences is that the radio succumbed to commercial uses. However, Telpin has managed to keep its "successful social model" during its history, without renouncing to the social role of telephone and Internet services.

<sup>5</sup> Sources: 2001 National Census, and Department of Commerce, Municipality of Pinamar, 2000.

<sup>6</sup> Source: Ministry of Interior, Secretariat of municipal Affaire, consulted in September, 2004, [http://www.mininterior.gov.ar/municipales/busqueda/amplia\\_info.asp?ID=BUE097](http://www.mininterior.gov.ar/municipales/busqueda/amplia_info.asp?ID=BUE097)

<sup>7</sup> Source: TELPIN, <http://www.telpin.com.ar>

<sup>8</sup> The large Spanish enterprise tried to attract users from Pinamar, through a two-week intensive publicity campaign, but it only convinced one user. Source: Mr. Juan Santoianni, TELPIN.

<sup>9</sup> Source: Schiavo et al., 2002

<sup>10</sup> [www.telpin.com.ar/itelpineduca](http://www.telpin.com.ar/itelpineduca)

<sup>11</sup> See <http://www.telpin.com.ar/InternetEducativa/LP/SEP.htm>, consulted in September 2004. In this page, there are links to the educational institutions websites.

<sup>12</sup> <http://www.equidad.org/>

<sup>13</sup> Read a personal account of the courses at <http://www.telpin.com.ar/interneteducativa/PATAGONIA/>

<sup>14</sup> FUPIN is the Foundation For Pinamar University, Fundación pro Universidad de Pinamar, <http://www.telpin.com.ar/InternetEducativa/Instituciones/fupin/Index.htm>. Its goal is to provide tertiary and technical education, with a view to create a University in the near future.

<sup>15</sup> <http://cve.telpin.com.ar>

<sup>16</sup> Bolivia is an exception: The Federation of Bolivian Telephone Cooperatives, FECOTEL, was launched in 1987 in Santa Cruz de la Sierra, <http://www.comteco.com.bo/cooperativa/FecEstat.doc>

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