### Notes from the Field

# LAN Houses: A New Wave of Digital Inclusion in Brazil

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paula.martini@fgv.br Center for Technology and Society Fundação Getulio Vargas Law School Praia de Botafogo 190, 13th floor Rio de Janeiro 22250-900 Brazil The majority of Brazilians who access the Internet today do so through LAN houses. LAN stands for local area network, i.e., computers assembled together to allow people to play multi-player games. Popular in Korea and elsewhere in Asia, and previously existing only in the rich neighborhoods of Brazil, they have now become a phenomenon proliferating in poor communities, especially the *favelas*.

One of the biggest *favelas* in the world, located in Rio de Janeiro, Rocinha has approximately 130 LAN houses. Charging from US\$0.40 to \$1.50 for each hour surfing the Web (or playing online games), those shops often have queues of people waiting for an available computer. The Brazilian Association of Digital Inclusion Centers (ABCID) estimates that 108,000 LAN houses are active in the country.

In Fortaleza, a city in northeast Brazil, there is a street where LAN houses stand side by side, each belonging to a different owner. When questioned whether such door-to-door competition is a problem, they say it is not—and that if they had more funds, they would invest in more computers, since the demand seems to be unlimited.

The Brazilian LAN house phenomenon is, in part, a side effect of a federal government program called Computers for All (see Brazilian Development Bank). The program, rather than taking the patronizing approach of simply distributing computers to poor people, created credit lines that allow low-income families to purchase computers by paying small installments every month for a few years (approximately US\$25 per month). The result is an entrepreneurial fever, in which small-time entrepreneurs buy a handful of computers and open a shop for people to play games. Soon, they contract with a broadband connection and resell it through their computers, charging by the hour in both cases.

### More Access from Paid Than from Free Public Access Centers

For a long time, the LAN house phenomenon was noted only by anthropologists and social scientists. However, LAN houses are now showing up in official ICT usage statistics in Brazil. A survey on the use of ICTs in Brazil (Brazilian Network Information Center, or NIC.br), published in 2008 by the *Brazilian Internet Steering Committee* (CGI.br), showed that 79% of the people from lower income classes (D and E)<sup>2</sup> who access the Internet do so from paid public access centers (PPACs), i.e., LAN houses.

<sup>1.</sup> CGI.br is the institution created to coordinate and integrate all Internet initiatives in Brazil. More details are available on the Web site: http://www.cgi.br/english/index.htm (accessed October 8, 2010).

<sup>2.</sup> Socioeconomic classes in Brazil, ranging from A to E, are identified by a point system based on the socioeconomic criteria of the householder income, education level, and ownership of a series of domestic utensils.

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Table 1. Sites of Individual Internet Access by Education Level, Age, and Family Income (Percentage of Total Internet Users).

Place of individual access (more frequent)	PPAC (LANs and similars) <sup>a</sup>	Home	Work	Other person's home <sup>b</sup>	School	FPAC (free public access centers) <sup>c</sup>
Education Level						
Illiterate / Early childhood	54	29	4	21	19	4
Fundamental	63	30	6	23	13	3
Medium	51	39	19	24	9	4
Higher	26	66	44	19	23	3
Age						
10-15	64	29	1	24	22	4
16-24	59	36	18	26	17	4
25-34	38	48	34	22	12	3
35-44	26	61	36	16	7	3
45-59	14	69	32	12	3	1
60 plus	18	68	17	16	5	_
Family Income						
< R\$ 415	82	7	3	16	11	5
R\$ 416R\$ 830.	69	16	7	24	15	5
R\$ 831R\$ 1,245.	54	35	19	23	14	3
R\$ 1,246R\$ 2,075.	39	52	28	23	13	4
R\$ 2,076R\$ 4,150.	23	71	35	21	15	3
R\$ 4,151. plus	15	88	43	16	13	3
Socioeconomic Class						
A	8	93	48	14	12	1
В	26	71	33	20	14	3
C	54	32	17	24	15	4
DE	79	7	7	21	13	4

<sup>&</sup>lt;sup>a</sup> Internet café, LAN house, or similar.

Source: Data extracted from the mentioned 2008 Survey on the Use of ICTs in Brazil, p. 228. Base: 8,815 respondents who used the Internet in the last three months (main sample + oversample of Internet users). Multiple and stimulated answers.

A total of 48% of Internet users in Brazil use LAN houses as the primary means to connect to the Internet, a number higher than those accessing the Internet at home (42%), and much higher than those accessing through free public access centers (FPACs), such as telecenters, which are responsible for only 4%. LAN houses' potential as digital (and social) inclusion initiatives stands out even more when crossing access data with data related to education level, family income, and social classes, as can be seen in Table 1.

Based on these numbers, it's safe to say that LAN houses have a significant role in providing Internet access, especially for the lower-income population, children, and teenagers of school age. As the table shows, use of LAN houses is greater among:
a) lower-income families; b) lower-income classes (C, D, and E); c) people with lower educational levels; and d) young people (up to 24 years).

Figure 1 also shows that, in less than three years (from 2005 to 2007), the percentage of access to the Internet through PPACs (LAN houses and similar

<sup>&</sup>lt;sup>b</sup> Friend, neighbor, or next of kin.

<sup>&</sup>lt;sup>c</sup> Telecenter, library, post offices, etc.

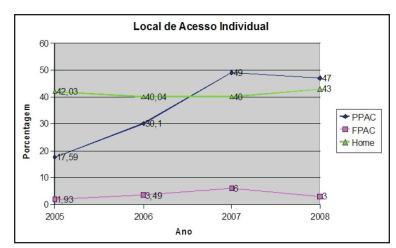


Figure 1. Site of Individual Access.

Source: Analysis based on data from the historical series of data extracted from the Survey on the Use of ICTs in Brazil.

enterprises) leapt from 17% to 49%. Given the novelty of the phenomenon, public policies are still uncertain about what to do regarding LAN houses, as is shown in the following section.

## Social and Public Interest Activities at the LAN Houses

Brazilian economist Fábio Sá Earp, a professor at the Federal University of Rio de Janeiro, who was one of the first to analyze the phenomenon, said:

We attach to the idea of a young person going to a LAN house just for playing. But the point is: a process of appropriation of digital technology is in course. From the moment in which a poor 10-year-old child accesses the Web after school in order to update his/her blog or Orkut page, watch and share YouTube videos, download MP3 songs and chat via instant messenger, he/she is doing exactly the same thing that a middle-class 10-year-old child that lives in São Paulo or New York does.<sup>3</sup>

To better understand the symbolic space occupied by LAN houses in Brazil, one can observe a recent trend: Many LAN houses now offer a special area for children's birthday parties. Birthdays, once celebrated in Brazil in sites like the local McDonald's, are now migrating to LAN houses. The host invites

some friends, providing free access for all of his or her guests. Indeed, LAN houses are places of intense sociability, and they occupy an important place in the life of the *favelas*. It is common to hear mothers say that they prefer their children to be in the LAN house than wandering the streets, so they pay for plans providing their children a certain amount of LAN house Internet access per month.

Researcher Paula Góes (2009) shows that, while playing video games is the main activity for 42% of respondents, an equal proportion of users access Web portals to search for cultural activities, news, and entertain-

ment. Social network Web sites and instant messaging are also very popular. In addition, LAN houses are used for research, schoolwork, and job searching.

Perhaps the most interesting aspect of the LAN house phenomenon is that there is a clear potential for them to become places for citizenship, e-government services, and even education. LAN house owners often mention that, during the morning, fewer people use the computers because children are in school at that time. Still, community members ask the owners for training courses or, for instance, if there is someone who could teach them how to use the computer. That makes one wonder whether some sort of public initiative could be promoted to explore this potential. Naturally, this should be a non-intrusive program that would not disturb their business model, especially because LAN houses are self-sustainable businesses.

### Informality and Regulation: Potential Obstacles to the LAN House Phenomenon

The Brazilian Association of Digital Inclusion Centers (ABCID, 2009) estimates that about 85% of the LAN houses are part of the informal sector.<sup>4</sup> Simi-

<sup>3.</sup> Accessed May 31, 2010, from http://www.culturaemercado.com.br/relatos/inclusao-digital-estudo-busca-compreender-impactos-das-lan-houses-em-comunidades-perifericas/

<sup>4.</sup> Accessed June 7, 2010, from http://www.abcid.org.br/reivindicacoes

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larly, according to a National Congress Agency article, a study by the Foundation Padre Anchieta/ Cultura Data reports that, among the 108,000 LAN houses operating in Brazil, fewer than 1% have a formal business permit,<sup>5</sup> so a whole sector is almost entirely on the fringes of the formal economy.

This reality ends up subjecting the enterprises to constant threats of penalties on the part of state authorities (threats not rarely converted into bribes), preventing both stabilization and the expansion of services to the communities around them (including services like e-government). The informality level also prevents the LAN houses from engaging in partnerships with the government and other public interest entities.

By informal businesses, we mean those that: a) are not formally registered; b) often do not collect income taxes; or c) do not have formal permits from state and city authorities. This distinction is extremely important for formulating appropriate policies to cope with the problem. It is important to mention that the services provided by LAN houses are not illegal per se: Providing Internet access, business services, and entertainment is not prohibited in Brazil, nor does it require a special regulatory permit. Rather, the problem is mostly related to the incorporation of the business itself, which can prove a difficult task for micro and small enterprises operating mostly in low-income areas, such as the LAN houses.

This is a problem that affects not only LAN houses, but also a significant part of other economic activity in low-income areas. Reasons include the number of rules for such enterprises, as well as the existence of too many confusing and overlapping rules at the federal, state, and city levels.

By way of example, at the federal level, until very recently, there was no economic category that could be applied to LAN houses. Many of those who sought formalization had to register their activities as beauty parlors or bakery shops in order to avoid their enterprises being classified as gaming or gambling activities, which would lead to severe zoning restrictions and higher tax levies. At the state and city levels, regulations dealing with LAN houses often limit their operations, regulating hours and

zoning, and even restricting content by banning some games.

The number of requirements and regulations imposed on LAN houses makes their formalization almost impossible, keeping them largely unregulated. In addition, the regulatory environment creates a lose-lose situation. The entrepreneur is unable to gain access to credit and manage the business in a situation of stability. The government, on the other hand, is prevented from using LAN houses for e-government and other public interest activities, such as partnerships between LAN houses and public schools, which have been attempted on a case-by-case basis in quite a few cities in the country.

### Economics, Citizenship, and Public Policies

In this sense, a potential for public interest services exists at the LAN houses even without relation to any specific governmental program. Several already offer services such as payment of utilities, annual renewal of taxpayer enrollment (which might take a few months if you do not have a computer, and only a few minutes if you do), and even support to customers on writing résumés or searching online for a job. Those services cost around US\$0.50 to \$1.50 each, and they include the assistance of the LAN house owner in each task.

The infrastructure already exists, and there is relevant potential to be explored in the ways public interest activities can be embedded in LAN houses. Antonio Cabral, a professor at the Center for Technology and Society at the FGV Law School in Rio de Janeiro, emphasizes this aspect of the phenomenon:

This is a great popular entrepreneurship movement spreading all over Brazil, but authorities have been doing nothing to encourage it. On the contrary, a few city governments are passing laws restricting their usage. LAN houses should in the least be left alone, because they're promoting digital inclusion in the country without anybody's help.<sup>6</sup>

There is a clear need for a positive public policy that can foster the potential for digital inclusion brought by the LAN houses. A legal solution should

<sup>5.</sup> Accessed March 12, 2010, from http://www2.camara.gov.br/agencia/noticias/CIENCIA-E-TECNOLOGIA/145683-COMISSAO-DEVE-INCENTIVAR-AMPLIACAO-DE-LAN-HOUSES,-DIZ-RELATOR.html

<sup>6.</sup> Accessed May 31, 2010, from http://www.culturaemercado.com.br/relatos/inclusao-digital-estudo-buscacompreender-impactos-das-lan-houses-em-comunidades-perifericas/

differentiate the activities of the LAN houses from gambling and electronic diversions. It should also promote a fast-track process for business registration, as has been the case for other businesses in lower-income areas. In this sense, cities such as Rio de Janeiro have established legislation streamlining the permit process for lower-income businesses. The exception to the legislation is electronic diversion enterprises, the category under which LAN houses are often classified. Public policies should also encourage partnerships between LAN houses, educational institutions, and other public-interest programs. A positive agenda for the LAN houses would help to consolidate some of the most interesting and socially relevant entrepreneurship phenomena to take place in Brazil in many years.

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