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TELECOMS SERIES

BRAZILIAN 5G BIDDING CALL - XIII
CONCLUSION

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Brazilian 5G Bidding Call – XIII

Conclusion

By Ricardo Barretto Ferreira and Sylvia Werdmüller von Elgg Roberto

In November, the National Telecommunications Agency (ANATEL) held the largest auction in its history, related to lots in the radio frequencies of 700 MHz, 2.3 GHz, 3.5 GHz, and 26 GHz.

This bidding resulted in a total economic value of BRL 47.2 billion, considering all the obligations to be fulfilled by the winners, contained in the respective public notice. However, due to the non-collection nature of the auction, from this amount, BRL 4.8 billion will be allocated to the Brazilian public coffers for the grant of radio-frequency bands, and the rest will be allocated to investments in telecommunications, according to the commitments applicable to each of the acquired lots.

The average premium in relation to the minimum price stipulated for the lots was 211.7%, equivalent to approximately BRL 5.05 billion, also converted into additional obligations to be fulfilled by the acquirers.

Fifteen companies had submitted to the

Agency the applicable documents for their participation in the bidding procedure; the following were the winning bidders, with the respective values offered (which do not consider the obligations of the acquired lots):

- ALGAR TELECOM S.A. – BRL 64.6 million for the lots C08, F08, H37, H38, H39, H40 and H41
- BRISANET SERVIÇOS DE TELECOMUNICAÇÕES S.A. – BRL 1.466 billion for the lots C04, C05 and E04
- CLARO S.A. – BRL 1.737 billion for the lots B01, D33, E01, E03, E05, E06, E08, G01 and G02
- CLOUD2U INDÚSTRIA E COMÉRCIO DE EQUIPAMENTOS ELETRÔNICOS LTDA. – BRL 405.1 million for the lot C07
- CONSÓRCIO 5G SUL (formed by COPEL TELECOMUNICAÇÕES S.A. and UNIFIQUE TELECOMUNICAÇÕES S.A.) – BRL 73.6 million for the lot C06

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- NEKO SERVIÇOS DE COMUNICAÇÕES ENTRETENIMENTO E EDUCAÇÃO LTDA. – BRL 8.4 million for the lot J32
- SERCOMTEL S.A. TELECOMUNICAÇÕES – BRL 82 million for the lot C02
- TELEFÔNICA BRASIL S.A. – BRL 1.125 billion for the lots B02, D35, E07, F01, F03, F05, G03, G04 and G05
- TIM S.A. – BRL 1.049 billion for the lots B03, D34, F06, F07, H19, H25, H31, I06, J20, J26 and J33
- WINITY II TELECOM LTDA. – BRL 1.427 billion for the lot A01

According to the spectrum band and the place where the services will be provided, we have the scenario described below.

For the grant of the national band of 700 MHz, to the value exceeding 1.4 billion offered by the only winner (Winity II), BRL 2.8 billion in commitments are added. The premium in relation to the minimum price of the lot was 806%, according to ANATEL. With the acquisition, this new provider will start providing mobile services throughout the country.

Lots of 50 MHz in the band of 2.3 GHz were acquired by Claro for the exploitation of services in the Regions: North; Center-West; South; in São Paulo; and in Sectors 3, 22, 25 and 33 of the General Granting Plan (PGO), which includes certain areas in the States of

Minas Gerais, Mato Grosso do Sul, Goiás, and São Paulo. Lots in the Northeast were acquired by Brisanet. In the States of Rio de Janeiro, Espírito Santo, and Minas Gerais, the winner was Telefônica. The grant of these lots took place for BRL 1.5 billion and the commitments assumed total BRL 5.9 billion. The premium in relation to the minimum price of the lots was 267%.

Also in the band of 2.3 GHz, but with regard to the auctioned lots of 40 MHz, Telefônica was the winner for the North and Center-West Regions, and State of São Paulo, excluding sectors 3, 22, 25 and 33 of the PGO, which were acquired by Algar. Grants total BRL 891 million, and the commitments, in turn, BRL 3.4 billion. ANATEL informed that the minimum price premium, in this case, was 274%.

In the band of 3.5 GHz, national lots of 100 MHz were acquired by Claro, Vivo, and Tim, with a grant equivalent to BRL 1.35 billion, and the respective commitments, to BRL 25.5 billion, with a minimum price premium of 12%.

The regional lots of 80 MHz in this same band of 3.5 GHz were acquired by Sercomtel (State of São Paulo and the North Region of the country), Brisanet (Northeast and Center-West regions), by Consórcio 5G Sul (South Region), Cloud2U (States of Rio de Janeiro, Espírito Santo, and Minas Gerais), and Algar (Sectors 3, 22, 25 and 33 of the PGO), and these companies acquired the spectrum by paying BRL 1.9 billion for

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the grant and BRL 7.5 billion for the commitments. The premium regarding the minimum price reached an impressive level of 5,682%.

With regard to the spectrum of 26 GHz, national lots were acquired by Claro (400 MHz) and Vivo (600 MHz) for service exploration for a period of 20 years, and by Tim (200 MHz) for 10 years. The grant amount corresponded to BRL 291 million, and the minimum price premium was 0.2%.

Of the regional lots in this band, in turn, Neko acquired 200 MHz with a 10-year grant in the State of São Paulo (excluding Sectors 3, 22, 25 and 33 of the PGO); Tim acquired lots in the South Region and in the States of São Paulo, Rio de Janeiro, Minas Gerais, and Espírito Santo (except Sectors 3, 22, 25 and 33 of the PGO) of 200 MHz for exploration for 20 years, and 200 MHz for exploitation for 10 years in the South Region; Algar acquired 1 GHz for 20 years in Sectors 3, 22, 25 and 33 of the PGO. In addition, Fly Link had offered BRL 900 thousand for a lot of 200 MHz related to Sectors 3, 22, 25 and 33 of the PGO, but withdrew the license at a later time, considering that the development of a business plan without have become winner of additional spectrum is not feasible. The values of all these grants totaled BRL 61 million, and the minimum price premium reached 14%.

One hundred and twenty lots were effectively auctioned, and 45 were acquired. Of those not acquired, approximately 95%

referred to the band of 26 GHz, a band in which there was lack of interest from accredited bidders for the regional lots, and absence of proposals for lots in the North, Northeast, and Center-West regions, even in the second round, in which the respective values were reduced by 50%, as well as the period for exploitation of the spectrum. To this lack of interest was also added the aforementioned withdrawal of Fly Link.

Even with the deserted lots, ANATEL considers that the result of the bidding was positive, and the process was highlighted in the international press.

In fact, according to ANATEL's data, the auction will make it possible for all municipal seats to have 5G technology; 1,174 municipalities with more than 30 thousand inhabitants will have at least 3 providers and 4,396 municipalities with less than 30 thousand inhabitants will have at least 1 provider. Services with 4G or higher technology will be made available to 7,430 locations. On the highways, sections totaling more than 35 thousand km will have connectivity. Optical fiber backhaul will be offered to 530 municipal seats and, also relevant, BRL 3.1 billion will be destined to the offer of connectivity to public schools.

The award of the acquired lots was ratified by means of ANATEL's Decision No. 381, of November 19, 2021. The execution of the contracts, in turn, took place on December 07, while the publication of excerpts of the authorization terms in the Brazilian Official

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Gazette took place on December 08, enabling the beginning of the exploitation of frequencies acquired by the winning companies.

In fact, the country is already beginning to benefit from the results of the auction, for example, with the launch of 5G technology in the band of 2.3 GHz in some locations. The availability of this technology should have a relevant positive impact on areas such as smart cities, industries, information and communication, health, agribusiness, education, as well as the entertainment market in its various modalities, among others.

Finally, it is worth noting that, as mentioned by the Ministry of Communications, the bidding of the remaining lots of this process may take place in the first half of 2022, also bringing new business opportunities for investors in the country.

To receive the main legislative news and positioning on this and other topics related to telecommunications, follow the Technology, Media, and Telecommunication (TMT) team of Azevedo Sette Advogados.

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