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UPDATED INFORMATION

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Telecommunications in Brazil - Updated Information

By Ricardo Barretto Ferreira and Sylvia Werdmüller von Elgg Roberto

The telecommunications sector in Brazil has been the object of relevant developments, which are mirrored in considerable indicators.

According to data provided by Conexis (a union that brings together telecommunications and connectivity companies), during 2022, investments made in the sector totaled over BRL 35.5 billion, and in the third quarter of the same year alone, the amounts invested exceeded BRL 9 billion. Very interestingly, according to a survey carried out by the same entity and which only considered figures for the months from January to September between 2017 and 2022, the actual average increase in investments corresponded to 2% per year.

Projects involving the issuance of incentive debentures are noteworthy due to their impact on development. According to information from the Ministry of Communications, from 2020 to December 22, 2022, more than BRL 22 billion were released for funding with the market through the issuance of private negotiable instruments with the objective of financing investments in the sector. Projects with incentive debentures, it should be noted,

not only improve the services offered, but also benefit from the reduction of the income tax rate on revenues earned.

Undoubtedly, in a country of continental dimensions, as is the case of Brazil, such investments are essential for expanding the offer of telecommunications services to the local population. According to estimates by the Brazilian Institute of Geography and Statistics (IBGE), Brazil currently has more than 207 million inhabitants; however, bearing in mind that the Demographic Census started in 2022 has not yet been completed, this is still a preliminary estimate, which was based on questionnaires answered by December 25, 2022. And this estimate illustrates the grandeur of the Brazilian telecommunications market.

According to the National Telecommunications Agency (Anatel), in November 2022, 340.6 million telecommunications service agreements were in force, resulting in 254.9 million accesses to mobile telephony, 44 million accesses to fixed broadband, 27.6 million accesses to fixed telephony, and 14.2 million accesses to pay-TV.

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Considering all mobile telephony technologies currently available in the country (2G, 3G, 4G, and 5G), according to data contained on Anatel's webpage regarding the month of September 2022, 5565 municipalities had coverage, reaching 92.66% of the Brazilian population. In the Federal District, where the capital of Brazil is located, 99.80% of the inhabitants are served by this type of service. Piauí is the state of the nation indicated as the one with the lowest coverage, but even so, mobile telephony covers 76.84% of residents.

2G technology is available to 89.17% of the Brazilian population; 3G technology, to 91.49%; and 4G technology, to 92.08%, but the trend is for older technology services to be gradually shut down, in a way similar to what is happening worldwide (for example, in the US, 3G services were shut down by AT&T in February 2022, by T-Mobile in June of the same year, and by Verizon on December 31, 2022). In this regard, according to a publication in the specialized Brazilian press, [Anatel expressed its opinion](#), in October 2022, in the sense of predicting that the 2G technology will be shut down in approximately six years.

In turn, 5G technology services reach only 37.08% of the total Brazilian population, covering 632 municipalities. However, it should be noted that this technology began to be offered in Brazil only in 2022, but its implementation has occurred reasonably quickly. With regard to this service, the units of the federation with the highest

percentages of coverage are Alagoas, the Federal District, Rio de Janeiro, Ceará, Roraima, Amapá, and São Paulo (reaching 81.30%, 81.18%, 63.18%, 61.52%, 57.79%, 55.28%, and 54.05% of the state population, respectively).

Mobile services have shown an increase in the number of users since 2020. In November 2022, of the 254.9 million accesses to mobile telephony mentioned by Anatel, the Southeast region was responsible for the largest number (124.9 million), while the North region had the lowest number (17.7 million). In the same month, 226.6 million accesses to mobile broadband were recorded.

Contrary to the increase seen with mobile telephony, the number of users of fixed telephony services has suffered a continuous decline over the years, also according to data from Anatel. Still with regard to fixed telephony services, in November 2022, the Southeast region of Brazil had the highest number of accesses (16.4 million), while the North region had the lowest (1.1 million).

The same scenario of shrinkage in the provision of services has occurred in relation to pay-TV (which, in accordance with Brazilian legislation, is called conditional access service - SeAC), accumulating a drop of 13.7% in the period from November 2021 to the same month of 2022. The North region of the country had the lowest drop (6.2%), while the biggest

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decrease was seen in the South region (20.2%). In November 2022, there were 12.6 million accesses in standard plans and 1.6 million in satellite plans; most users were located in the states of São Paulo and Rio de Janeiro, as well as in the Federal District.

Unquestionably, an extremely relevant factor for the decrease in SeAC provision has been the increasingly significant consumption of over-the-top (OTT) applications by the Brazilian population, impacting both the video and voice markets. According to the country's legislation, OTT applications are not considered telecommunications services and, as a result, are not subject to sectorial regulation and Anatel's actions.

With regard to fixed broadband services (called multimedia communication services - SCM), the trend towards an increase in accesses has remained constant over the years. It is interesting to note that small-sized providers have played a prominent role in the provision of services, with an increasingly significant market share, while large-sized providers have maintained reasonably stable levels of representativeness. Such services showed an increase of 7.0% in the number of accesses in the period between November 2021 and 2022, with the Southeast region of the country encompassing the vast majority of them.

The telecommunications sector generated gross revenue of more than BRL 205 million

from January to September 2022, of which BRL 69.5 refer to the third quarter alone, according to data from Conexis. The provision of mobile telephony and broadband services accounted for 39% of these amounts; fixed broadband services, in turn, accounted for 28% of said revenue. More than 520,000 direct jobs were then linked to this sector of activity.

With regard to the prospects for 2023, the forecast is that 5G technology will occupy a prominent place, since due to its characteristics, among which we can mention the high data transmission rate and low latency, it should cause an increase in demand for digital services and benefit economic development and Brazil as a whole. According to the results of a study conducted by the Ministry of Economy, the “use of 5G solutions can provide a benefit of BRL 590 billion per year for all verticals of the economy”.

The digital transformation and the universalization of internet access are extremely important for the future of Brazil, having been specifically mentioned in the opening speech of the new President of the country on January 1, 2023. In turn, the newly appointed Minister of Communications expressed that he will use all efforts to ensure connectivity for Brazilians and contribute to making essential services available to all, saying that there are also plans to boost the expansion of 5G.

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