Will the Recent 5G Auction Lead to Big Advances for Brazil?

In its 5G spectrum auction, Brazil raised $8.5 billion this month, making it the country’s largest-ever communications tender. // File Photo: Pixabay.

Brazil this month raised $8.5 billion worth of license payments and investment commitments in its long-delayed 5G spectrum auction, making it by far the country’s largest-ever telecommunications tender. Claro Brasil, Telefónica Brasil, or Vivo, and TIM Brasil were among the biggest winners of spectrum. How successful was the auction for Brazil, and what is the significance of which companies had winning bids? What benefits will the spectrum awards and investment bring to Brazilian consumers as the country rolls out 5G, and what regulatory changes need to be in place in order for Brazil’s digital economy to make the most of new technologies and flourish?

Leandro Gaunszer, managing director of Viasat Brazil: “Brazil’s 5G auction paves the way for the deployment of next-generation technology in Brazil and across the region and should be seen as a success for Anatel and the Ministry of Communications. The results of the auction, which echo auctions in other regions, clearly demonstrate that the emphasis for mobile network operators is to achieve high-capacity, wide-area coverage. For that reason, the mid-band spectrum (the 3.5 GHz band) was the most highly sought and therefore expensive spectrum in the auction. Accordingly, the millimeter wave spectrum made available was less prized by operators because the business case for mobile operators’ use of this spectrum is less clear. Because of the requirements to provide nationwide coverage, mobile operators will make sweeping investments in their networks, including in the Brazilian satellite sector, which will be a critical partner to mobile communications.”

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Transparency Int’l Raises Concern About El Salvador Bill

Transparency International on Wednesday said it is “deeply concerned” about what it said is the expected approval of legislation that President Nayib Bukele is pushing that would require people and organizations in the Central American country to register as “foreign agents.” The measure would “severely handicap the work of civil society organizations (CSOs) and independent media,” the nongovernmental organization said. The legislation would require the registration as a foreign agent of any person or organization conducting activities “that respond to interests, controlled or financed, directly or indirectly, by a foreign principal,” the Associated Press reported. An organization’s failure to register would allow the government to shut it down, the AP reported. Transparency International said it is concerned that “in practice, this law will provide the government with unparalleled discretionarily to control and limit CSOs’ activities in El Salvador as well as to target critical NGOs, activists and human right defenders.” People registered as foreign agents under the measure would be prohibited from “realizing activities for political or other ends, with the objective of altering public order, or that put at risk or threaten national security, the social and political stability of the country,” the AP reported. Bukele has said that the legislation is modeled on the U.S. Foreign Agents Registration Act, which became law in 1938 on the eve of World War II at a time that the United States was concerned about Nazi propaganda. While the U.S. law requires the registration of agents of foreign governments and organizations, it also allows them to work to influence U.S. policy, the AP reported. El Salvador’s measure prohibits such activity. The measure in the Central American country excludes diplomatic missions, international aid and humanitarian assistance groups, as well as organizations involved in religious, health and academic work. Nicaragua passed a similar law last year. There, officials used the law to cancel the registrations of at least 45 nongovernmental organizations for alleged failure to fully report their activities to the government, the AP reported.

Brazil Launches New Welfare Program to Replace Bolsa Família

Brazil’s government on Wednesday launched a new welfare program, replacing the two-decade-old and highly lauded Bolsa Família, the Associated Press reported. The new program, dubbed Auxílio Brasil, increases the monthly stipend to each beneficiary to an average of 224 reais ($40), up from 190 reais. It will also extend the aid to more Brazilians, with the number of recipients expected to reach 17 million families by the end of the year. About 14.5 million were enrolled in Bolsa Família before the pandemic, but less than half of them received pandemic-related emergency handouts, which ended in October. There has been some confusion among Brazilians over whether they remain eligible to receive the aid or not, according to the AP. Brazilian President Jair Bolsonaro created the Auxílio Brasil initiative in August with an emergency provision measure that Congress must ratify before Dec. 9. Legislators in the Chamber of Deputies are waiting for the Senate to approve a proposed constitutional amendment that would raise the cap for government spending and release funding for the program. The move has been required CBH to end its existing business with clients in the South American country.

Colombia Lowers Forecast for Oil Production This Year

Colombia has lowered its expectation for oil production for the year, now forecasting an average of nearly 770,000 barrels per day (bpd), Mines and Energy Minister Diego Mesa said Wednesday, citing repercussions of weeks-long protests earlier this year. In June, Mesa had estimated oil production of between 780,000 and 800,000 bpd. Production reached 781,300 bpd in 2020, a more than 11 percent decline from the previous year.

Swiss Financial Regulator Reprimands Two Banks Following PDVSA Probe

Switzerland’s financial regulator on Wednesday reprimanded two of the country’s banks, saying they failed to adequately fight money laundering, a move that came as the regulator wrapped up a five-year investigation of banks’ ties to people involved with Venezuelan state oil company PDVSA, Reuters reported. The regulator, known as Finma, criticized Banca Zarattini & Co. and CBH Compagnie Bancaire Helvétique. Finma temporarily banned Banca Zarattini from accepting new Venezuelan clients, and it required CBH to end its existing business with clients in the South American country.
controversial, with investors expressing concern over excessive government spending ahead of next year’s presidential election, in which Bolsonaro is expected to run. "Political motivations for further spending, particularly in social programs ... reinforce negative market expectations and project escalating interest rates and continued currency devaluation," Joel Korn, president of WKI Brasil, told the Advisor in a Q&A published Nov. 4. [Editor’s note: See also related Q&A on Auxílio Brasil in the Aug. 24 issue of the Advisor.]

**BUSINESS NEWS**

Chile’s SQM Reports Sharp Rise in Profit for Third Quarter

Chilean miner SQM, the world’s second-largest lithium producer, on Wednesday posted a sharp rise in profits in the third quarter as strong demand for the metal, a key component for electric vehicles, drove up prices, Reuters reported. Net profits for the quarter increased to $106 million as compared to $1.7 million in the same period last year, while revenues were up 46 percent year-on-year to $661.6 million. “These results were mainly driven by much higher sales volumes in the lithium, iodine, specialty plant nutrition and potassium business lines, as well as higher prices,” SQM chief executive officer Ricardo Ramos said in a statement, Reuters reported. He added that the company’s expansion of lithium operations was yielding positive results and allowing SQM to boost sales volumes by more than 80 percent as compared to last year. The company also said it had registered a net income of 37 cents per share, the Associated Press reported. However, the results did not meet analysts’ expectations, with an average estimate of four analysts surveyed by Zacks Investment Research expecting with an average estimate of four analysts surveyed by Zacks Investment Research expecting an estimated earnings of 51 cents per share, the wire service reported. The analysts had also estimated higher revenue of $672.2 million.

A **FEATURED Q&A** / Continued from page 1

*Robertito Piazza, vice president for Brazil at SBA Communications: “The 5G auction in Brazil was very successful. The final terms allowed the entry of new players to stimulate competition and support the development of the innovative new services and business models that 5G enables. Moreover, the auction’s proceeds will largely be devoted to the expansion of coverage, capacity and technological advances to underserved communities—close to 40 billion out of the 47.2 billion reais raised will be invested in upgrading and expanding telecommunications infrastructure throughout the country. For example, auction winners committed to providing 5G coverage to cities with more than 30,000 inhabitants and ensuring 4G coverage on highways, underserved communities and public schools. The potential benefits of 5G-enabled advanced telecommunications technologies are fundamental to Brazil as they have the potential to address some of the most complex challenges the country faces today, including climate change, unemployment and equal access to quality education and health coverage. For example, 5G will facilitate connected sensors and remotely controlled devices for environmental management and health care. In addition, improved broadband services over wireless connections will support sophisticated media and applications for education and remote work. Critical wireless infrastructure such as towers, poles, data centers, reliable energy and both fiber optic and microwave connections are the foundation for 5G-coverage expansion and telecommunication services’ improvement. The towercos’ business model of infrastructure sharing is a key component to support and ensure equitable access to connectivity, through capital and environmental efficiencies. Governments should support regulatory frameworks that incentivize infrastructure sharing and address communities’ concerns about tower proliferation.”

A Nathalia Foditsch, senior policy and regulatory specialist at the Alliance for Affordable Internet of the World Wide Web Foundation: “This has been a big year for spectrum around the world, with the highest number of assignments since 2017, according to the GSMA. Brazil’s 5G tender, hailed as the largest ever according to the OECD, resulted in more than $8 billion for the treasury, which is $3 billion shy of the $11 billion that the ITU and the Alliance for Affordable Internet (A4AI) estimated is needed for required infrastructure investments to connect the whole country by 2030. While the tender’s main goal was reportedly to establish coverage obligations rather than raise funds, civil society groups as well as one of the Federal Court of Accounts’ ministers have raised concerns over its process, arguing, among other things, that tender prices were calculated incorrectly and that higher amounts should have been collected. Although the tender process was mired in controversy, Brazil’s digital economy needs to make the most of the potential presented. Furthermore, various policy and regulatory aspects will need to be addressed to further support the country’s digital development. A good example is the deployment and strategic expansion of fiber networks critical to 5G’s success, especially in the north and northeast regions of the country. Another critical area of attention for the regulator, Continued on page 4
Anatel, is on access to secondary use of spectrum, which is new in Brazil, and a management system to facilitate this is thus being created. The goal should be to open opportunities for smaller operators and complementary service providers within the sector to get their fair share of this key finite resource.”

Jorge Fernando Negrete, president and chairman of Digital Policy & Law Group in Mexico City: “The government prepared a powerful digital agenda focused on Brazil’s strengths: the countryside and the mines. For the 3.5 GHz frequency, the auction established specific obligations for the winners, in particular, the expansion of the fiber optic network and the structuring of the 5G private communication network for the federal public administration, with security protocols. The 5G auction defined that the technology should be available in all Brazilian capitals by July 31, 2022. It also established the obligation to connect 503 municipal headquarters with fiber optic backhaul and connectivity for schools. The Brazilian government generated a bid for a value of $8.4 billion for the 5G network, where 90 percent of the bid will be investment, not collection. The result? Spectrum for the three largest operators in Brazil—Vivo, Claro and TIM. But in a phenomenon not seen before in the region, six new operators entered the market: Winity II, Brisanet, Consórcio 5G Sul, Neko, Fly Link and Cloud2U. One of them acquired the 700 Mhz band to provide wholesale service. The Brazilian model sought to consolidate its large telecommunications operators, generated incentives and an appetite to invest, dispersed the benefit of investment in infrastructure and forgot the spirit of tax collection from which the region suffers. The auction will digitize the country’s public administration, and it has a social vocation as well as integrated new operators. It decentralized the effort and benefits of 5G for Brazil’s city governments, as well as in rural areas.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.