The future of telecommunications in Brazil

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After having managed the public budget for the entire administration of President Lula da Silva, in the Rousseff administration as minister of communications Paulo Bernardo is in charge of moving the telecommunications sector forward. “We cannot be the fifth economy in the world with the current telecommunications infrastructure,” he says. He argues for updating regulation and is an avid consumer of new technologies (recently, he began reading the daily news on an electronic tablet). He believes that legislation needs to be changed to make the triple play package (broadband, telephone, and pay TV) “a reality in the marketplace.”

The Brazilian Economy — What are the administration’s priorities for the Ministry of Communications?
Minister Paulo Bernardo — We cannot do without the Internet for cultural and educational purposes, and we need it to boost trade and help generate employment and health services, among other purposes. We are lagging behind. We need not only to catch up quickly but also to think about where communications in Brazil will be in 10 years. South Korea will have ultra-fast broadband, up to two gigabytes, by 2012, and the United States is investing heavily to bring high-speed connections to the entire country.

How can Brazil take such big steps?
We have to take advantage of the existing infrastructure to increase people’s access
to telecommunications and at the same time strengthen it to support an economy that will be based more on information. The new middle class, who rose during the government of President Lula da Silva, will increasingly demand new technologies. People want their own computer and an Ipad; they are eager for more information. Industry, service providers, and trade all need an even faster Internet.

How will the National Broadband Plan help achieve these goals?
We are talking to the economic agents engaged in broadband to join forces and help us make the National Broadband Plan (PNBL) a reality. This can be done in the short term without huge investments, but to build the Internet that we will need in 2020, we must have a strategy, and know how to finance it.

It’s estimated that the PNBL will cost US$18 billion. How will that be financed? Will private capital participate?
We have not defined anything yet, but we could work with a concept similar to what we do in electricity: The government auctions to private companies authorization to build transmission lines, and there are also auctions to purchase energy transmission. Companies are now buying energy for 2016. The idea is that the market, the Brazilian government, states, and private enterprises would buy futures for the right to transmit data.

What will be the role of the state telecom company, Telebras?

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Telebras was reactivated because the government was convinced that the private telecom companies were not doing the job. They did not have strategies to provide broadband to meet the demand of households and businesses everywhere, from north to south. The predominant practice of operators today is to provide fewer services for higher prices rather than building volume. We will work to reverse that. Telebras is laying down an optical fiber network and works in partnership with the private sector. If necessary, it will provide Internet services, but that is not the main goal.

How will the National Telecommunications Agency (Anatel) participate in this model?
The government will formulate policies, and Anatel will supervise and regulate. If the regulatory model needs to be changed, that will be done by Congress and Anatel will carry out its mandate. At the beginning of the Lula administration there was a debate about whether the government wanted to limit the autonomy of regulatory agencies — similar to the debate about how much autonomy the Central Bank should have. Anatel, like other regulators, is autonomous, but the executive branch formulates policies for the sector.
Innovations in telecommunications mean that the rules set 13 years ago when the sector was privatized must be constantly updated. How do you intend to work on that?

Among the proposals Congress is considering is draft law No. 116, which addresses whether a telephony provider can also provide broadband and cable TV. The triple play package (broadband Internet, pay TV, and landline phone) is popular, and we are running behind on regulating it. This raises both regulatory and economic technical difficulties. We have only two alternatives: review the regulatory framework, addressing the issues separately, or change everything to allow companies a single license. Companies whose bids win would provide all services, which would facilitate monitoring. Today, because the situation is not regulated, Anatel cannot require carriers to correct any flaws. Anatel has been discussing the issue of a single license, and the ministry thinks it might be a good option.

In reviewing regulations, would you consider a reduction in phone rates?

This continuing debate in the ministry will intensify, especially on how to reduce the rate for low-income users of prepaid cell phones, whose prices are too high. We know that the interconnection rate [between different companies] severely penalizes consumers with less purchasing power.

**Will reducing those rates help the government fulfill its promise of bringing low-cost Internet to the entire country?**

I had not been aware of how much impact the Internet is having on society. People are so avid for a better computer and a faster and cheaper Internet that this is becoming as important as having electricity. I find the social impact fascinating.

**Brazil has a huge number of cell phones but they are not used much. Why?**

We are champions in the number of cell phones, with 202 million, just over one per inhabitant. But recent research by Merrill Lynch shows that while Brazilian users speak on the phone on average 113 minutes a month, the average is 185 minutes in Mexico and 164 in Chile. One of the main reasons for this discrepancy is that the price here is higher than in the rest of the world.
What other reasons?
In a recent meeting with consumer protection agencies, it was clear the major complaint was phone credits. A consumer buying a credit for a prepaid phone does not know exactly what he is acquiring. He will use it until the credit runs out, and the operator releases the bonus only if he acquires a new credit. There are many obstacles that will take time to mend, because there are contracts. We have to manage the current situation while we build a system that we will use in 2020. There is no way to be the fifth economy in the world with the current telecommunications infrastructure.

The operators argue that one obstacle to improving the quality of cellular services is that the frequency spectrum is saturated. What can be done?
This is really a problem, because the spectrum has a limit. We are well advanced in negotiations with the Ministry of Justice to release the 450 MHz frequencies used by the Federal Police. In most countries, police transmissions use lower frequencies, between 380 and 400 MHz. The Federal Police have agreed to migrate, and we have already secured US$41 million for equipment to facilitate the migration. This will free the 450 MHz frequency to be used for rural telephony. We are working to bid this service out later this year.

What changes do you intend to accomplish in broadcasting?
This is a very sensitive sector that needs special attention. We are completing a study of all broadcasting operating conditions — licensing, inspection, and activities. We will define some changes that are needed but expect that the law we have today will not change.

Do these changes include restricting ownership of radio and TV by foreigners and politicians?
We have scrutinized all legislation passed since the Constitution and found no clear statement about whether politicians may own radio and TV stations, though they cannot be a director or managing partner. I think we should ban it, but obviously you need legislation for this. The ministry cannot make such a decision itself. The political party system should not have access to ownership of broadcasting, because it upsets the whole system. And there is a serious conflict of interest: decisions to grant radio and TV concessions are made by the National Congress.

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