

Long-term network investment incentives should provide significant benefits to the mobile market



Key lessons

- **The aim of the 2021 auction for 700 MHz, 2300 MHz, 3500 MHz, and 26 GHz spectrum was to encourage market interest and to incentivise network investment.**
- **To achieve this, significant changes to licence terms were introduced based on public-private dialogue, including extended licence lengths, automatic renewals, and options to convert investment in underserved areas into payment reductions.**
- **The positive effects from the increased investment certainty and investment incentives were visible through vast market interest in the auctioned spectrum and immediate 5G network rollouts by successful bidders beyond licence requirements.**
- **However, with some spectrum remaining unsold in the auction, further adjustments to reserve prices may be required to support future growth.**

Background

In 2019, the Brazilian senate agreed a package of amendments to the General Telecommunications Law (LGTT). The changes were based on a two-year dialogue with industry and were aimed at updating and modernising the legislation, by introducing longer spectrum licence terms, and automatic renewal of licences. Furthermore, the changes included incentives to promote investment in (rural) networks by allowing operators to own assets such as land and base stations compared to a prior requirement to return assets to public ownership.

In 2021, Brazilian regulator Anatel launched the first multi-band spectrum auction for 700 MHz, 2300 MHz, 3500 MHz, and 26 GHz spectrum under the new legislation. The auction attracted strong interest from the market, as fifteen companies registered to participate in the auction. The bidders included the three national operators Claro, TIM and Vivo, a new entrant with wholesale ambitions – Winity Telecom – and a number of regional operators and other entrants.

Ultimately, eleven operators were able to acquire spectrum, with Claro launching 5G services using the 2300 MHz band one month after the auction.

Benefits from the policy

Within the 3500 MHz band, the available 400 MHz was split into eight lots – four lots of 80 MHz and four lots of 20 MHz. Whilst deviating from the international standard practice of relying on 5, 10 or 20 MHz lots, the design was sufficiently flexible to allow each of the three main operators to acquire 100 MHz of contiguous spectrum.

There was strong demand for most spectrum, driven by a variety of incentives introduced by Anatel to promote network investment:

- licence terms were increased to 20 years to provide investment certainty.
- to further strengthen certainty, licences included clauses for automatic renewal subject to fulfilling coverage and service obligations.
- operators could make yearly payments over the licence term, thereby reducing the one-off financial impact from spectrum acquisition.
- the cost of compulsory licence obligations was deducted from the price of spectrum to promote investment in rural areas.
- bids over the reserve price could be converted into voluntary investment obligations.



Long licence terms with automatic renewals



Annual payment option



Increased investment incentives

Final impact

The impact of the increased investment incentives became apparent straight after the auction. Whilst the licence conditions stated a need for 462 antennas to be installed, Anatel had received about 1400 requests to install antennas in less than a year, roughly three times the initial requirement.

The reforms to Brazil's telecommunications laws and subsequent spectrum licensing decisions by Anatel paved the way for a successful auction with imminent network investment – demonstrating the consumer benefits derived from targeted regulatory reform and spectrum licencing based on public-private dialogue.

To continue supporting the future data growth within the Brazilian market, more spectrum will be needed, placing emphasis on initiatives such as the potential release of additional 5G spectrum in the 3.8-4.2 GHz band. Adjustments to reserve prices will thus be key to ensure long-term benefits for mobile consumers derived from financially sound network investments by operators with access to affordable spectrum.

