

Telecommunications Equipment & Services

Overview

With about one third of the region's population, Brazil is Latin America's largest telecom market. The outlook for 2012 is very promising. According to the Brazilian Central Bank, in 2011 the telecom sector attracted US\$6.6 billion in foreign investments, ten times the US\$656 million that entered the country in 2010.

Gross revenue for the telecom industry as of September 2011 was US\$90.4 billion, and the market estimates this will reach US\$120 billion in 2013. Services continue to drive the sector with total revenues of US\$81.9 billion split among fixed carriers (38.0%), mobile carriers (41.1%), pay TV (8%) and trunking (4%). Manufactured products account for US\$8.5 billion (9%).

Sales of manufactured products experienced an 8% decrease compared to the previous year, mainly due to the exchange rate. Most of the large telecom OEMs have manufacturing facilities in Brazil, giving the country one of the region's best telecom infrastructures.

Telecom Sector - Gross Revenue (as of September 2011)

US\$ Billion	2009	2010	2011 (3 rd quarter)
Telecom Equipment	10.8	9.8	8.5
Fixed Telephony	44.9	44.9	34.2
Wireless Telephony	39.7	43.3	37.1
Pay TV	6.3	7.1	6.8
Trunking	2.6	3.6	3.7
Total	104.4	108.8	90.4

Source: Telebrasil (Associação Brasileira de Telecomunicações) <http://www.telebrasil.org.br/> and Teleco (Inteligencia em Telecomunicações) [http:// www.teleco.com.br](http://www.teleco.com.br)

Telecommunication Market - General Indicators – # of Subscribers

US\$ Millions	2009	2010	2011 (3 rd quarter)
Wireline Telephony	41.5	42.0	42.7
Wireless Telephony	174.0	202.9	227.4
Pay TV	7.5	9.8	11.9
Broadband	11.4	13.8	16.2
Others	2.5	3.3	3.9
Total	236.8	271.9	302.1

Source: Telebrasil Association and Teleco

Telecommunications Equipment Market

US\$ millions	2009	2010	2011	2012 Est.
Market Size	10,804	9,832	11,464	12,610
Local Production	9,432	8,145	9,179	1,097
Exports	1,001	787	635	698
Imports (Global)	1,372	1,686	2,285	2,510
Imports from U.S.	970	1,067	962	1,058

Source: ABINEE - Brazilian Electrical and Electronics Industry Association

With a promising economic outlook and rising prosperity, demand for broadband in Brazil is expected to soar. Broadband operators have been struggling to keep up with the growing demand, which has led to problems of system overload. Brazil's government has been drawing up plans to spread broadband across the vast country in one of the world's largest infrastructure projects. Two major factors have inhibited the growth of broadband in Brazil: shortage of fixed-line infrastructure, and broadband prices, which are too high for the Brazilian socio-economic environment. On the other hand, the growth of mobile broadband in Brazil has been nothing short of spectacular, attracting more than four million subscribers. Moreover, the telecom carriers have already started to invest in physical and optical fiber access in order to prepare the country for the deployment of Long Term Evolution Technologies (LTE) to be auctioned in June 2012.

The largest wireless telecom carriers are: Vivo (Telefonica) – 29.7% market share; Tim (Telecom Italia (26.6%); Claro (America Movil) 24.8% and Oi (Private Brazilian Funds and Portugal Telecom) 18.6%.

Sub-Sector Best Prospects

With the spending power of Brazilian consumers on the rise and the upcoming 2014 World Cup and 2016 Summer Olympic Games, strong demand can be expected for fixed and mobile broadband, mobile telephony, and other wireless products such as smart phones and mobile applications. Brazil's telecommunications industry regulator Anatel has an ambitious agenda to overhaul the country's regulatory framework. The General Plan for Updating Telecom Regulations, known as PGR, includes lists of actions to be carried out in the short term, medium term, or long term. Among others, there are plans to develop open networks in the country through local loop unbundling and through structural or functional separation regulations.

Cellular Phone Services: The digital gap between Brazil and developed regions like Europe is closing, and Brazil will not be far behind its US and European counterparts in launching Long Term Evolution Technologies (LTE). The arrival of LTE will bring opportunities for equipment suppliers to provide new solutions that will leverage the main benefits of technology, spectral efficiency, improved signaling capacity and increased energy efficiency. Telecom operators recognize the need to broaden their offerings in order to win the loyalty of new customers, retain existing users, and benefit from the market potential of non-voice services. Price cutting and value-added services including faster data transmission, enhanced multimedia capabilities, and improved new types of media are the most critical strategies for luring customers.

Satellite: After years of stagnation, the satellite market grew 9% in 2011. The demand for this service is still growing, especially in the video segment, e-learning and broadband services in the remote areas of the country. Market analysts are witnessing strong growth in demand for backhaul - not only from telecom companies, but also from the financial services and retail segments - while there is also potential with government-driven universal access initiatives. New compression technologies will force the reduction of prices for this type of services and as a result of that, regional broadcasters are planning to change the current microwave distribution infrastructure for satellite solution. There are good prospects for trunking services for regions where there is no optical fiber, distance learning, corporate TV (with media and sales points), and municipalities that are interested in building their own Internet network.

Broadband: As of September 2011, Brazil had approximately 16.2 million subscribers, a significant increase from the previous year. The Brazilian government unveiled Brazil's national broadband plan (NBP) aimed at addressing the country's soaring broadband usage demand. The proposal, entitled "A National Plan for Broadband - Brazil at High Speed," lays out the government's goals to be accomplished by 2014 when Brazil hosts the World Cup. Goals include increasing individual access to fixed broadband service in Brazil to 30 million people, providing 60 million users with mobile broadband access, and connecting all government agencies, public schools, public health facilities, public libraries, and federal state and local law enforcement agencies to the plan's expanded broadband network. The plan also calls for the construction of 100,000 new community "telecenters" with broadband access designed to reach the rural areas of Brazil. Local experts predict government investments in the NBP as essential to sustaining Brazil's economic growth, increasing its economic global competitiveness, and enhancing the social welfare of its citizens. The plan envisions a concession model that utilizes existing telephone fiber optic networks, and calls for government investment of US\$26.5 billion and US\$49 billion in private investment.

Pay TV : The Brazilian market for pay TV generated gross revenue of US\$6.8 billion as of September 2011 with approximately 16.2 million subscribers. This market is expected to grow at least 10% in the next year, mainly because of the increase of the broadband penetration in the country.

Auctions of 4G (Long Term Evolution (LTE): Brazil's telecommunications regulatory agency, ANATEL, is planning to auction the 2.5 GHz and 450 MHz soon. OEM's and local carriers are waiting for the 2.5GHz auction to upgrade their networks for LTE technology. Auction of 3.5 GHz band is expected for the second half of 2012, while a decision about the 700MHz auction is still on hold. All segments in the industry (radio, TV, telecom carriers) are looking for the 700MHz, but the Brazilian government decided not to discuss use of this band before digitalization of all Brazilian channels is wrapped up, slated for July 2016.

Opportunities

Opportunities for U.S. suppliers exist in the areas of 3G-network maintenance, LTE services and applications, broadband internet infrastructure, application software, and wireless communication networks. Trends continue to be toward convergence, i.e., adding telecommunications services, to maximize the benefits derived from investments and efficient operations.

Best prospects for US suppliers include all type of solutions to improve the broadband market via cable modem and wireless, home networking platforms and video-on-demand services, among others.

Web Resources

- ABINEE: www.abinee.org.br
- ANATEL: www.anatel.gov.br
- Telebrasil: www.telebrasil.org.br

Trade Events

- Futurecom - <http://www.futurecom.com.br>
8-11 October 2012 - Rio de Janeiro
- Broadcast & Cable - <http://www.broadcastcable.com.br>
21-23 August 2012 - São Paulo

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist Ebe Raso: ebe.raso@trade.gov