

The privilege and responsibility of being an example

Speech delivered by the president of the National Telecommunications Agency (Agência Nacional de Telecomunicações, Anatel) at the Global Symposium for Regulators, in Geneva (Switzerland), 3-5 December 2001, during the presentation of the **Effective Regulation Case Study: BRAZIL 2001**, prepared by the International Telecommunications Union (ITU).

This moment is gratifying for me, for the institution that I am honored to preside and represent here, and also for my Country. To see and feel the National Telecommunications Agency, Brazilian Anatel, nominated as a regulating agency example because of its seriousness, efficacy, coverage and due to the transparency of its work, is a feeling that touches and elevates the healthy nationalism that resides within each one of us who form and give life to this institution.

Established on November 5th, 1997, Anatel was conceived according to the same strategic view that, since 1995, has been building the new model for Brazilian telecommunications. Its creation resulted from the understanding, a daring one for that moment of the national political history, that in order to restructure and modernize Brazilian telecommunications, it would not suffice to open the market and privatize the sector's state-owned companies. The task, wide-ranging and profound, demanded an agent that made the process viable and lead it, one that would carry out the role of regulator and inspector in the sector in which the State would no longer be performing as an enterpriser.

Anatel is such an agent, and it has authority to be so. The authors of Case Study : ***Effective Regulation - BRAZIL 2001*** were right when they said: "One thing is a country making the political decision to create an independent regulating agency; another thing, quite different, is to give this agency power to work in an independent and effective manner." Anatel started from scratch, without a national antecedent to mirror itself on, without a book composed of chapters and verses teaching how to operate, how to regulate and how to inspect. Nonetheless, it has shown everyone what it came into being for.

During the year before Anatel was established, the Communications Ministry carried out, throughout Brazil, a little more than 7 thousand inspections in the telecommunications sector; this year, up to November, we had already surpassed the mark of 400 thousand inspection actions. Never before had a Brazilian public institution applied so many warning, pecuniary and reparation actions, even though we believe that an educational function, and not punishment, is the scope a regulation authority must have. Anatel's uniqueness is completed by the fact that, during its four years of existence, recently celebrated, the Agency produced 23 thousand documents.

I must offer you, ladies and gentlemen, a few more details on Anatel's profile, many of which explain the facts that I have just revealed. The agency that regulates Brazilian telecommunications is a special autarchy, not subordinated to political powers and not connected to the

sector's service renderers. Gifted with an institutional personality, it is autonomous both administratively and financially. Anatel's decisions are terminative, and can only be altered by the Judiciary Power. The Agency gives its acts total transparency and all decisions are taken by the higher management collegiate, a format that favors decision-making and avoids personalism. These are the reasons why Anatel is an expressive and pioneering mark in the change of the Brazilian State's posture regarding public services.

Anatel participated actively in establishing the framework for the privatization process of the state-owned telecommunications companies, preparing the regulatory ballast for these companies to be sold and putting together the scenario in which private service renderers and their future competitors would perform in. It is now working on the task of regulating, granting licences and of inspecting the exploitation of Brazilian telecommunications services. In the sequence of the process that builds the new model for the sector, it is up to Anatel not only to maintain the conquests that have been guiding telecommunications in my Country, with significant social, economic, political and cultural reflexes; the Agency must also sustain the modern profile, the evolutionary dynamics of telecommunications and of the segments correlated to them, and it has the attribution of perfecting and making its activities adequate.

To conclude this profile, and in order for the evolution that took place in Brazilian telecommunications to be understood well, I will emphasize another fundamental and remarkable aspect of Anatel's activities and of the new model: all of the revolutionary work that builds this model is based on the principles of universalization and quality competition, in order to fully attend, in the telecommunications field, to the needs and rights of the Brazilian citizen of all social strata.

I can safely claim that Anatel has been fulfilling its attributions to their fullest potential. I am proud to say that thanks to the work the Agency has carried out, in consonance with a daring and strategic project, in the past few years the Brazilian telecommunications have left stagnation behind and reached the podium of those who are moving forward. I can also claim that this sector's near future reserves equal or even greater surprises, even for those who have kept up closely with Anatel's activities and with everything this regulating agency has been accomplishing in telecommunications in Brazil. I will start by offering you examples of our consolidated conquests.

In April 1997 – thus, before Anatel –, having access to fixed telephony used to cost approximately \$1.200 (up to \$5.000 in the parallel market) and it took years for the service to be installed; today, in a few regions, such access costs some \$7. Moreover: nowadays it is common to see operators offering the user a second line to be installed immediately. There are no more waiting lines; and the privilege of owning a telephone line, that used to be only for richer families, has been expanded to all. Unquestionable numbers, collected solely in the three and a half years post-privatization, signals this period in which the process was under Anatel's responsibility.

On the date of the privatization – July 29, 1998 – Brazil had 20.2 million fixed accesses installed; in October, this year, this plant reached 45.7 million. In the same period, the index of the poorer families that have a telephone line jumped from 8% to nearly 50%. Public telephones have gone from 547 thousand to 1.35 million; anyone who does not have an individual telephone line does not have to walk more than 800 meters to find a public telephone. All locations with more than 1.000 inhabitants have at least one of these telephones, including native Brazilian tribes imbedded in the most isolated and remote regions of the Amazon. Mobile telephony also made giant leaps. The plant, of 5.6 million accesses in July 98, in October 2001 neared 27.5 million.

The adoption of the call by selection scheme in July 1999, released the user from the ties to a single provider for long distance calls, both national and international. The competition, that used to exist only among mobile service operators, advanced to fixed telephony when mirror companies (regional) and “little mirror” companies (local) began operating. This opening reached satellite services, increasing competition. Data communication services, until recently rendered by 32 state-owned companies, currently add to more than 200.

Among the several interaction channels Anatel has with the society, the Call Center alone answered 4.7 million calls in 2000; we already have 18 of the 26 “Citizen Rooms” foreseen for each one of the Brazilian capital cities installed. Last year, our digital (virtual) library published more than eight thousand documents and received 4.3 million visits. Furthermore, we gave continuity to the activities of the Anatel Cultural Space, an art support center that is currently a reference among the Brasília cultural addresses, the city where the Agency's headquarters are located.

I will now speak about the near future, a horizon of great changes, but equally prepared by Anatel in order for Brazil to receive, assimilate and use technological advances that have been arriving here too.

Building the new Brazilian telecommunications model will enter, in January 2002, in the deregulation phase, as had been foreseen strategically. The freedom, without technical or geographical borders, that the companies will conquer, next year, to perform in the area of their competitors in rendering diverse services will certainly shake the sector up once again. New and wide-ranging benefits will result from this shake-up, and they will strengthen both the economic democracy and the society as a whole.

Anatel will continue firm in the purpose of insuring the players do not establish themselves only in the most attractive and lucrative telecommunication services. The essential principles that guide the construction of the new model – universalization and competition – remove from our posture any populist sense, such as someone could mistakenly classify it. It also poses no threat to the number of competitors nor to the competition level, as some are concerned may happen. Also, no commitments will be being imposed that may make it more difficult for operators to act or which may represent threats to the companies' financial results. Quite the contrary, we hope to continue attracting and stimulating investments in the sector.

In other words, ladies and gentlemen, Anatel will continue guiding the performance of the revolutionary work that is restructuring and modernizing Brazilian telecommunications according to technical and economic parameters, to juridical principles and social objectives. The era in which regulating the sector was aimed at the operators and not at the user is dead and buried. This means that this revolution's main focus continues centered on the citizens' needs and rights.

Deregulation will cause other changes. As of next year, mergers, consolidations and partnership restructuring among business groups will gain shape. This process will start with Personal Mobile Services. This will continue with new entrants, regional mirror companies that fulfill all of the contractual obligations foreseen for December 2002 and, finally, with the Fixed Telephony concessionaries that move up and accelerate the goals committed for December 2003. This is a long process, foreseen for conclusion by 2005.

The modernity the Brazilian telecommunications system has reached in the past few years is unquestionable. One of the strong examples of this evolution that goes beyond the positive economic and social reflexes was seen in the Brazilian elections in October 2000. Had not the new Brazilian telecommunications model brought-on technological development, preparing the system for the era of telematics, the

electronic ballot boxes would have been worthless, and the economy they represent in resources and effort, in trustworthiness and in quickness in the electoral process could not have been achieved.

Once voting had been concluded, what was witnessed was surprising. An extraordinarily large flow of information, coming from all quadrants of the Country's 8.5 million square kilometers, began instantaneously, fed data centers and was placed at the disposal of each Brazilian citizen in real time. For the first time in our Country, voting and vote counts began and were virtually concluded in less than 24 hours, with the counting of 310 thousand electronic ballot boxes that totaled 92 million votes. On that occasion, the legislative power and the head of the executive of 5,500 Brazilian cities were elected, totaling 70 thousand people put into office in a universe of 382 thousand candidates.

The near future of the Brazilian telecommunications, I repeat, will be the scenario of major and surprising achievements. The time in which Infoways will open to all citizens – from the native Brazilian tribes to the most developed urban centers – communication channels in order for components of all social strata to participate directly in decisions that influence national destiny is nearing. The resources of the Telecommunications Services Universalization Fund as on the General Telecommunication Law (the Fundo de Universalização dos Serviços de Telecomunicações, Fust) will insure, by and large, the construction and arrival of the Infoways to the most remote locations in Brazil.

In the immediate future, the Fust resources start to assist the needs of rural telephony in regions that don't even count on roads or trails as communication systems. The Fund will serve to implement public telephone programs and projects in nucleuses with up to 100 inhabitants, over and beyond individual access in schools, health units and libraries located in isolated locations. In other words, units that will count on support for distance learning and for professional capacitation and training, among other benefits in the medical and sanitary and teaching fields. In sum, ladies and gentlemen, the Fust has everything to begin a revolution in the already advanced revolution that is changing the profile of Brazilian telecommunications.

Important advances are also expected in the Pay TV sector, which, in the past four years, has grown from 96 to 216 licensees. When all of these stations are operating, they will cover a huge area where there are nothing less than 21 million homes. Thanks to the major increase in competition, instead of the five groups that used to perform in the area until very recently, more than 100 companies will be operating in the

sector throughout the Country. With this, it is expected that paid TV will jump from the current 3.5 million users to more than 10 million users in the next few years.

The new model of Brazilian telecommunications, although it is still in construction, has already reached a clear stage of competition in the mobile service, satellite, long-distance and data communication segments. The major challenge is still local telephony, where the new entrants have yet to respond adequately to market expectations. This situation, even though it was not desired, was foreseen.

This context concludes a lesson. Wide-ranging and total opening, in and of itself, does not mean full competition. To reach such a stage, it is necessary to have a certain balance between competing forces. In this step, regulatory asymmetry – differentiated treatment among operators – will allow for less strict levels of requirements, commitments and capillarity to be established for new entrants than those that were required of the dominant providers.

The regulation of a new service, the Multimedia Communication Service is another fact that gained major repercussion. This regulation resulting of technological convergence, creates competition incentive mechanisms and stimulation for multi-service platform expansions (audio, video, data, sound and image) in the Brazilian telecommunications market, whether they are based on optical or radio-electric means, whether they are destined to home or corporate users. Creating a new integrated fixed service, in which the combination of the telecommunications form that is used, of the medium that is used and of the selected technology will open an infinity of multimedia service rendering alternatives.

The entry in operation of new Personal Mobile Service companies allows one to forecast the increase in the offer of mobile telephony services and the increase in competition among operators. The Personal Mobile Service, a service flexible to accept new technologies that will follow the Cellular Mobile Service, currently rendered in Brazil by several A and B band operators, will doubtless be a vector for other qualitative and quantitative leaps in this segment.

On purpose, I reserved for the last part of my speech, the matter of selecting the digital standard, one of the most expressive facts expected for the near future of telecommunications in Brazil. This technological advancement will open to Brazilians, among other things, the possibility to take advantage of the marvels and benefits of high-definition TV. A few people may think this has taken a long time to happen. To those who

have such an opinion, I repeat: if the matter were evaluated in a superficial and simplified manner, we may already have made the decision, since there is great technical richness and a huge set of subsidies available for this. Why is it, then, that after two years of work, such a decision has not been made as of yet? Because this issue is not limited to selecting the technology for digital standard television transmissions, rather, going from the analog to the digital standard represents a major transition, a revolution that goes well beyond the technological aspect. Unfolding this passage involves:

- ✓ Full review of the current paradigms;
- ✓ An opportunity to develop political and administrative, educational, economic and cultural aspects;
- ✓ Contribution to eradicate the “digital divide”;
- ✓ Forming a new business model for the entire value chain in the broadcasting sector;
- ✓ International balancing items and investments;
- ✓ Strengthening the industry’s research and development activities;
- ✓ Technology transference and continual capacitation;
- ✓ Industrial plant restructuring associated to production of high technology components;
- ✓ Search for and maintenance of balance in the commercial balance.

One must emphasize that the television segment did not have, thus far, an opportunity to aggregate other businesses to the current one, of entertainment and information. To work as telecommunication companies will require the current television stations to have a new business vision in order to better take advantage of the wide horizon that will be opened to them with digital technology.

Over and above all of this, any change in the open television segment interferes with the interests of more than 95% of the Brazilian society. It is also necessary to consider, on the other hand, that digital signals will gradually be adopted in the radio broadcasting field. This will be another extraordinary hop. Finally, it is imperative to consider that broadcasting is strategic for any country. These reasons justify the caution this matter has been being dealt with. In spite of this, we are closer to a definition than one might imagine.

Ladies and gentlemen, this is what we had to say. I cannot conclude this message, however, without before inviting the countries that are interested in getting to know our experiences as a regulator in a deeper and wider manner to feel free to contact us. We will be happy and proud to receive you at Anatel to show you all of the Agency’s organizational

and operational aspects, over and beyond all of the actions that have been building the new model of the Brazilian telecommunications.

Thank you very much.