New Report: Oi and Telefônica reporting continual declines in their subscriber bases

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All areas of Brazil's telecoms market saw growth in 2008 including the fixed-line market, which had previously reported a decline. This reflects the high level of competition present across the country, with several operators competing for subscribers. Alternative operators have more than held up the fixed-line market in 2008 with the incumbents Oi and Telefônica reporting continual declines in their subscriber bases. Cable operators and smaller companies such as CTBC and Embratel have been instrumental in bringing growth back to the fixed-line market, and BMI anticipates this will keep the market growing until 2011, by which time mobile substitution will finally win out.

For the first time, Oi reported its quarterly results including the operations of Brasil Telecom, which it finally acquired in January 2009. The merger has created a single operator with by far the largest shares of the fixed-line and broadband markets. However, as the results show, the merger has taken its toll with a 98% decline in net profit for the operator. Nonetheless, the new Oi should benefit from some significant economies of scale following the merger of its operations with Brasil Telecom and expects to become a major player on the Latin American telecoms stage.

In the broadband market, growth remained above 40%, with 2008 growing slightly faster than 2007 and seeing 10mn connections reached by the end of the year. As in the fixed-line market, it is alternative operators that have been providing large amounts of the growth in the market. Although DSL remains the favoured technology for broadband connections in Brazil, there is growing interest in cable modem connections with triple-play services helping to drive up subscriptions. However, the strong competition is causing operators to report declining ARPUs from their broadband operations although this should improve in the long run as subscribers require greater bandwidth for a wider variety of applications.

As mentioned in our previous report, we have concentrated on the fixed-line and broadband markets in this update, adding further data on the status of both markets and a look into some different technologies present in each. For this reason the mobile data analysis section has been left untouched although we have provided a full update of the mobile operator databases and mobile forecasts.

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