Early Warning System

IDBI-12166-01

CABO TELECOM

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Quick Facts

Countries	Brazil
Financial Institutions	IDB Invest (IDBI)
Status	Approved
Bank Risk Rating	B
Voting Date	2018-11-27
Borrower	Cabo Servicos de Telecomunicacoes Ltda. and Videomar Rede Nordeste S.A.
Sectors	Communications
Investment Type(s)	Loan
Investment Amount (USD)	$ 32.47 million
Loan Amount (USD)	$ 32.47 million

Project Description

According to IDB Invest, the transaction consists of a senior loan for a period of 7 years in the amount of R$120 million Brazilian reais to a group of service provider companies that belong to Triple Play Brasil Participações S.A. The purpose is to finance: (a) capital related to the expansion and/or modernization of the company’s existing network, (b) business development costs and (c) general corporate uses.

People Affected By This Project

1. Scope of Analysis

The scope of project analysis focuses on the four companies held by Triple Play Brasil Participacoes S.A., which is controlled by the American private equity fund ACON Investments LLC. The companies offer bundled "Triple Play" services (cable television, broadband, and landline telephone) in Brazil. The companies have separate identities and serve different locales: (a) Cabo Telecom in Natal (state of Rio Grande do Norte); b) Multiplay/Tecnet in Fortaleza (state of Ceara; c) Alegra in Sao Joao da Boa Vista (state of Sao Paulo); and d) Direta in Guaxupe (state of Minas Gerais).

Management of social topics, health and safety and labor relations for all four operations is concentrated at a single managerial office in Fortaleza, but there is also a dedicated team in Natal. The social and environmental audit included field visits conducted from 10 to 12 September 2018 to the offices and storage sheds of Cabo Telecom in Natal and Multiplay in Fortaleza. Documents and photographs pertaining to the small offices of Alegra, in Sao Joao da Boa Vista and Direta, in Guaxupe were reviewed.

Meetings were held with those responsible for management of human resources and labor relations, as well as personnel who handle legal, health and safety, occupational health, property security, operations, customer service, special projects, and network structure maintenance aspects.

2. Environmental and Social Categorization

The project was classified as "B" according to IDB Invest's Environmental and Social Sustainability Policy. Its risks and impacts are associated with project location, are of moderate magnitude and can be mitigated by easily-implemented existing measures.

Impacts associated with this type of operation include aspects of worker health and safety and adjustment of working conditions, as well as safety of the community in the vicinity of the offices and storage sheds. There is also a potential impact associated with the storage of fuels used to power the small backup generators in place at all four units. (Multiplay, Cabo, Alegra, and Direta - hereinafter referred to as "MCAD" as well as proper management of solid wastes generated during the activities.

3. Environmental and Social Context

TheTriple Playservices offered by the four units reach their users (small or medium-sized residential or commercial customers) via aerial cables attached to existing utility poles. New attachment points are being installed and additional cables connected to the electricity transmission poles present in the municipalities' grid where operations take place. This "external" installation service, as well as maintenance of the cables attached to the utility poles, is provided by subcontracted specialist companies.

MCAD units sellTriple Playservices to potential clients via telemarketing and provide those services to users, responding to complaints and questions. ANATEL, the National Telecommunications Agency, the government entity that regulates and supervises the telecommunications business in Brazil, has instituted various rules and deadlines that must be observed in terms of customer service, length of the call, hours when service is available, and promptness in cancellation of services and other actions. Reprimands may be issued, and penalties imposed on offending companies. The Fortaleza and Natal units provide service to the public from physical "shops" situated at the entrances to their headquarters buildings. They receive an average of 70 to 100 visitors every day.

MCAD units also have available at their headquarters special rooms for storage of servers and cable head-end apparatus. These need to be chilled and isolated from other parts of the office premises. The Natal and Fortaleza offices have external sheds that house the various kinds of equipment (cables, batteries, domestic transmission devices, remote controls, etc.)

Investment Description

- IDB Invest (IDBI)

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ACCOUNTABILITY MECHANISM OF IDB Invest

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).