Washington D.C., March 5, 2019

Sylvia Cristina Constaín Rengifo
Minister of Information Technology and Communications
Bogotá, Colombia

Carlos Lugo Silva
Director
Comisión de Regulación de Comunicaciones
Bogotá, Colombia

Re: Broadband Internet Access in Colombia: Sector Investment and Competition; Importance of National Automatic Roaming Policies; and Pending Regulatory Proposal Regarding CRC Resolution 5017 (CRC "Special Project" December 6, 2018)

Honorable Minister Constain and Director Silvia:

With appreciation of your work to date, we would like to express our hopes to be able to continue supporting the policies of the Government of Colombia ("GoC") through provision of risk capital and debt financing to interested parties in connection with the potential 700MHz spectrum auction, to help bridge the digital divide and promote economic growth in the country.

Today, we reach out to you to share our concerns regarding certain policies which has undermined the fundamental objective to ensure an enabling competitive environment for the mobile telecommunications market in Colombia, thereby posing a risk of inhibiting future foreign investment in this sector in Colombia.

Over the past five years, the International Finance Corporation ("IFC") has sought to directly support public policies of the GoC to accelerate investments in mobile broadband infrastructure and to increase competition in the provision of services related to internet access. Specifically, IFC has invested in Virgin Mobile Colombia, a mobile virtual network operator and Avantel S.A.S., the 4thfacility based mobile network operator that purchased a 10-year wireless data or 4G license in June 2013 through a competitive process (the "4th operator"). IFC sought to support investments reliant on enabling policies to improve broadband connectivity and competition, where given the highly concentrated mobile telecommunications market structure, market forces alone would struggle to spur competition given high economic barriers to entry. Such policy would have relied upon wireless spectrum provisions mandated for all 4G license holders, including the access to automatic wholesale roaming services at efficient costs with legacy 2G and 3G voice services regulated at tariffs based on long run incremental costs or Mobile Termination Rates ("MTRs"), which is not available today. The provisions were of paramount importance to enabling competition to promote affordable 4G data services, especially in the absence of regulatory framework on market dominance and imminent release of the 700MHz spectrum license.

Broadband policy is an essential driver of economic growth and equality. Digital connectivity is a fundamental enabler of civil society as the internet has changed the way people communicate and how goods and services are delivered. World Bank studies indicate a 10% increase in mobile broadband penetration could result in an increase in Gross Domestic Product ("GDP") growth of up to approximately

0.48%-0.60%[1]. Around the world today, 4G mobile technology is the most cost-effective technology to extend broadband coverage. As such, a competitive mobile telecommunication market that drives broadband penetration through increased investment and affordability is instrumental in promoting growth. In Colombia, these factors are especially important given very high levels of market concentration in the mobile sector.

We note the unique disruptive impact the 4th operator has generated in the market, fulfilling these objectives by increasing internet affordability over the past 18 months in the market:

- The net contribution of the 4th operator to GDP since the 4G spectrum auction in Colombia, on the basis of the relationship between increases in mobile penetration and GDP growth, may be estimated at around US$1.9 billion[2];
- The 4th operator can continue to deliver significant benefit going forward. As a result of its competitive pricing, if all mobile broadband subscribers were to pay the prices currently offered by the 4th operator in Colombia, the net potential savings for consumers are estimated at around US$6.3 billion per annum[3] (excludes increases service penetration levels that would increase this consumer surplus);
- Based on household survey data for 2017, mobile penetration resulting from the presence of the 4th operator may increase by 13.5%[4] as the service becomes more affordable in Colombia, which could generate an impact over the GDP of US$ 2.3 billion, increasing in GDP growth by 0.8%[5].

It has come to our attention that there is an ongoing regulatory process to amend certain provisions of the national roaming regulation through CRC Special Project of December 6, 2018. We monitor such debate with great attention for the significant implications it may have on the competitive landscape in the mobile broadband market in Colombia, as without imminent corrective actions to provide an enabling regulatory framework the 4th operator would cease to be viable. We understand CRC is proposing to eliminate voice roaming tariffs related to incoming voice traffic. We welcome such amendment while pursuant to the GoC sector policies to date and in consideration of the mobile telecommunication market context in Colombia, we highlight the importance that outgoing voice roaming traffic is also returned to tariffs consistent with an efficient cost framework as such to MTRs by removing the voice roaming glide path that increased voice roaming to average costs before returning to MTRs.

Colombia's voice roaming policies have a direct and significant impact on broadband connectivity, including affordability and quality of service that is critical for the sector and economic growth. Ensuring a competitive environment for the mobile telecommunications market is of paramount importance to enable future foreign investment in this sector in Colombia.

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[1] A World Bank study has found that in developing economies such as Colombia every 10% increase in broadband subscriber penetration accelerates economic growth by approximately 0.48%-0.60%

[2] Over the period 2015-2018

3 Assuming standard connection of 10 GB per month and pricing and penetration data for 2018

[4] Based on the assumption that the connection cost should represent less than 5% of average income (affordability threshold set by Broadband commission and ITU) – and recognizing that households need to purchase a device such as a smartphone or a tablet to connect; this also assumes average 3 people per household with at least one broadband connection

5 Based on 2017 GDP

With great appreciation of your consideration and we remain available to discuss the matter at your convenience.

Sincerely,

Aniko Szigetvari
Global Head of Telecoms, Media and Technology Investments
International Finance Corporation

Cc:
Juan Manuel Restrepo Abondano, Minister, Ministry of Commerce, Industry and Tourism
Clara Parra, Presidential Counsellor for Government, Private Sector and Competitiveness
Andrés Barreto González Superintendent of SIC
Gloria Amparo Alonso, Director of National Planning Department
Ernesto Macías Tovar, President of the Senate of the Republic
Martha Liliana Suarez, Director of the National Spectrum Agency
German Cufré, Head of TMT for Latin America and Africa for IFC – World Bank Group