



America Movil Asks Colombia to Stop Targeting Prices

By Crayton Harrison - Apr 4, 2012

[America Movil SAB \(AMXL\)](#), the wireless carrier controlled by billionaire [Carlos Slim](#), asked [Colombia](#)'s government to stop singling it out for price controls and regulations the company said are harmful to consumers.

Rules proposed in September that specifically target America Movil would be unfair, Alejandro Cantu, the carrier's general counsel, wrote in a [letter](#) to [Information Technology](#) and Communications Minister Diego Molano. The rules would force Mexico City-based America Movil to charge the same rate for calls on its network and to competitors. They would also require the company to pay more to rivals to complete calls on their networks than it's allowed to charge to receive calls from them.

Staving off new rules would help America Movil protect its lead in its third-largest market by sales after [Mexico](#) and [Brazil](#). The company's wireless revenue in Colombia grew 13 percent last year to 7.13 trillion pesos (\$4 billion), even as its market share [fell](#) to 62 percent from 66 percent in 2010.

"These measures affect the legal certainty that is required to make investments in a capital-intensive industry," Cantu said in the letter dated March 15, which was published yesterday on the Colombian news site Evaluamos. "Regulations should tend to promote competition, not competitors."

In an e-mail, Cantu confirmed the authenticity of the letter. The ministry had no immediate comment, said Margarita Maria Mora, a spokeswoman.

'Market-Share Power'

"It clearly has to do with their prodigious market share in the country," said [Christopher King](#), an analyst at Stifel Nicolaus & Co., of the new regulatory proposal. "The Colombian regulators are of the opinion that the market share power Comcel has there is not good for the industry or the country's economy."

In addition to the September proposals, Cantu said a 2009 measure by the ministry was harmful and hasn't helped users. In that decision, the regulator ruled that [America Movil](#)'s Colombian unit, Comcel, was dominant and capped its prices for calls to rival networks.

That decision has cost Colombian consumers \$100 million in higher prices, according to a study by

NERA Economic Consulting that America Movil commissioned and sent to the regulator. The new proposals will cost hundreds of millions of dollars more, NERA found.

Commissioned Studies

“There is no reason to believe that the significant cost that these regulations would impose on Colombian consumers would result in greater, or for that matter any, offsetting long-term gains in consumer welfare,” Gregory Sidak, chairman of Criterion Economics LLC in [Washington](#), said in a separate commentary also commissioned by America Movil and submitted to the regulator. “The sole beneficiaries of the proposed regulations are Comcel’s competitors.”

The new regulations would send a “substantial volume” of Comcel customers and sales to [Telefonica \(TEF\) SA](#) and [Millicom International Cellular SA \(MIC\)](#), unless those carriers raise prices to hold on to profits from the higher fees they get from America Movil, Sidak said.

Molano, who was named to lead the ministry in 2010, was previously deputy director of corporate relations for [Latin America](#) for Madrid-based Telefonica, the second-biggest Colombian wireless carrier after America Movil.

‘Regulatory Pressures’

In Mexico, where America Movil has 70 percent of wireless subscribers, regulators are considering measures to govern the company’s prices and quality after the nation’s antitrust commission found the carrier dominant in the market.

America Movil reported a Colombian profit margin last year of 48 percent, leaving out interest, taxes, depreciation and amortization. Of its operations in 18 countries, only Mexico and [Ecuador](#) were more profitable.

“We continue to see the company under increasing regulatory pressures across all its key markets,” said King, who advises holding on to the shares. “These are certainly issues that investors are going to have to deal with with America Movil for a while.”

America Movil [fell](#) 1.4 percent to 15.58 pesos at the close in Mexico City.

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