EXECUTIVE SUMMARY

Regulator re-opens 1700MHz and 2100MHz spectrum auction

El Salvador is the smallest country in Central America. Economic prosperity has been stymied by income inequality, poor infrastructure and inadequate social capital.

Despite these difficulties, the telecom sector has been one of the more successful within the overall economy. This is particularly true of the mobile telephony and data sectors, which are emerging as the country’s preferred telecom services given the poor state of fixed-line infrastructure in many areas. The use of text messaging and multimedia has gained traction as an alternative for voice services, and there is a clear trend towards services supported by 3G networks as these are expanded by network operators.

El Salvador’s fixed-line teledensity is substantially lower than the Latin American and Caribbean average. However, there has been a significant drop in the number of fixed lines since 2010, largely due to the substitution for mobile-only alternatives.

Mobile penetration is remarkably high considering El Salvador’s economic indicators, being about a third higher than average for Latin America and the Caribbean. Of the estimated total number of telephones in the country, 11% are fixed and 91% are mobile. However, the country is one of only two in the LAC region, alongside Cuba, which does not have LTE services. This is mainly due to the inadequate provision of suitable spectrum. Although an anticipated auction for spectrum will provide additional resources for mobile network operators, there is little indication yet that valuable spectrum in the 700MHz band will be released in the short term, particularly given the slow pace of switching off analogue broadcasts.

El Salvador’s telecom legislation is one of the more liberal in Latin America, encouraging competition in most aspects of the telecoms sector and permitting foreign investment in all areas. However, there are no regulations as yet which promote wholesale broadband, and thus the DSL
market remains a virtual monopoly for Claro. The only effective cross-platform competition in the broadband market comes from the few cable operators.

Although many companies launched services when the telecom sector was liberalised, the market has been undergoing a gradual process of consolidation, leaving a few dominant multinational operators (notably Millicom’s Tigo, América Móvil’s Claro, and Telefónica’s Movistar), which have managed to expand into almost all sectors through a process of convergence.

The mobile market is served by five operators: Tigo, Movistar, Claro, Digicel, and Intelfon.

The fastest growing sectors in coming years will continue to be pay TV and broadband (both fixed and mobile). The outlook is especially promising for mobile broadband, which could help to bolster the slipping mobile ARPU figures in the medium term. The longer-term prospect is also promising, particularly in the mobile sector where competition between Claro, Tigo, and Telefónica will oblige the operators to diversify services and reduce prices.

**Key developments:**

- Number Portability gains customer popularity;
- Digicel expands reach of HSPA+ services;
- Government increases tax on some telecom services to 18%;
- MTRs again reduced;
- MNOs fined for obstructing interconnection for new market entrants;
- Regulator re-opens spectrum auction for spectrum in the 1700MHz and 2100MHz bands;
- ASO to be completed by 2018;
- Central Reserve Bank finalises regulatory framework for mobile financial services; enabling a range of m-payment services via subsidiary companies set up by MNOs;
- Tigo launches satellite TV service, rebrands cable, broadband and pay-TV services as ‘Tigo Star’;
- Fixed-line and mobile interconnection rates reduced;
- Mobile network operators invest to provide near national mobile broadband coverage;
- Regulator’s market data updates to December 2014, telcos’ financial and operating data to Q1 2016, recent market developments.

**Market penetration rates in El Salvador’s telecoms sector – 2015 (e)**

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<th>Penetration of telecoms services</th>
<th>Penetration</th>
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<tr>
<td>Fixed-line telephony</td>
<td>16.3%</td>
</tr>
<tr>
<td>Internet users</td>
<td>30%</td>
</tr>
<tr>
<td>Fixed broadband</td>
<td>5.8%</td>
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<td>Mobile SIM (population)</td>
<td>146%</td>
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Companies Mentioned:

1. América Móvil (Claro)
2. Millicent International (Tigo)
3. Telefónica (Movistar)
4. Red
5. GCA Telecom
6. Salnet
7. Amnet
8. Sky TV

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