

ENTEL's subsidiary, Global Telecommunications S.A., applied in April 1989 for concessions to provide local service in specific business sectors of Santiago. CTC opposes ENTEL's applications on the ground that the Telecommunications Law does not allow a concession holder to carve out a specific area within an existing concession for a new concession. CTC also formulated objections to the tariff system to be applied, arguing that the guidelines for the tariffs must be similar to CTC's. The Undersecretary of Telecommunications has suspended all decisions concerning the granting of all the concessions while the dispute is pending.

The Undersecretary of Telecommunications attempted to mediate a negotiated settlement between CTC and ENTEL. No agreement, however, was reached and the Undersecretary of Telecommunications referred the matter of CTC's applications for the concessions to the Fair Trade Enforcement Office to obtain a determination as to the consequences of CTC's proposed vertical integration within the telecommunications industry (local and long distance network). The Fair Trade Enforcement Office was required to respond to two specific questions:

- In what way would free competition be affected by the vertical integration of the telecommunications industry

- Whether the local and long distance services can be considered as different markets and whether local companies should be prevented from participating in long distance sector.

According to the procedures of the Fair Trade Enforcement Office, its Preventive Commission (which is an autonomous department of such office) issues a preliminary decision of first ruling which can be appealed to the Resolutive Commission (also an autonomous department) which then issues a resolutive decision or second ruling. This second ruling, in turn may be appealed to the Chilean Supreme Court.

In October 1989, the Preventive Commission issued a first ruling adverse to CTC declaring that local companies could not participate in the long distance market and long distance companies could not enter the local market. CTC's prior long distance