

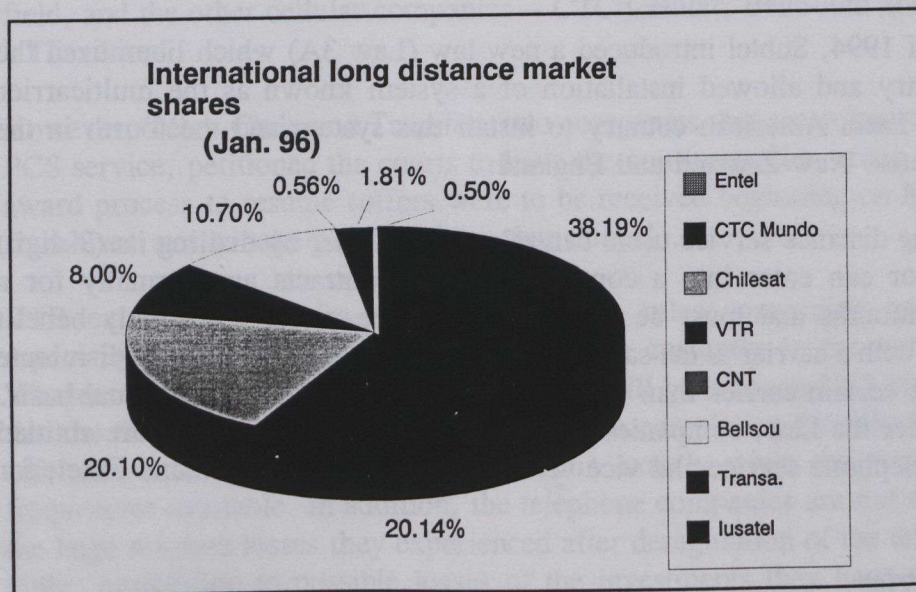
is not yet fully determined. Thus, every price change and promotion by one company will induce the others to follow, with the goal of securing a better position in the market.

Price competition impacted negatively on the financial results of the various companies operating in the sector in 1995. Profits fell steeply by comparison with 1994. This was to be expected, since executives have predicted a two to three year adjustment period to meet competition in the sector. Thus, it is projected that telephone rates, which fell constantly between 1994 and 1995, will rise in 1996, as a result of possible market stabilization.

### 2.4.2 Market Structure

Currently, 11 companies have franchises to operate long distance telephone service. Of these, 8 are operating and 3 will begin to provide service during 1996.

<p><b>In Service*</b> (the digits represent the codes of each carrier)</p>	<p>Entel(123), CTC Mundo(188), Chilesat(171), VTR(120), BellSouth(181), Iusatel(155), CNT Carrier(121) and Transam(113).</p>
<p><b>Will begin operations in 1996</b></p>	<p>Hewster, Visat and Etse (affiliate of CMET).</p>



Companies that wish to operate long distance telephone service must lease CTC lines to access the network. CTC controls almost 95% of the country's telephone lines and leasing represents an access charge for the other companies. In order to increase their market shares, firms typically resort to aggressive advertising campaigns to publicize at least the code for access to their service.

Thus, total advertising costs in 1995 were US\$77 million. The company that spent most was Chilesat (an affiliate of T lex-Chile) with a total of US\$25 million, or US\$1.2 million for each market share point (Chilesat has a 21.72% market share). VTR comes second, with US\$19