

4 and 6 telephones for every 100,000 people, which translates to a total of 600,000 lines and investments on the order of US\$1 to 2 billion.

PCS offers a number of advantages compared with cellular telephone service. First, prices will be around 30 to 40% lower than current cellular prices and equivalent to the cost of local telephone service. Customers will be able to choose from a large number of service options tailored to their budgets. Second, PCS has the advantage of better reception than cellular phones, due to a high frequency band of 1700-2200 MHz, twice as high as the present frequency band for cellular (900 MHz). However, this high frequency will restrict coverage, since the higher the frequency, the greater is the number of cells required to transfer calls.

In addition to the services currently available via cellular service, PCS will allow, for example, call selection, caller number identification, call waiting, E-mail, voice mail, and a personal number through which someone can be reached at home, in the office or on his or her cellular. At a later date, subscribers will have access to financial services, home shopping, interactive video and data transmission.

2.3.3 Problems with PCS

In early December 1995, Subtel presented the "PCS White Paper" to the companies interested in providing PCS service. This document contained the general standards for the service and the conditions governing application for a franchise. On January 17, 1996, VTR Celular filed an economic protection claim in the courts to the effect that the conditions for holding frequencies were not clearly stated. The court then granted a non-innovation order in the telecommunications field, and the other cellular companies -- CTC Celular, BellSouth and Telecom -- supported the VTR action.

However, Télex-Chile and Transfer, two companies that are submitting applications to provide PCS service, petitioned the courts to have the non-innovation order lifted and for the franchise award process to resume (offers were to be received beginning on March 1 and final award of franchises was to take place no later than June 1).

VTR explained its claim by stating that the rules concerning investments were not clear, especially with regard to holding frequencies currently in the hands of the Armed Forces. Whereas Subtel claims that total investments will be between US\$ 10 and 90 million, VTR feels that the Subtel estimates are preventing it from completing the calculations required to make an offer, especially since it is not yet certain exactly when the Armed Forces will make the frequencies available. In addition, the telephone companies are not willing to suffer once again the huge revenue losses they experienced after deregulation of the telecommunications sector in 1994, in addition to possible losses of the investments they have made so far in the cellular sector.