

2.4.3. Main Market Participants

A. Compañía de Teléfonos de Chile S.A. (CTC)

A.1. The Company

CTC was born as a modern company in 1927, when it was purchased by ITT. The original Chilean Telephone Company dates back to 1881. CTC was formally founded, according to the norms of private law, in 1930.

It functioned as a private entity until it was nationalized by the Chilean government in 1971. In 1974, Corfo, the Chilean government agency in charge of nationalizing firms under the Allende socialist regime (1971-1973) and the responsible for privatising nationalized firms under the subsequent military regime (1973-1989), obtained 89% U.F. CTC's shares. By 1986, Corfo had reduced its share to 49%. CTC employees had purchased 8% and Pension Funds (AFP's) claimed the bulk of the remaining 43%. Corfo (Corporación de Fomento) is a government entity called Corporation for National Development. Under prior administrations Corfo was the official owner of government-owned companies.

The main objective of the company is the establishment, installation and administration of local telephone and long distance service with its auxiliary services, supplementary and complementary services and the offering of telecommunication services used at present.

In 1988, CTC became totally private, when Chile Bond Corporation, today Telefónica Chile S.A., purchased the controlling package of shares. The company is subject to all the regulations of the general Telecommunications Law, and to all the legal regulations that define it as a concession of the public telephone service. As such, the company takes part in two types of businesses, regulated and unregulated business. Law Decree 218 of December 7th of 1982 defines this in the following way: "The offering of public telephone services by the Compañía de Teléfonos de Chile S.A. involves the local telephone service offered through its own means an interurban telephone service and international telephone service offered through the means of others or through the interconnection to other concessionary companies in the industry. These services of local and long distance telephony that the company offers, are subjected to tariff regulations which determine the profitability of these services. The tariff or pricing of the rest of the services offered by the company, are determined by market forces and those are called unregulated services".