

10 billion Chilean pesos (US\$25 million) in 1995 on total sales of 114.2 billion pesos, the result of a positioning adjustment to meet the competition. The company's future investment plans relate essentially to the local telephone service sector and PCS.

Entel provides local telephone service through its affiliate Entel Telefonía Local SA and cellular service through Telecom; it owns 33% of this company's shares, with the rest in the hands of the American company Motorola.

VTR SA

VTR SA is 50.7% controlled by the Luksic Group and 40% by SouthWestern Bell. It has four telecommunications affiliates: VTR Telecomunicaciones for provision of telephone services, CNT Telefonía Del Sur for local telephone service, VTR Celular for cellular service and VTR Telecable (VTR-Cablexpress) for cable. The company's future investment plans are concentrated on private television (cable), cellular service and PCS.

2.1 Local Telephone Service

2.1.1 CTC

As already indicated, the local telephone service monopoly was in the hands of CTC before deregulation. During that period, CTC was responsible for installing telephone lines throughout the country and for providing local telephone service. After liberalization and despite the fact that there are now six other companies with franchises to provide local telephone service in various regions of the country, **CTC controls 95%** of the lines and still has a substantial market share despite the sudden losses experienced over the last two years.

The CTC network covers 80% of the national territory, in which 92% of the population lives. In 1993, the company completed full digitization of its network, which makes it one of the most modern in the world. CTC invested US\$ 2.66 billion (an average of US\$445 million per year) to increase the number of telephone lines from 645,863 in 1989 to 1,674,365 in 1995.

The company's goal is to maximize telephone coverage in the country and thereby increase the ratio of phones to population. The investment plan developed for the period 1996-2000 reflects this objective. Although requirements for telephone lines for this period were estimated at 600,000, the new plan projects the installation of 1.3 million lines, which will require an average annual investment of US\$200 million. This new estimate was based on positive projections of economic growth and housing starts.

Thus, by the year 2000, CTC will have a network of **3 million lines**, compared with a market potential of 3.4 million (the number of households) for total coverage. With this plan, the company will increase the ratio of phones to population from 14.32 lines for every 100 people to **21.7 lines** in the year 2000, or 1 line for every five people (at present, only 50% of Chilean households have a line and this rate will rise to 90% by the end of the century). Total