

consequence of terminating a concession.

Along with technical norms and concessions, the Telecommunications Law provides that, in general, prices for telecommunication services should be established by market forces. Nonetheless, if the Antitrust Commission, charged with assuring free market conditions in various sectors of the Chilean economy, determines that market forces are distorted in a given sector of the industry, prices and tariffs will be regulated. This is the case for local basic telephone services, where natural monopolies exist.

In the regulated sector, the structure, level and indexing of user tariffs are fixed by a decree issued by the Undersecretary of Telecommunications and the Ministry of Economics. The procedure to determine such tariffs is based on an economic model designed to result in tariffs for various telephone services which reflect the real cost of providing those services, including a given rate of return on capital. This tariff-fixing process takes place every five years, and results in the setting of maximum tariffs. The law also establishes the prohibition for service providers to discriminate among users in the same concession area.

During 1993, the government introduced a bill to Congress for a new telecommunications law. One of the main elements of that law, would be to reinforce the technical capabilities of the Undersecretariat (Subsecretaría de Telecomunicaciones -SUBTEL) which, until now, has proven rather weak, underbudgeted and technically unprepared to resist the lobbying power of the telecommunications companies and groups.

15.5 Development in private services

Chile was the first country in Latin America to offer private telecommunication networks and is today the most technologically advanced country in the region. In spite of being a relatively small country in the region, it holds about half of all private data transmission circuits in Latin America.

This sector is open and very competitive. The CTC Data Red