

2.3 Cellular Telephone Service

The cellular market in Chile, which started up in 1989, is not well developed as yet. At the end of 1995, there were 160,000 subscribers, representing a penetration rate of slightly more than 1% of the population. However, during the last three months of 1995 there were many promotional offers by suppliers to expand the market and meet the requirements of customers, who are mainly business people. There are many discount plans.

The current regulations applicable to the cellular market stipulate that only two operators can provide service in the same franchise area. Thus, CTC Celular has a franchise for the metropolitan region and regions V, XI and XII. BellSouth Chile, the Chilean affiliate of the American company BellSouth, has a franchise for Santiago and region V. VTR Celular has rights to provide service in every region except Santiago and region V. Telecom, an association between the American company Motorola (67%) and Entel (33%) provides service in regions I, IV, VI and X.

This campaign is explained by the small difference in the market shares of the companies competing in the same regions and an estimated growth rate of 30% for the sector.

2.3.1 CTC Celular

CTC Celular is the most innovative company in the sector. It currently has some 54,000 subscribers, giving it a national market share of 36.4%. As a result of complete digitization of its telephone system in 1993 and the current digitization of its cellular network, the company can offer leading-edge services. The current digitization rate of the cellular system is 5% and it is hoped to achieve complete digitization around the end of 1996. It should be noted that digitization does not mean a complete change in technology but rather the securing of a better transmission frequency.

The digitization process will require an investment of US\$40 million. With this investment, CTC Celular will have enhanced capacity to integrate the new subscribers, resulting in expanded service and lower rates.

One of the new services introduced by CTC Celular is SuperTelephone Personnel Mobile (SPM). This service introduces the concept of mobility to the local telephone network by allowing inclusion of a cellular line in the fixed residence line or the company's business line. Customers must lease a cellular phone to get this service. Calls to the residence or business phone will automatically be routed to the cellular phone at no additional cost.

The service works only with calls originating in the Santiago region and region V, which are CTC Celular franchise areas, but calls can be routed to any cellular phone in the country. The company hopes to have 100,000 subscribers to this service by the end of 1996.