

of 3.4 million households, representing a penetration rate of 11% (with most customers located in Santiago).

The conclusion that can be drawn from the foregoing is that the Chilean telecommunications market is in a growth phase. The market is characterized by fierce competition. A large investment is still required to develop the various services in order to raise the Chilean telecommunications sector to a level comparable with that of the developed countries.

## **2. Profile of Sectors and Opportunities**

Following deregulation of the telecommunications sector during the second quarter of 1994, a number of companies submitted franchise applications to operate in the industry's various subsectors (local telephone service, national and international long distance telephone service, cellular telephone service, business telephone service and others). The Chilean market is now considered one of the most competitive on earth.

Seven companies currently provide basic (local) telephone service in franchise areas allocated to each company. Long distance telephone service is provided by 11 companies. In the cellular subsector 4 companies are competing to secure the best position, while cable service is provided by 3 major companies. Three of these firms participate in almost all the industry's subsectors: CTC (Compañía de telecomunicaciones de Chile), Entel and VTR SA.

### ***Compañía de Telecomunicaciones de Chile (CTC)***

CTC, the largest communications company in Chile, is 48% controlled by Telefonica de España. It is responsible for 80% of the investments in the sector and contributes approximately 62% to sectoral GDP. In 1995, the company posted a profit of 109 billion Chilean pesos (about US\$360 million) on total sales of 421.6 billion Chilean pesos. It controls 95% of the country's telephone lines and has investment plans to double the ratio of telephones to population by the year 2000 and provide PCS (Personal Communications Service), multimedia service and other services. With deregulation, the company lost its monopoly in the local telephone market.

CTC operates basic and long distance telephone service through its affiliate CTC Mundo, cellular service through its affiliate CTC Celular and also controls 40% of the new Intercom-Metropolis cable company, the result of a merger of Intercom SA, owned 80% by CTC, and Metropolis, owned by Cordillera Comunicaciones.

### ***Empresa Nacional de Telecomunicaciones (Entel)***

Entel is the second largest company. Very recently, on January 28, 1996, the Italian telecommunications company Stet Internacional acquired 16% of the Company's shares. Chilquinta, a Chilean electricity company, and the Korean firm Samsung control 17% and 12.5% respectively. Entel is active in every sector except the cable market. This company too lost its monopoly in the long distance market with deregulation. Its net earnings were only