

## *1.2 Telecommunications Sector*

The Chilean telecommunications sector is currently undergoing rapid development. A number of companies are competing to secure the largest market shares in the industry's various subsectors (local, long distance and cellular telephone services, cable and other subsectors). There have been so many franchise applications from local and foreign companies to provide services after deregulation that the Chilean telecommunications sector is now considered saturated.

According to a study by CTC (Compañía de Telecomunicaciones de Chile), the GDP allocable to the telecommunications sector grew by 600% between 1977 and 1994. During 1994, a record year for the sector, it represented 2.2% of the country's total GDP. The sector grew by 13%, while the economy as a whole grew by only 4.2%.

Investment over the last five years totalled US\$2.5 billion and it is estimated that the various companies will invest the same amount again by the year 2000. Despite the large investment so far, much remains to be done to develop the network and extend it to every region of the country. This may be the explanation for the large number of firms seeking to enter the market, since there is still a potential to make profits as long as the sector is not completely saturated.

### *1.2.1 Market Size*

As regards market size, the Chilean telecommunications market is still considered small. About 1.8 million telephone lines have been installed. In 1995, long distance calls totalled about 1.8 billion minutes and overseas calls 129 million minutes. By comparison, Chile has an average of 14.32 telephone lines per 100 population, whereas the equivalent ratio in the United States is 58 (the average for Latin America is 11 lines per 100 population). There are undoubtedly regional differences: the telephone line penetration rate is higher in urban communities (28% of households) than in rural communities (only 1.8% of households).

### *1.2.2 Cellular Market*

The cellular telephone service penetration rate is 1% (1 telephone line per 100 population), with about 160,000 subscribers. Chile ranks first in Latin America together with Mexico as regards the penetration rate. In numbers of subscribers, Brazil ranks first with 580,000, followed by Mexico (475,000), Venezuela (315,000) and Argentina (220,000). On the world scale, Sweden ranks first with 8.3 lines per 100 population, followed by Norway with 7.8 lines and Hong Kong and the United States with 4.5 lines.

### *1.2.3 Cable Market*

The cable sector is new in Chile. Service is currently concentrated in the large urban centres and mainly in Santiago. As of the end of 1995 there were 389,000 cable customers in a total market