

The Chilean telecom market remains one of the most active sectors in the country, with estimated 2005 revenues of US\$2.5 billion.

Market Overview

■ Growth in the telecom sector has moderated since privatization during the 90's. The sector has matured in terms of investment and innovation, and has become increasingly competitive especially since the initiation of the multicarrier system in 1994.

■ Chile's fixed-line network has been fully digital since 1993. But while Chile's mobile market continues to flourish (60% penetration), the fixed-line sector remains flat, mostly because the move to mobile solutions has served as an inhibitor to fixed-line uptake.

■ A mobile access fee structure issued by Subtel, the government's telecom regulator, in January 2004 is gradually reducing fixed-to-mobile interconnection fees by 26.5% over five years, while a May 2004 Decree is raising the interconnection rates that incumbent fixed-line telco Telefónica CTC charges its competitors by 39.6%.

■ In Latin America, Chile is at the forefront in the adoption of e-marketplaces or virtual communities. Chilean e-commerce is concentrated in the capital city of Santiago.

U.S. Position

■ During 2005 the U.S.' largest investment in the communications sector has been US\$1.5 million, with Centennial Cayman Corp.'s investment in Nextel Chile S.A.

■ U.S. products are highly regarded in Chile for their reliability and quality. Aggressive marketing and a willingness to form partnerships have allowed U.S. companies such as, Nextel, GlobalCom, Motorola, and other U.S. firms to make a substantial penetration into the Chilean market.

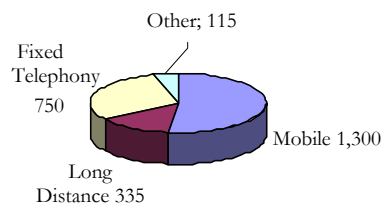
■ Chile has the highest mobile (60% in early 2005) and broadband (around 3%) penetration rates in Latin America. Annual growth in cable modems and ADSL access reaches 45% and 108% respectively. Cable modems have traditionally led the broadband market, but in 2004 ADSL lines overtook cable modems. Chile's broadband penetration is still very low compared with countries in North America, Europe and Asia.

■ Mobile subscribers outnumber fixed line subscribers by 7:3. However, a reduction in fixed-to-mobile interconnection tariffs ordered by Subtel in January 2004, together with an ever-increasing proportion of prepaid customers, is contributing to a steady decline in operators' ARPU (Average Revenue Per Unit).

■ Cable and wire represent the majority of locally manufactured inputs in the telecom sector, with the Chilean manufacturer, Madeco, positioned as the dominant producer.

■ The Undersecretariat of Telecommunications (Subtel) is the primary authority for supervising and regulating all telecommunications services.

Telecom Market Revenues
(US\$ Millions)



Source: Estrategia News

MAIN PLAYERS (Alphabetic order)	CONTROLLED BY	SERVICES
Compañía de Telecomunicaciones de Chile (CTC)	Telefónica Spain	Fixed, long distance, wireless, Internet
Empresa Nacional de Telecomunicaciones (ENTEL)*	Almendral Chile	Fixed, long distance, wireless, Internet
Movistar **	Telefónica Spain	Wireless
Smartcom	Endesa Telecommunications Spain	Wireless
Telmex	Carso Global Telecom (Carso Group) Mexico	Fixed, Internet
VTR	Global Com USA	Fixed, long distance, Internet, cable TV

* Entel's previous owner, Telecom Italia, sold its 54.8% stake in January 2005 to Chilean holding company Almendral.

** Telefónica and BellSouth Chile merged in January 2005, now called Movistar.

Service	Operating Companies	Market Leader	Market Share
Local Telephony	11 (4 Rural)	Telefónica CTC	79%
Long-Distance	18	Entel	40%
Mobile	4	Entel	40%

Chilean Telecommunications Market			
US\$ Millions	2003	2004	2005 1st quarter
Total Market Size	750	1,800	1,250
Imports	307	448	317
Imports From the U.S.	52	46	22

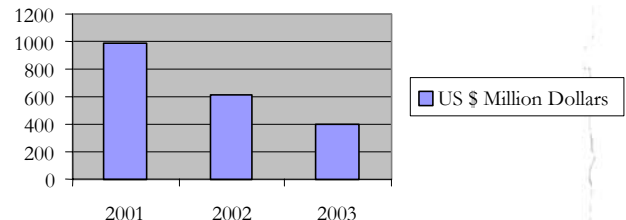
Competitors

The majority of telecom equipment is imported due to the lack of a sophisticated hi-tech manufacturing base in Chile. Domestic production and exports are minimal and limited to wire and cable.

In the past, the Chilean market was dominated by European firms such as Alcatel, Siemens and Ericsson, which remain competitive through attractive financing and their ties with some local operators. Japanese companies, such as Nec, have also become large equipment suppliers.

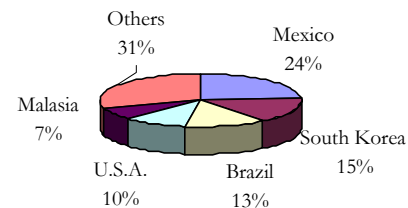
Imports originate mostly from Asia and Latin America, with the U.S. being the 4th most important supplier.

Fixed Line and Mobil Investment



Source: Subtel, based on Company

Imports Per Country 2004



Source: Chilean Customs

Principal Sub Sectors

- Fixed Telephony
- Internet Services
- Mobile Telephony
- Trunking
- Cable TV Services
- Long Distance Services

Commercial Opportunities

- There are important opportunities in: Wi-Fi, PLC, WLL and cable modem technology
- Broadband is always a growth area, and will be more so once the government creates unbundling rules – expected before March 2006
- Fixed line telcos are keen to compete in Cable TV; currently VTR/Metropolis has a monopoly
- América Móvil recently bought Smartcom and is expected to invest in it during this year, thus opening up opportunities for mobile equipment suppliers
- Value added services, especially for fixed line operators
- Network equipment in the corporate sector
- VoIP -- there is only one company involved in this area in Chile so far (Redvoiss) and Subtel has four licenses available. The market is waiting for the government to regulate this topic.

Other Resources

- U.S. Department of Commerce Information/Technology Team contacts:
 - Ellen Moorel: emoore@mail.doc.gov
 - Beth Graham: beth.graham@mail.doc.gov
- Undersecretariat of Telecommunications: www.subtel.cl
- Chilean Association of IT Companies: www.acti.cl

We hope you find this information useful. If you would like further information, please contact Isabel.Valenzuela@mail.doc.gov, the CS Santiago Telecom Specialist. Visit our website at www.buyusa.gov/chile to discover other commercial opportunities in Chile. Completed October 2005.