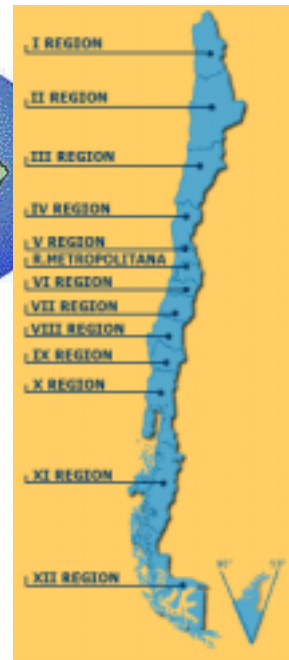


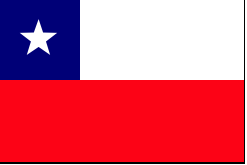
Tracking telecom competition in Chile



Michael.Mingges@itu.int

Competition Policy in
Telecommunications
20-22 November 2002
Geneva, Switzerland

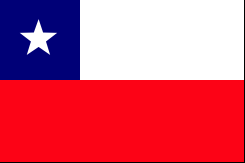




Measuring competition

- ☆ Although competition is a “means” to the “ends” of enhancing telecom access, it is nonetheless useful to measure
- ☆ A high degree of competition would suggest that market is functioning properly and therefore prices should be lowest possible and access enhanced





Telephone market 2001

Segment	Operators	Market size	Incumbent market share a)	HHI b)
Local	7 c)	3'523'700 lines in service	78%	0.6
Domestic LD	12	2'415 million minutes	38%	0.3
International LD	12	241 outgoing 362 incoming million minutes	38%	0.3
Mobile cellular	4	5'271'565 subscribers	31%	0.3

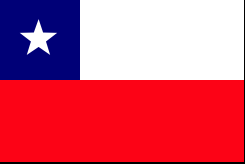
Note: a) Based on market size indicator. Telefónica CTC considered incumbent for local and mobile, ENTEL for long distance (LD).

b) Hirfindahl-Hirschman Index. A measure of market concentration.
1 = monopoly, 0.2 or less = perfect competition.

c) Not including rural telephony concessions.

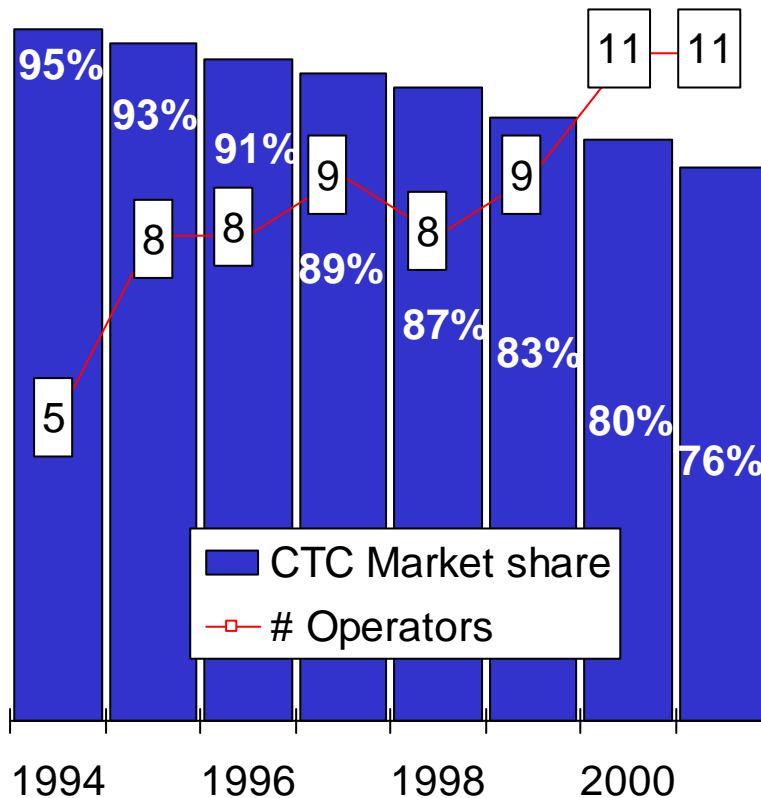
Source: ITU adapted from CTC, SUBTEL data.





Local market

Incumbent share has dropped... ...but level of competition varies



- ☆ Of 11 local operators, four are rural only.
- ☆ Of 7 regular, three only operate in one region.
- ☆ Only incumbent operates nationwide in all 24 regions (“primary zones”).
- ☆ Level of local competition:
 - Six regions have no local competition
 - 10 have two operators
 - 3 have three operators
 - 2 have four operators
 - 1 has five operators
 - 2 have six operators

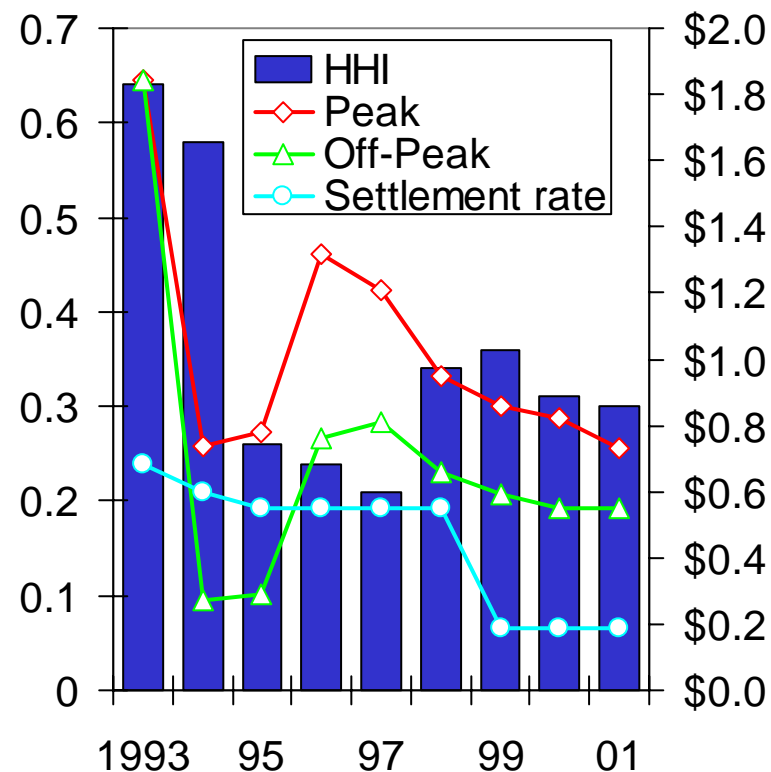


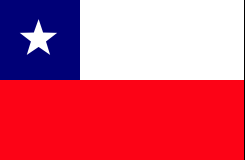


International long distance

- ☆ May 2002: 33 operators licensed, 20 in operation (SUBTEL, includes some double counting). 12 operators at end of 2001 (CTC).
- ☆ Rapid drop in prices after introduction of full competition on 27 August 1994. Market almost reached “perfect competition”
- ☆ Rise in market concentration after 1997 and slight decline last two years.
- ☆ Pricing seems to precede market changes. Market correction in 1996 after competition settles in. Since 1996 prices have been steadily declining.
- ☆ Incumbent market share declined from 86% (92) to 38% (01).

Market concentration and price of 3 minute call to US

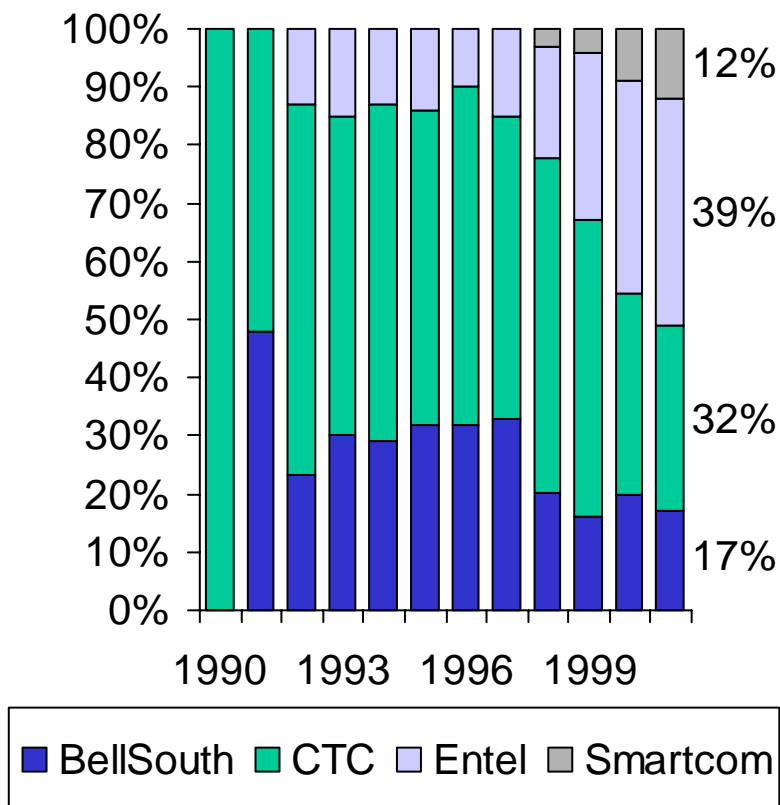


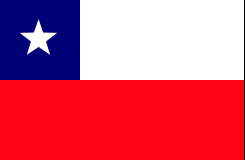


Mobile

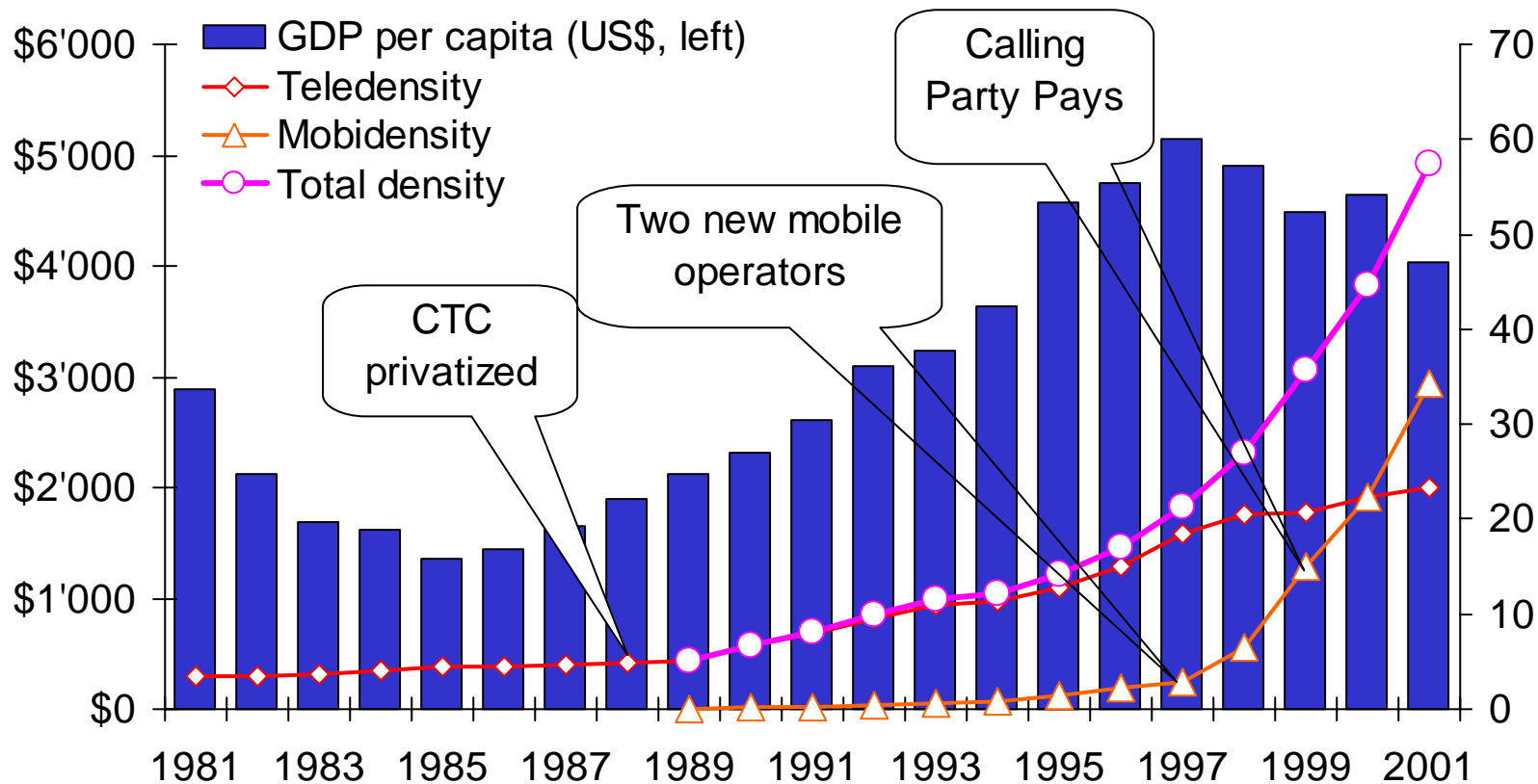
- ☆ Numerous mergers and changes in regional licensing complicate analysis. Six different companies over 10 years.
- ☆ Pricing seems to be relatively high compared to other Latin American nations
- ☆ Technologically diverse with two TDMA, one CDMA and one GSM network

Mobile market share





Competition impact



- ☆ What caused what in Chile's telecommunication network development?
- ☆ Difficult to disentangle impact of (1) *economic growth*; (2) *privatization*; (3) *regulation*; and (4) *competition*.
- ☆ Network growth a mixture of four; pricing most likely competition

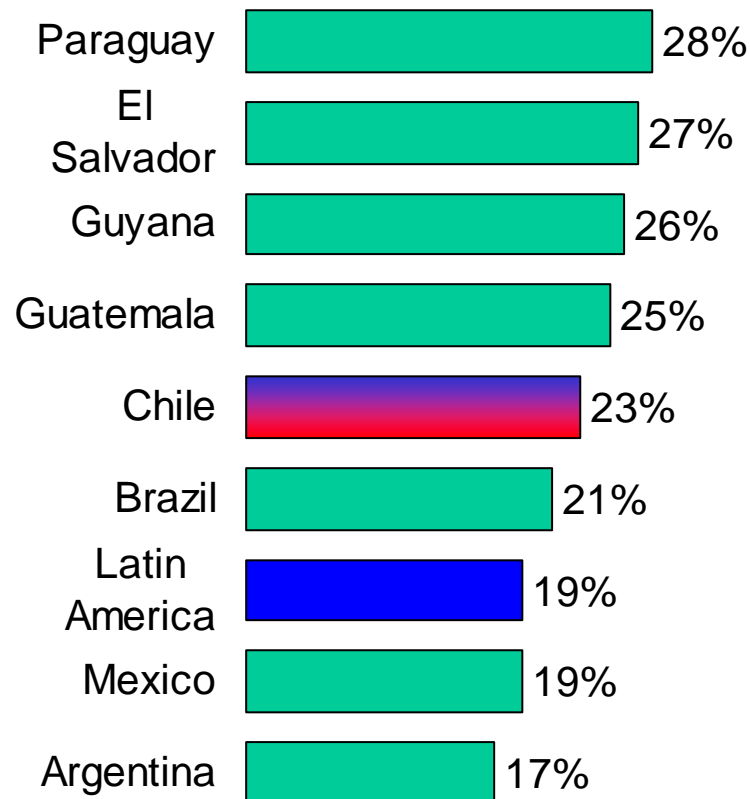




Chile in the region

Annual average growth (1991-2001) Total telephone subscribers (fixed+mobile)

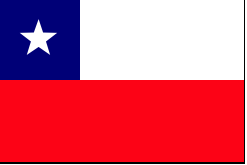
- ☆ Chile had fifth fastest growing telephone network in Latin America during the 1990s
- ☆ Outperformed peers (e.g., Brazil, Mexico, Argentina) and regional average





Methodological considerations

- ★ Need disaggregated data for competition analysis
 - Operators claim because market competitive cannot provide information.
- ★ Competitive market not straightforward
 - Local concessions.
 - Licenses for long distance when two services.



Conclusions

- ☆ Privatization and economic growth have driven growth in local fixed market Impact of competition has been negligible except perhaps in spurring broadband.
- ☆ Mobile market is no more competitive than most other Latin American nations.
- ☆ Biggest impact of competition has been on long distance traffic.

