

## EXECUTIVE SUMMARY

The performance of Chile's telecommunications sector during 2001 has been positive despite the complex external outlook that has characterized this period. The actual activity of the local telecommunications industry followed, displaying experimental dynamism in earlier years. Indeed, the main segments of the sector have showed a superior dynamism compared to the general economic activity of the country, the same way as the average growth of a wide showing of selected countries, with rates of growth of 5,7% in the local telephone segment and 55,0% in mobile phones, growth in this case, that continues to be led by the prepaid form. Likewise, during 2001 a variation of 12,9% in exchanged Internet connections was recorded, meanwhile dedicated connections multiplied 7,6 times, observing a phenomenon of substituting exchanged connections for wideband connections. Nonetheless, it is necessary to focus attention in the trimestral evolution of connections, in that the last trimester of 2001 a loss of exchanged connections was recorded, and was not completely absorbed by the growth of dedicated connections, which could eventually reflect a market adjustment by revenue effect.

As for the measured level of activity in terms of traffic, in 2001 a significant growth of 9,9% in all dispatched traffic across combined networks of public telephone service was recorded, expansion that was verified in each of the considered individual networks. Indeed, the exchanged traffic across fixed telephone networks grew 6,8%; that exchanged across mobile telephone networks grew 27,4%; and traffic exchanged across long distance telephone networks grew 23,4%. In the case of the local and long distance telephone networks, the increase of traffic was propelled principally by Internet traffic, while in the case of mobile networks, the main growth motor is intra-network traffic, that is to say, traffic between mobile phones.

In this sense, in terms of traffic, 2001 represents an illustration of the new tendencies of the telecommunications sector, that which acquires in a progressive way a larger relevance; information traffic and inside voice traffic, that of the mobile telephone. Indeed, Internet traffic grew 35,7% and, by way of illustration, can indicate that the relationship of voice traffic, measured as the difference between total traffic less Internet traffic with respect to Internet traffic, dropped from 4,1 times to 3,1 times in the course of the year. In the same way, dispatched traffic to the interior mobile network also experienced an important expansion, one that has meant a reduction of the relationship of total traffic originating in the fixed network, with respect to traffic originating in the mobile network, from 7,0 in 2000 to 4,9 in 2001.

In summary, the behavior of the industry's actual activity tends to reflect the same perceived tendencies at the international level, of larger dynamism from the mobile phone and Internet sectors.

On the subject of investments, 2001's performance was positive, particularly considering the external macroeconomic environment and the crisis that affects the telecommunications industry at a global level, drawing an important flow of investment, close to \$990 million (U.S.). On the other hand, on the matter of employment, 2001 produced an efficiency adjustment in the industry, that which meant a 7,8% reduction in the level of global employment of telecommunications service operators. This was explained by the reductions of personnel in the local telephone and long distance segments, adjustments that were not completely compensated by employment growth experienced in the mobile phone and Internet segments. Finally, it fits to emphasize that in the financial field, the results showed a larger amount of improvement cases, so many with regard to the operational result as a final result of the exercise, although the situation remains unstable for some companies. In the same way, the number of operators that show losses in their final results was reduced with respect to the year 2000.

