

EXECUTIVE SUMMARY

The redemption of Chile's telecommunications sector was characterized by the materialization of restructuring on the part of companies, motivated by the strong market's adaptation of these new conditions in those areas of greater growth. The new conditions of market growth imply the integration of services, the offer of new products of value joined with technical applications that utilize the actual deployment of networks, which means a moderate level of investment that increased to \$610 million (U.S.) decreasing 38% in 2001, the cellular phone and local being those that achieved the greatest investment with 35% and 33%, respectively. On the other hand during 2002, the efficiency adjustments continued in the context of restructuring, which meant a disassociation of workers, projecting 18.700 employees towards December 2002.

In respect to the annual behavior of the main indicators of activity, the inscribed Internet access segments and cellular phones are those that showed a greater growth for the understood period between June 2002 and June 2001. The first of these almost quadrupled in size, while the amount of abandoned cellular phones increased 39%, reaching 36,7 abandoned phones for every 100 inhabitants by June 2002. In respect to the biannual behavior, a moderate growth was observed but nonetheless favorable, growing 73,3% in regards to inscribed access connections and 8,4% in the case of abandoned cellular phones. Regarding those services that show a certain maturity, fixed telephones experienced a growth of 2,7% annually and 1,5% biannually. In addition, long distance service, isolating only voice service and adding national and international service, decreased 9,6% the first semester of 2002 in comparison with that of 2001.

Regarding the level of activity measured in terms of total traffic dispatched through telephone networks, activity remained almost constant in respect to the first semester of 2001, reaching 15.095 million minutes and growing 1%, the main component being local traffic representing 44,1% of the total. In turn, mobile communications showed the best redemption, growing 55,4%, followed by traffic associated with complementary services that grew 25,2%, consistent with actual market tendencies.

Regarding the Internet segment, the traffic commuted showed a moderate growth of 4,7%, accompanied by an annual decrease of 2% in associated connections, after which recuperated to reach a semestral growth of 4,3%. This situation reflects the change in consumer preference for broad band access technologies emphasizing the cable modem as the main form for attaining high speed at a residential level, constituting 71% of all inscribed residential connections to June 2002. It is important, in turn, to emphasize the important use of ADSL technology, which constituted 24% of inscribed residential connections.

