

## *THE REGULATORY ENVIRONMENT*

The progress achieved within the framework of the liberalization of the telecommunications sector can be considered to be satisfactory. The most outstanding points are outlined below:

The recognition of the need to rebalance tariffs and the establishing of a Ministerial Order (March 18, 1997) regarding the calendar to be applied for 1998 and 1999.

The signing of an interconnection agreement between **Telefónica** and the second fixed telephony operator.

The necessary rules and regulations were laid down, along with the introduction of a series of measures, in order to increase the pace of opening the market up to competition. The necessary steps were taken to make sure that this process, in terms of the development and structure of the network, takes place in stages and in the most rational way possible.

The new Numbering Plan was approved, which will come into force on April 4th, 1998.

The dispute regarding the entrance of a second mobile operator was solved, with **Telefónica Móviles** being guaranteed access to the 1,800 Megahertz bandwave.

The Digital Television law was passed.

The Government approved the General Telecommunications Bill, which is currently under debate.

Lastly, it should be underlined that **Telefónica** is more than willing to support the whole liberalization process, as it believes it to be the most appropriate way to gain the necessary boosting of the sector, at the same time as being more than aware of the increasingly important role of telecommunications in the worldwide economy.

The existing regulatory framework in Chile favours competition in all the telecommunications market sectors, through the granting of free concessions,

therefore permitting the unrestricted horizontal integration of companies and the regulated vertical integration of local and long distance businesses, as well as promoting the entrance of new competitors.

**Telefónica del Perú** has signed a concession with the Peruvian State to provide local and long distance telephone services for a twenty-year period, which can be extended another 20 years in five-year periods. The first five years of the concession period grant exclusive rights, laying down a series of obligations for the services included under the concession, such as improved service quality and an expansion programme both of which have been fulfilled. The remaining services are liberalized.

**Telefónica de Argentina** holds a licence for an unlimited time period by which it is permitted to provide public telecommunications services in the southern region of the country, with exclusive rights until November 8th, 1997, after which time the licence period can be extended for another three years provided that all the terms and conditions stated in the invitation to bidding have been fulfilled. The Company has acted accordingly and has therefore applied for the extension with exclusive rights which is still pending a final decision.

## *CORPORATE PROJECTS FOR THE MILLENNIUM AND THE EURO*

In 1997 two of our corporate projects gained considerable impetus, both of which are going to be of extreme importance in the near future: the **Millennium Project** and the **Euro Project**. The aim of the **Millennium Project** is to identify and carry out the necessary actions regarding business processes, information systems and infrastructure, so that the quality and facilities offered by our products are not affected by the arrival of the year 2000. On the other hand, the **Euro Project** targets are those of adapting the systems and procedures that support the business processes to the new requirements to be introduced as a result of the Euro becoming the European Union's single currency.

