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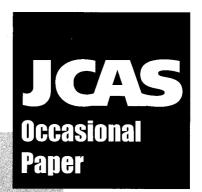
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La regulación para el desarrollo de las telecomunicaciones en Perú: 1993-2001

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# The telecommunications sector in Peru: regulation and performance -1993-2001-

### Roxana BARRANTES

## Summary

Soon after the privatization process, the indicators of development of the telecommunications sector in Peru showed significant improvement. Between 1994, year of the privatization of the public companies of telecommunications, and 1998, year of the declaration of total opening of the markets, teledensity jumped of 2.9 to 6.8 telephones by 1,000 inhabitants. This performance occurred during a period of important macroeconomic growth. Both the official speech, as the effective norms for the sector, including the Contract of Concession with Telefonica del Peru, the winner, proclaimed that competition had to be the motor for the development of the sector.

For competition to be the engine for sector growth, interconnection policies are key and have to be not discriminatory, open and clear. Several steps were taken towards the achievement of this regulatory goal: the Regulation of Interconnection was promulgated, the regulator set interconnection charges to be in effect by default, promulgated several mandates forcing the incumbent to interconnect, and entrants' obligations were quite weak. Despite these actions, and the about 30 entrants in the market since it was opened in 1998, by 2002 Peru does not exhibit effective competition nor in long distance, nor in fixed telephony, and the competition is just unfolding in mobile services since the entrance of Telecom Italy Mobile (TIM) in 2000.

The hypothesis offered to explain these results is that the legal stability designed between 1993 and 1994 for the privatization process, was focused in giving the incentives to the winning company (Telefonica del Peru) to sink investments in wire nets to give Peru the minimum modern telephone services. At the core of the incentives were implicit income guarantees to maintain the concession contract's economic balance; i.e., the necessity that regulations were neutral with respect to the total income of the company (Telephone of Peru). This requirement affected the levels of interconnection charges that the entrants must pay as well as their obligations and the overall performance of the regulator.

Key words: Peru, telecommunications, privatization, regulation, competition