

From 1987 through 1991, CTC's local telephone traffic has sustained an annual compound rate of growth measured in the number of calls (but excluding calls made from public telephones and calls made under the "flat fee" charge system) of 12.9%.

Local service encompasses two types of payment systems: a "per call" charge system and a "flat fee" charge system. Subscribers on the "per call" charge system are charged a fixed monthly connection fee (fixed fee) and a variable amount depending on the number of calls made per month, the duration of each call, the day of the week and the time of day in which calls are made during any particular month (per call). Subscribers on the "flat fee" charge system, which exists where only one exchange is available to process calls within a geographical area, are charged a fixed monthly amount regardless of the number and duration of the local calls effected.

The following table shows the relative importance of each system measured by the number of lines in service under each system:

Local Service Payment Systems

| Year | Per Call | Flat Fee |
|------|----------|----------|
| 1987 | 79.0% | 21.0% |
| 1988 | 76.0% | 24.0% |
| 1989 | 84.9% | 15.1% |
| 1990 | 83.2% | 16.8% |
| 1991 | 82.5% | 17.5% |

At December 31, 1991, 0.9% of CTC's total lines were installed for rural service. Rural service is defined by the telecommunications law of Chile as the furnishing of telephone services to persons located outside of the compulsory service areas of its concessions. The Company, as the major Chilean telephone provider, approves a rural project only if the project is expected to generate returns to the Company equal to or greater than the Company's assumed rate of capital cost.