

December 31, 1991, revenues generated were respectively 39.8% and 60.2%. Over the past 5 years, the relative contribution of residential and commercial customers has remained fairly constant. In the second half of 1991 (effective September 18), Telebras was authorized to raise its charges for certain services at a rate in excess of the monthly inflation rate in order to permit Telebras to offset the effects of inflation during earlier periods

- In addition to a nominal installation charge, new customers are required to purchase shares of Telebras at book value in order to have new lines installed. The process is commonly referred to as "auto-financing". The actual cost of "auto-financing" to the new customers varies according to the region and operating company, subject to certain government defined maximums. Currently, auto-financing costs average the equivalent of US\$ 1,200, increasing Telebras' revenue by about Cr\$ 128 billion from this source alone. However, Telebras is considering abolishing auto-financing, and raising capital at the subsidiary level by increasing the rate of the monthly fixed rental fee, introducing charges for certain telephone services now provided at no cost, (maintenance, internal extensions etc) and establishing a system under which new subscribers would pay in advance for certain services. In this regard, Telebras is currently requesting an increase in basic rates, to be phased in over the next 5 years, from the current average of US\$ 2.13 to US\$ 10.00. No assurance can be given, however, that such increase will be implemented, considering current inflation rates of 25% per month.

2.1.3 Survey of Traditional Telephone Market

The following table gives certain indicators of the growth of the Telebras telephone system :