

The present government assumed office facing both recession, hyper inflation, and consequently a massive fiscal deficit. A drastic economic plan (Plano Collor) was announced, the cornerstone of which was a freeze on virtually all financial assets for a period of 18 months, after which the funds would be released in 12 equal monthly installments. Additional measures included an 45 days wage-price freeze, higher taxes and cuts in government spending. An ambitious privatization plan (13 state-owned companies up to the present date) and a move toward freely floating foreign exchange rate completed this audacious plan.

This striking strategy is based on the belief that with economy free from state intervention and active public participation, economic growth will be steady and have a sustained behaviour. Historically, the government has been unable to cope with capital spending to maintain adequate growth of the infra-structure of energy, transportation and telecommunications, reason for which the government defined privatization of these areas as the most relevant points for revitalization of economic growth.

The convenience of and strategy for privatization of telecommunications are still under discussion in Congress, and will probably take several months for final decisions to be reached. National Communications Secretariat understands that the Brazilian Telecommunication Code (Law No. 4177 of August 1962) is legally valid and totally covered by the 1988 Constitution. Moreover considering Congress' inability to regulate Constitution invoked monopoly on Telecommunications for over more than four years, by means of laws, the Administration has to evaluate article No. 21 of the new Constitution.

Taking the categorization of services in Law No. 4177, and Decree No. 96.618 of August 31, 1988 on the concession of restricted public telecommunications services, the administration issued Decree No. 177 on July 17, 1991 which approves a new limited service code with the following main guidelines.

- a) The Union is allowed to explore private services directly or by concession to Brazilian persons or companies;
- b) The private services can be authorized, on a non exclusive basis, by means of public tender, for the use of the concessionaries or to be commercially offered to third parties, not open to "public correspondence", for national or international services;
- c) Concessions requiring use of frequency spectrum, will be conditioned to availability of frequencies;