

<u>Financial Item</u>		<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
							(*)
Gross	Operational	3,1	4,3	6.6	7.3	5.9	6.6
Revenues (billions)							
Capital	Investments	1,5	2,0	2,6	2,1	2,3	3,0
(billions)							
Rate of Investment Return		3,4	5,6	1,0	9,7	N.A.	N.A.
(TRI)							
						(*) forecast	

An annual investment of US\$ 3 billion, is expected to remain constant before service privatization brings additional private capital to the market. According to Telebras plans, this level of investments will not be sufficient to reduce the huge telephone and data service (see next item) backlog. New investment is necessary.

Except for the existing programs (cellular and community telephone systems), described in the next chapter, all additional sales arising from future non monopoly services are not possible to forecast at this time.

2.1.4 Survey of New Telephone Markets

Technological evolution, service deregulation and demand pressure have created new market opportunities for Brazilian telephone companies to cooperate with private capital investors, allowing them to satisfy users need and to increase revenues. The first two examples of such cooperation are detailed below.

2.1.4.1 Community Telephone Program Market

When government admitted TELEBRAS's inability to cope with telephone line demand, mostly in small municipalities and rural areas, an innovative program of joint public and private investment was born: Community Telephone Program (CTP). The CTP's principle is to allow private consortia to plan, build and sell small telephone networks, in turn-key mode, for municipalities that foresee long delays before being serviced by the public telco. After the network is built to telco specs, it is transferred to the telco who will be in charge of its operation. Return of private investor capital is achieved through the sale of the line to the end user. These prices are currently well under the parallel market price, but still slightly higher than local telco