4-16-1991

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Barbara Khol

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Argentina: Government & Newly Privatized Telephone Company Disagree On Phone Service Charges

by Barbara Khol

Category/Department: General
Published: Tuesday, April 16, 1991

On April 12 at a press conference in Buenos Aires, President Carlos Menem said phone charges are to be reduced in April, despite plans by managers of the nation's recently privatized telephone services. Local media sources reported that Menem had decided to intervene in a conflict between the Economy Ministry and the phone companies. Minister Domingo Cavallo recently announced government plans to apply dollar convertibility to telephone rates. Meanwhile, Telefonica de Argentina (Spanish), and Telecom (German, Italian and French consortium) published announcements of preparations to raise charges by 11% in correspondence with the cost of living increase for the month of March. Since April 2, with the implementation of currency convertibility, the austral exchange rate has been fixed at 10,000 per US dollar. The new legislation also eliminated price indexing, or automatic increases linked to the consumer price index. Telephone company managers justify the price hike based on "clauses" contained in the contract under which the government relinquished majority control. Government officials argue that the formula contained in the contract clauses has been rendered invalid. Telephone company managers, in turn, assert that the contract clauses specified an alternative pricing formula, grounded on both the consumer price index, and monthly variation in the dollar-austral exchange rate. (Basic data from EFE, 04/12/91)

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