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Argentine Government Orders Telephone Companies To Reduce Rates By 11.17%

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On April 12, the government ordered the nation's two telephone companies recently acquired by Spain's Telefonica and Stet de Italia and France Cables et Radio to reduce their rates by 11.17% for the month of April. The order was issued to ensure that the phone companies comply with legislation effective next month. The purchase contract concluded in October 1990 stipulates that phone rates are to be based on changes in the dollar-austral exchange rate and consumer price level inflation. According to figures published by the newspaper collective Diarios y Noticias, the "formula" would produce a rate increase of about 11% for April. The government justified the order by pointing out that legislation recently approved by the legislature prohibits automatic price hikes to compensate for inflation ("indexation"), and establishes parity with the US dollar at between 9,700 and 10,000 australs. [Basic data from Diarios y Noticias (Argentina), AFP, 04/12/91]