

03/09/07

Julio Linares today opened the 21st Telecommunications Conference at Menéndez Pelayo International University

### TELEFÓNICA TO SPEND MORE THAN 8.000 MILLION EUROS ON DEVELOPING INFRASTRUCTURE AND NEW SERVICES

*“Investment, innovation and cooperation, within a stimulating regulatory framework, are crucial to ensuring sustainable growth in the sector”*

- In response to the increasing demands of consumers, who have included telecommunications into their daily lives on a massive scale, Linares advocates cooperation between private players, in an environment that is conducive to investment and innovation
- By 2009, wireless telephony penetration in Spain should exceed 130%; more than half of Spanish households will have a broadband Internet connection and 70% of laptop computers will have built-in wireless broadband
- Greater demands will require access speeds of 50 Mbps in fixed broadband (a five-fold increase) and 7 Mbps in wireless broadband (also a five-fold increase), while the volume of traffic carried will have increased seven-fold by the end of the decade

**Santander, 3 September 2007.-** In his speech during the opening ceremony of the 21st Telecommunications Conference at Universidad Internacional Menéndez Pelayo, the General Manager of Coordination, Business Development and Synergies at Telefónica, Julio Linares, indicated that in the current context, in which consumers have added telecommunications into their daily lives on a massive scale, if the sector is to be sustainable in the future the various private players must work together, and governments and regulators must develop a stable framework that encourages investment and innovation.

In this regard, Telefónica currently invests about 14% of its revenues to ensure an innovative service offering in line with consumers' increasing demands in all the countries in which it operates. In order to help develop the Information Society; this year it will invest more than 8.000 million euros worldwide, which accounts for close to 3% of gross investment generated by the Spanish economy in the last 12 months. More than 85% will go to developing new services and infrastructure.

This is an ongoing effort which responds to the future vision laid out by Julio Linares: “Investment, innovation and cooperation, within a competitive environment and a stimulating regulatory framework, are crucial to ensuring sustainable growth in the sector.” In this connection, the General Manager of Coordination, Business Development and Synergies at Telefónica explained that, in the current context, private players in the industry must be committed to investment and innovation in networks, platforms, services and equipment, and must build closer working partnerships – sharing resources and capacities and promoting standards – to ensure a sustainable development model which creates value.

## Growth prospects in Spain

In the last few years, the Spanish telecommunications industry has changed and the use of communications has skyrocketed, spurred on by the leading role of consumers (who, aside from the products themselves, are seeking an enjoyable user experience and have made telecommunications an integral part of their daily lives). Figures suggest that mobile telephony penetration is now above 104% in Spain, and mobile data traffic has tripled in the last year, while 93% of households with Internet access have broadband and traffic has increased 34-fold in the last six years.

This growth will accelerate in the next few years, driven by increased consumer demand, the greater variety in user equipment and the emergence of new, customised and interactive broadband products and services. According to a number of sources, mobile telephony penetration will exceed 130% in Spain by 2009; more than half of Spanish households will have a broadband Internet connection and 70% of laptop computers will have built-in wireless broadband

Julio Linares emphasised that, to respond to the new demands for services, high-capacity networks packed with features (mobility, convergence, etc.) are required to support speeds of 50 Mbps in fixed broadband (five times faster than now), 7 Mbps in wireless broadband (also five times faster) and able to handle traffic volumes of up to 16,000 Petabytes. Furthermore, these networks must be accessible to everyone, and for this purpose Mr. Linares believes that it is necessary “to promote free competition in areas where different infrastructures coexist, to boost competition in services and return on investments where there is only one possible infrastructure and opt for open, transparent and neutral financing mechanisms in areas that are less accessible to infrastructure.”

## An ever-changing environment

In his speech, Mr. Linares listed the trends shaping the telecommunications environment at present and the sector’s constant transformation. These include **globalisation** in the industry. In fact, four infrastructure providers and four handset providers have global market shares of 55% and 76%, respectively.

For telecommunications operators, the process is more confined by geographical area. Two operators, one of which is Telefónica, control 62% of the market in Latin America, and another two control 54% of the North American market, while 60% of Western Europe is in the hands of four operators, which also include Telefónica.

Furthermore, the sector is currently characterised by **steady convergence** – especially

towards single multiservice handsets, **cooperation** between distributors, manufacturers, suppliers and operators, boosting growth in new businesses and increasing productivity (by sharing processes and resources), **permanent innovation** (technological, in products and services and in business models) as the main market catalyst, and **ongoing improvements in efficiency levels**, which benefit consumers via decreases in prices and increases in features.

**Consumers** have strengthened their role **in spearheading** the industry, by taking an active part in the digital environment and creating and exchanging content via new social networks, thereby making telecommunications a vital part of their daily lives. To illustrate, in the last year user-generated content pages boasted more than 50 million unique users and received 100 million hits per day, while digital experiences such as those popularly known as ‘virtual second lives’ were inhabited by more than eight million ‘residents’.