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**SPEECH – TELEFÓNICA EU STAKEHOLDER DAY**

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Thank you Peter for your very kind words. It really is a pleasure to be here in Brussels and I greatly look forward to this afternoon's debates.

I would like to add my thanks not only to all of the panellists taking part in the debate but also to Commissioner Almunia, who will be our keynote speaker for the opening, and to Commissioner Tajani, Vice-President of the European Commission and Miguel Sebastian, Minister for Industry, Tourism and Trade in Spain, who will be joining us later to make closing remarks. In addition, I am indebted to Martin Tlapa, Deputy Minister of Industry and Trade of the Czech Republic, who will be joining us at this evening's reception and speaking briefly on behalf of the future EU Presidency from January 1st. I am honoured and extremely grateful to all of them and the rest of the panellists for taking part on the different roundtables of this event. In addition, I will like to thank all of you for joining us in this internationalisation open discussion afternoon.

Today marks the first of what will become an annual event for us and clearly signals a new level of engagement between Telefónica and the European Union.

As Peter said, Telefónica today is a very different company to the Telefónica of the end of last century. We have grown in scale to be a global telecom company but at our core we remain a European based company committed to the ongoing success of the EU.

Today, Telefónica is one of the world's largest integrated telecommunications companies. As Peter mentioned, we offer fixed, mobile, broadband and TV services to more than 250 million customers across 25 key markets in 4 continents (Europe, Latin American, Africa and Asia) with annual revenues of more than €56 billion in 2007.

As a leading communications provider we need to constantly respond to our customer needs, developing new products and services. In other words, we help our customers to connect to the people and things that matter to them. To do this we invested over €4 billion in technical innovation last year. Telefónica has a

network of R&D centres in Spain, Brazil and Mexico, and, in collaboration with China Unicom, in China.

Within Europe, four years ago Telefónica was only present in Spain. Now it is a reference among the European players, with operations in Spain, UK, Germany, Czech Republic, Slovakia and Ireland, plus shareholdings in Portugal Telecom and Telecom Italia. Telefónica has over 92 million customers in Europe, 82,000 employees, 14,000 suppliers and a turnover of €36 billion in 2007.

Businesses like ours and from other regions are becoming increasingly global, hence the theme of internationalisation for our debates.

We believe we are in position to contribute to the debate on these issues and explore ideas on how to think and act globally, whilst tailoring responses to local needs.

The fact that we are here today and the debate we are hosting shows how committed we are to Europe beyond telecoms specific issues. Telefónica is not only a telecoms operator, it is an important pan-European company actively involved in the wider debates affecting citizens, businesses and the communities in which we operate. We take our social responsibilities seriously and have an impressive track record in areas such as child protection, climate change, social inclusion, economic growth, trade, and education, to name a few.

If you think of any other sector which is crucial for business, beyond financial services, it has to be communications. The response to the financial turmoil and its impact on the real economy is certainly of concern to us. We very much agree with a number of objectives outlined by the European Commission's communication presented on 29 October, such as helping families and households across Europe, speeding up Europe's agenda for tackling climate change, and providing new opportunities for the economy, including for SMEs.

Our sector is a pillar for every economy.

We recently commissioned a new study by the Centre for Economics and Business Research (CEBR) which highlights the positive impact the telecommunications industry is having on the European Union's economy.

Amongst other key findings, the study reported that:

Telecommunications contributed €374 billion to the European Union economy in 2007, up from €218 billion in 2000. The CEBR forecasts that this will rise to €512 billion in 2013 – representing by then 3.7% of the EU's economy. This is more than the IT industry or the hotel and restaurant sector.

In 2007, the EU telecommunications sector supported 3.56 million jobs. This is expected to increase to 3.71 million in 2013.

Telecommunications is one of the most productive sectors in the European Union. Each worker in the sector contributes €105,000 to the economy each year – more than twice the EU average of €50,000. This productivity gap is set to expand further, with economic output per worker in telecommunications forecast to rise to €138,000 in 2013, compared with the EU average of €61,000.

The industry makes a major contribution to public finances - providing €187 billion in tax revenues in 2007, increasing to €223 billion by 2013.

The telecommunications industry is one of the fastest-growing contributors to the European economy and therefore a backbone for the wider economy. In times of a tougher macroeconomic environment, we believe that open markets and the appropriate regulatory environment will help to generate the investment and innovation that Europe needs now more than ever.

A key policy objective of the EU should be that Europe reaches a sustainable position as the world's most innovative region for ICT. To achieve this, we need a predictable regulatory framework to favour investments in R&D and new infrastructure. This will ensure that all European consumers and businesses are offered the widest variety of services at the highest quality and a competitive price.

The regulatory regime needs to encourage and incentivise the private sector to make the huge investment required to finance new technologies such as high-speed broadband networks – so-called 'Next Generation Networks (NGNs)'. This amounts to some €250 billion for the fixed network alone. I think that this is the right time to move ahead and assure an increase on European competitiveness and productivity and avoid the risk of opening a gap with advanced economies such as the American or the Japanese ones which are strongly betting on these new technologies.

Our sector is highly competitive – where else did you see so many new entrants within such a short space of time or such a technological revolution? This has resulted in steadily falling prices for consumers across all sectors – fixed, broadband and mobile; in fact we are one of the very few deflationary industries. We must not stifle this constant evolution by disproportionate regulation.

As a new European Parliament and Commission are due to start a new 5-year legislative term next year, the question of the EU's role for the years to come, and in particular how to handle the economic downturn and its consequences, is crucial. We hope to bring food for thought to the present and future EU policy-makers and contribute to the emergence of solutions to this serious challenge. Today's conference is part of our engagement. We are always willing to be part of the solutions and we have a strong track record as a committed partner to the EU with, for example, significant contributions to the Lisbon objectives. In addition, the company is actively developing solutions for rural broadband access or for a number of key public sectors including e-health, e-education and e-transport.

The EU needs to systematically integrate the global dimension in every initiative it takes, including the ones primarily targeting internal issues. To support its businesses in becoming more competitive, innovating, attracting investment and developing abroad should be a priority for the EU – this is the only way Europe can enhance its competitiveness on the world stage.

Telefónica has experienced the challenges that every European company faces when developing worldwide. We are keen to share our experience and our views on how the EU can support European companies' expansion. Challenges such as IPR protection, inexistent EU patent, but also different technical standards or various entrance barriers represent daily obstacles for our company and European businesses in general when operating worldwide.

Our learning curve started back in 1985 with the internationalisation of our capital through foreign stock exchanges. From our experience, I can say that there are some key topics in an internationalisation process and business operation:

- Be global while being local. Doing business has never been more global than nowadays. However, it requires a pragmatism approach that shows you that maybe the trends seem to be global but the actual facts are subtly adapted to the local realities. Our own approach in this field is to become a "multi-local" company

- Regulatory and legal framework. All companies from any private sector need the commitment of the public administration by providing predictable and stable regulations and laws to ease the strategic investments needed in a internationalisation process.

- Reciprocity. All the support is needed from the European Commission and the European Parliament to set up bi-lateral agreements with the different countries and regions worldwide in order to have an equal treatment to our companies in other countries as the one that it is provided to non-European companies when entering the Euro markets.

- Another key factor to develop an international expansion is to have the right access to capital markets with the right conditions according to the maturity of the investment projects that companies accomplish in their internationalisation strategy.

- And last but for sure the most important factor for international success is the people. It is important to have the right management skills to work worldwide and to have a defined talent rotation policy in order to get the most from the mix of different cultures and backgrounds.

Another important debate is that of the benefits to society that any industry can make even beyond their natural frontiers. Telefónica is involved in numerous initiatives which encourage people to learn to use new technologies and to benefit from the advantages that they offer.

I'd like to stress that Telefónica firmly believes that companies have a role to play in society and must act responsibly to ensure the sustainability of the communities in which we operate. Telefónica's Corporate Social Responsibility track record shows that the involvement of the private sector does bring concrete benefits.

Today is the UN International Day of Persons with Disabilities. Telefónica has a strong and long term committed to social inclusion. The accumulated experience in this sphere has made us possible to extend projects to improve the quality of life of people with disabilities and the full accessibility of our products and services through an international program called "Accessible Telefónica".

In addition, all in all, Telefonica invested nearly 90 million euros in 2007 on social and cultural projects, with more than 40 million people benefiting from initiatives. Thanks to our Proniño program that we developed in Latin America, more than 100,000 children will have been saved from child labour and put in school in Latin America by the end of this year.

We want to be acknowledged as reliable and trusted contributors not only on sector-specific questions but on general questions affecting the whole of Europe. Europe's competitiveness in the global economy is obviously one of these fundamental debates. The conference today is part of our contribution to it.

At this stage I would like to show you a short video highlighting today's Telefónica and the importance of telecommunications.

**VIDEO – please access at:**

<http://www.telefonicaeuropeday.com/video.html>