

TELEFÓNICA CALLS FOR NEW EUROPEAN PARTNERSHIP IN FACE OF GLOBAL ECONOMIC CRISIS

- **Five-Point Plan to Secure Urgent Network Investment**

Brussels, 3 December 2008 – Telefónica President César Alierta today called for urgent action from Europe's public and private sectors to work together in a new spirit of partnership to tackle the huge investment challenges facing businesses in the EU. This call was supported by evidence from a new study by the Centre for Economic and Business Research (CEBR) that confirmed the importance of the telecommunications industry to Europe's economy.

Alierta outlined a five-point plan urging market unity and regulatory reform that will enable Europe to maintain its position as a global leader in the information communications technology (ICT) sector.

"The telecommunications industry is one of the fastest-growing contributors to the European economy and therefore a backbone for the wider economy. In a tougher macroeconomic climate, 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," Alierta said.

In its five-point plan to foster investment in European telecommunications – which contributed €374 billion to the European Union economy in 2007 – Telefónica called on the European Union to:

- Promote market growth based on innovation in networks and services.
- Promote a model of effective and sustainable competition, based on competition among platforms.
- Promote efficient investment in new generation networks through gradual deregulation, based on geographic segmentation.
- Promote a new radio spectrum management policy that contributes to the development of new services.
- Foster Europe's competitiveness by promoting a single European telecommunications market that encourages growth and competition between European industry champions in order to achieve leadership in the converging, global ICT market.

A key policy objective of the EU should be that Europe maintains its position as the world's most innovative region for ICT, Alierta told a Telefónica Conference on Internationalisation in Brussels. "To achieve this, we need a predictable regulatory framework to favour investment 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," he stated.

Alierta said the regulatory regime needs to encourage and incentivise the private sector to make the huge billion investment required to finance new technologies such as high-speed mobile and fixed broadband networks – so-called ‘Next Generation Networks (NGNs)’. For the fixed element alone, this will amount to €250 billion over the coming years.

“This investment is essential if we are to avoid the risk of Europe losing out to other advanced economies such as the USA and Japan which are betting strongly 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.”

A new study by the Centre for Economics and Business Research (CEBR) highlights the positive impact the telecommunications industry is having on the European Union’s economy. Among 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 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 in 2013.

All conference info, including copies of relevant speeches, can be accessed at our web site:

<http://www.telefonica.com/europe>

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