

## 5. Planning

Of the corresponding Annual Report called last year the "Year of the Plan" due to the relevance that preparation of the 1983-1986 Coordinated Four-Year Plan and its approval by the Government had for the Company, 1984 has consequently the year of global planning in pursuit of future management, and has culminated in the drawing up of the 1985-1988 Four Year Plan that continues and updates the previous one.

In these years, Telefónica has perfected its planning system and has converted the planning processes for installations and investments into a set of actions that has allowed management of funds employed to be improved and the necessary management and technological changes to be implemented.

The 1985-1988 Plan in this context proposes to provide cohesion to everybody's efforts and to ensure that progress is made on those activities that allow the Company to advance, both with respect to networks or services, and in the satisfaction of the demands that society will make in the immediate future.

### Objetives of the 1985-1988 Plan

The 1985-1988 Plan has been designed on the basis of the triple objective of developing services, modernising infrastructure and promoting the industrial sector related with Telefónica's equipment. It follows that management and service objectives should be defined that enable this to be achieved, which can be described as follows:

#### SERVICES OBJECTIVES

##### a) TELEPHONISE SPAIN

Which means developing and expanding the basic telephone service.

##### b) PROMOTE INNOVATION

Which requires the up-dating of the telephone service (e.g. incorporation of new telephone facilities) and the expansion of other telecommunications services (tele-processing, mobile services, business communications, etc.).

##### c) INTRODUCTION OF MULTI-PURPOSE NETWORK MANAGEMENT

Which will enable Telefónica to be ready when an infrastructure has to be provided to users that require networks for transmitting more than simple telephone conversations.

This unavoidably requires the following management objectives:

<b>MANAGEMENT OBJECTIVES</b>
a) <b>INFRASTRUCTURE MODERNIZATION</b>  — Conversion to digital switching equipment. — Digital conversion of the major transmission paths.
b) <b>UP-DATING METHODS FOR RUNNING THE INFRASTRUCTURE</b>  — Introduction of technical solutions for advanced operation. — A more flexible and efficient relationship with the subscriber.
c) <b>ACHIEVEMENT OF MORE INTEGRATED AND VERSATILE MANAGEMENT THAN THAT REQUIRED BY THE TELEPHONE SERVICE UP UNTIL NOW, DUE TO THE APPEARANCE OF NEW SERVICES AND THE MOVE INTO NEW BUSINESS AREAS.</b>
d) <b>APPLICATION OF NEW MANAGEMENT AND ORGANIZATION FORMULAE, PROMOTION OF DECENTRALIZATION AND INCREASED EFFICIENCY AND SPEED OF RESPONSE TO THE DEMANDS OF MODERN SOCIETY.</b>

## The 1985-1988 Plan as a future management tool

The 1985-1988 Plan, drawn up on the basis of the objectives explained above, also includes a multiple future management project that turns planning into a management modernization tool, for updating services and favouring technological progress in areas where, for various reasons, an appreciable lag was occurring compared to the potential of today's techniques and equipment.

The Plan thus becomes an instrument that requires finely tuned coordination, a reduction in delivery dates for the availability and technical qualification of equipment and an organization that enables new management formulae to be adopted as society demands them and new technologies impose them.

This ambitious project makes planning a decisive aid when managing a dynamic environment and preparing future management, reducing waste, indicating new procedural formulae and achieving levels of efficiency similar to the other more advanced countries.

## Sub-plans of the Master Plan

The 1985-1988 Master Plan contains, as is to be expected from the above, a set of functional and instrumental plans that define 60 investments that are grouped together under 12 specific investment headings. It also includes a series of action policies and, when implemented, proposes to achieve economic and financial results that continue with the business reorganization process initiated.

This is illustrated in the figure below (the contents of the Master Plan) and, in turn, the installations plan and the instrumental plans are exactly represented in their corresponding diagrams.

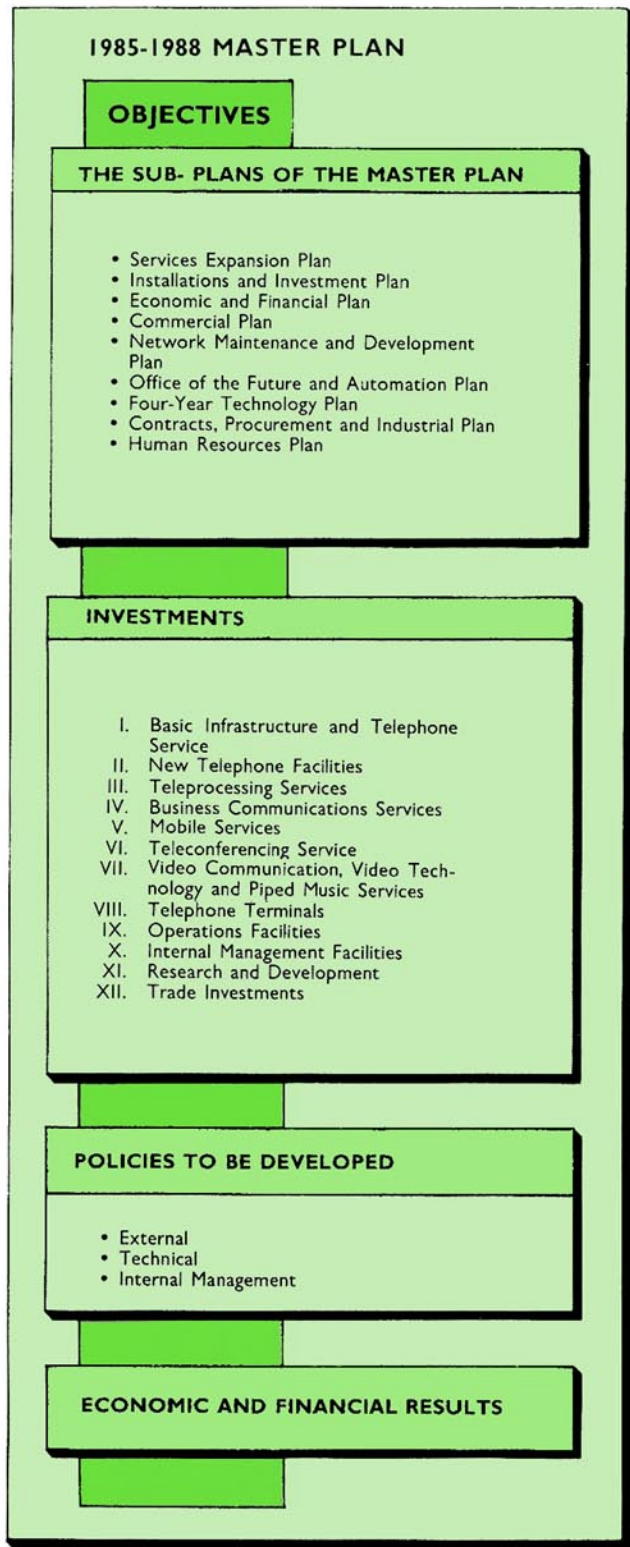


The instrumental plans are, in reality, true horizontal projects, that in close coordination, involve the different functional areas responsible for partial activities to combine to achieve a specific objective. Some of these have the purpose of optimising resource utilization, avoiding onerous or non-productive lack of coordination, while others are methodological procedures to accelerate innovation and technology up-dating processes for infrastructure and equipment. Fulfilment, which signifies short action periods, is essential to ensure achievement of the "technological leap" that the 1985-1988 Plan has as its basic objective, and it will only be

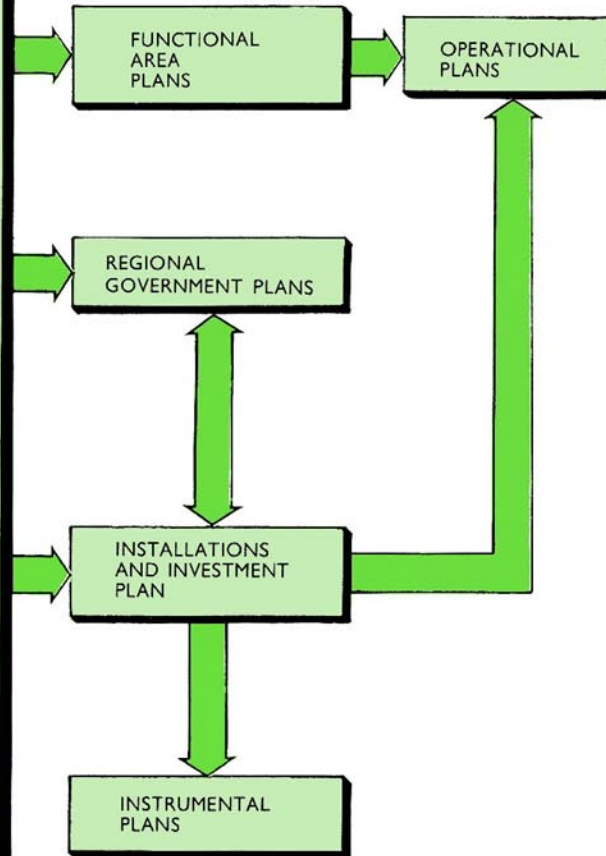
possible to talk about "future management" if the technical facilities to make this possible are in place at the very start.

Lastly, the operational plans that were incorporated into planning in 1984, propose the achievement of a special "shared management by objectives" scheme, centred on functional areas, which will be developed in greater detail and depth in following years. In the end this is the same as a "multiple coherence and integration programme" that manages to combine the partial objectives of each unit with the corporate objectives set out in the Plan.

<b>INSTRUMENTAL PLANS</b>
<b>MODERNIZATION PLANS</b>
<ul style="list-style-type: none"> <li>• ROTARY SWITCH SUBSTITUTION PLAN</li> <li>• AUTOMATION PLAN</li> <li>• PC-32 REUTILIZATION PLAN</li> <li>• BATTERY REPLACEMENT PLAN</li> <li>• DIESEL GENERATOR PROVISION PLAN</li> </ul>
<b>SERVICES IMPROVEMENT AND EXPANSION PLANS</b>
<ul style="list-style-type: none"> <li>• SERVICE EXPANSION PLAN</li> <li>• CONCENTRATOR PLAN</li> <li>• IBERPAC NETWORK PLAN</li> </ul>
<b>TECHNOLOGICAL ACCELERATION PLANS</b>
<ul style="list-style-type: none"> <li>• NEW SWITCHING EQUIPMENT PLAN</li> <li>• NEW RADIO AND TRANSMISSION EQUIPMENT PLAN</li> <li>• MOBILE SERVICES PLAN</li> </ul>
<b>NEW SERVICES AND NETWORKS IMPLEMENTATION PLANS</b>
<ul style="list-style-type: none"> <li>• IBERCOM NETWORK PLAN</li> <li>• INITIATION OF NUMERATION FOR NEW SPECIAL SERVICES PLAN</li> <li>• IBERMIC NETWORK PLAN</li> <li>• NEW SERVICE INTRODUCTION PLAN</li> </ul>
<b>MANAGEMENT AND COORDINATION PLANS</b>
<ul style="list-style-type: none"> <li>• EQUIPMENT DELIVERY PLAN</li> <li>• EQUIPMENT PLAN FOR THE TECHNICAL OPERATIONS PLAN</li> <li>• SUBSCRIBER OFFICES PLAN</li> <li>• MEETING POINT PLAN</li> <li>• OFFICE BUILDINGS PLAN</li> </ul>



**THE CONTENTS OF THE PLAN**





## TELEFONICA AT THE START AND THE END OF THE PLAN

TECHNOLOGICAL PARAMETERS	31-12-84	31-12-88
<b>LOCAL LINES INSTALLED (thousands)...</b>	9,986.9	11,446.9
— Automatic (% of those installed) .....	9,909.0 (99.2)	11,446.9 (100)
Electronic (% of automatic) .....	124.0 (1.3)	1,021.3 (8.9)
Conventional (% of automatic) .....	9,785.0 (98.7)	10,425.6 (91.1)
— Manual (% of those installed) .....	77.9 (0.8)	—
<b>EQUIVALENT LOCAL LINES (thousands) ...</b>	3,372.6	3,747.3
— Electronic (% of total) .....	106.8 (3.2)	478.1 (12.8)
— Conventional (% of total) .....	3,265.8 (96.8)	3,269.2 (87.2)
<b>LINES DISMANTLED .....</b>		564,745
— Electronic .....		—
— Conventional .....		490,920
— Manual .....		73,825
<b>NUMBER of Automatic Mobile Telephones (including Vehicle Automatic Telephones)</b>	1,291	9,193
<b>RADIO-PAGING SYSTEM SUBSCRIBERS..</b>	—	17,157
<b>PAGING SYSTEM SUBSCRIBERS .....</b>	11,437	17,934
<b>PRIVATE RADIO TELEPHONE USERS .....</b>	—	640
<b>AUDIO CONFERENCING .....</b>	—	5,110
— High Quality Rooms .....	—	10
— Standard Rooms .....	—	5,100
<b>VIDEO CONFERENCING (Rooms) .....</b>	—	23
— Public .....	—	10
— Private .....	—	13
<b>CABLE TV CONNECTIONS .....</b>	—	24,000
<b>COAXIAL CABLE (Kms) .....</b>	9,933	10,880
<b>DETAILED BILLING (thousands with ac.) ...</b>	135	1,348
<b>OPTICAL FIBRE (Km. of cable) .....</b>	—	2,785
<b>TELETEX TERMINALS (In service) .....</b>	—	7,100
<b>VIDEOTEX TERMINALS (In service) .....</b>	121	12,850
<b>DATAPHONE TERMINALS (In service) .....</b>	809	8,712
<b>TELEFAX TERMINALS (In service) .....</b>	1,532	5,769
<b>SICE-IBERCOM NETWORK (lines) .....</b>	—	64,000
<b>DATA TRANSMISSION CONNECTIONS:</b>		
— Switched telephone network .....	7,955	15,099
— Telegraphy and Telex .....	42,753	53,311
— D/T Circuits .....	25,125	34,972
— IBERPAC Network .....	21,316	67,141
— Tele-Alarms .....	14,351	32,317

## TELEFONICA AT THE START AND THE END OF THE PLAN

SERVICE PARAMETERS	31-12-84	31-12-88
NO. OF STATIONS (thousands) .....	13,825	15,803
STATIONS/LINE .....	1.56	1.52
NUMBER OF TELEPHONES/100 inhab. ....	35.8	39.9
LINES IN SERVICE (thousands) .....	8,881	10,361
— Automatic .....	8,814	10,361
— Manual .....	67	—
APPLICATIONS PENDING (thousands) .....	266.9	—
PUBLIC SERVICE TELEPHONES (PST) .....	13,000	16,046
TELEPHONE DENSITY, LINES/100 INHAB. ....	23.0	26.2
LINES VACANT (%) .....	11.3	9.5
DEGREE OF AUTOMATION (%) .....	99.2	100
PERCENTAGE OF HOMES WITH TELEPHONE ...	49.8	59
NEW LOCAL ZONES TO BE FORMED .....		588
TRUNK CALLS (millions/year) .....	2,565.8	3,208.9
NUMBER OF TRUNK LINES (thousands) .....	217.9	259.2
COUNTRIES VIA DIRECT DIALLING .....	93	110
EUROPEAN AUTOMATIC SERVICE CONNECTED SUBSCRIBERS (%) .....	99.6	99.9
INTERCONTINENTAL SERVICE AUTOMATION (%) .....	80	90
PUBLIC TELEPHONES .....	38,858	45,620

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## INVESTMENT AND INSTALLATION PLAN

INVESTMENT AND INSTALLATION PLAN	
INTERIOR PLANT	SUBSCRIBER TERMINALS
SWITCHING TRANSMISSION RADIO INFORMATION TECHNOLOGY POWER SUPPLY EQUIPMENT MOBILE SERVICES	TELEPHONE TERMINALS TERMINALS FOR TELEPROCESSING SERVICES PUBLIC TELEPHONES AND BOOTHS AUDIO CONFERENCING VIDEO CONFERENCING
EXTERIOR PLANT	OTHER INVESTMENTS
OPTICAL FIBRES COAXIAL CABLES LOCAL NETWORKS TRUNK NETWORKS DUCTING	SOCIAL AFFAIRS AND TRAINING WAREHOUSE FACILITIES DATA PROCESSING RESEARCH AND DEVELOPMENT PROTECTION
REAL ESTATE	
LAND PLOTS BUILDINGS SUBSCRIBER OFFICES MEETING POINTS	



