

## **A short history**

The telephone made its debut in Spain a year after its invention, shortly after its presentation at the Philadelphia Centenary Exhibition. The first communication via telephone took place on December 16, 1877 between Montjuich Castle and the City of Barcelona. A few months later the first permanent telephone line was installed in Frenegal de la Sierra (Badajoz). The first signs of legislation of telecommunications services date from the Royal Decree of August 11, 1884. This Decree granted monopoly of the telephone service to the State, who awarded the operation of the service to various concessionaires. The trunk service was launched in Spain on March 18, 1891 when the State tendered a license for the construction and operation of a network which was granted to the "Compañía Peninsular de Teléfonos".

At the beginning of the century we find a multitude of concessionaires coexisting. The formation of a single company did not take place until 1924, when the State granted the running of the telephone service to the "Compañía Telefónica Nacional de España". This Company was founded in Madrid on April 19, 1924 with an initial share capital of 135 million pesetas. The main shareholder was the North American company ITT (International Telephone and Telegraph Corporation). One of the first landmarks in Telefónica's history was the launching in 1926 in Santander of the first automatic exchange. On December 29 of the same year, King Alfonso XIII opened the Madrid automatic exchange.

In 1945 and 1946 there were several fundamental changes in the organization and regulation of Telefónica. The state nationalized the Company purchasing the shares held by ITT to become the main shareholder, with 31% of the capital. The process of change culminated in the signing of the State Contract on December 21, 1946. This would serve as Telefónica's operating framework for more than four decades.

In 1955 the number of telephones installed by Telefónica reached the million mark. At that time there were only 11 countries in the world which exceeded this figure. In 1957 the Madrid-Zaragoza-Barcelona coaxial cable entered into service with 432 telephone circuits. In 1962 the two millionth telephone was installed and the third four years later in 1966. 1969 was another important landmark in the history of Spanish telecommunications: thanks to the 10 million kilometres of circuits installed, half of the trunk calls could be selected automatically. In addition, in 1965, integral automatization of Spain's network commenced, with trunk communications between Madrid, Zaragoza and Barcelona.

With regards to international communications, we should mention particularly the wide network of underwater cable managed by Telefónica, which places Spain among the world's top three circuit operators. Telefónica has put at the disposal of its users a wide range of advanced services such as data transmission, mobile communications, satellite communications, intelligent network services, etc. The Company is also a leading innovator, as was made evident by Telefónica's inauguration, in 1971, of the world's first public packet switching data network (Iberpac). Moreover, since 1986, Telefónica has offered its clients an integral business communications service known as Ibercom.

At a time when numerous telephone operators are being privatized, it is worth noting that Telefónica has been a private company for a long time, although the State holds a significant share (33.6% at the end of March 1993). The company is, however, governed by the regulations laid down by the Government and the European Community. In this respect, Telefónica is bound by the State Contract of December 26, 1991, which replaced the contract signed between both parties in 1946. Telefónica shares are listed on the major world Stock Exchanges (London, Paris, Frankfurt, Tokyo and New York), as well as on the continuous market of the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia).

In response to the internationalization and globalization of financial activity, Telefónica has holdings in several Latin American operators, namely in Chile, Argentina, Venezuela and Puerto Rico. At 1992 year end, Telefónica de España controlled assets worth 3.9 billion pesetas, managed a network of 15,475,100 telephone lines and had a workforce of 74,437. Operating revenue in 1992 amounted to over 1.1 billion pesetas. Telefónica de España is Spain's leading company in terms of turnover, shareholder funds, total assets and number of employees.



TELEFÓNICA DE ESPAÑA