

Logjams in the Spanish fiber optic network.



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Before year's end, Telefónica's Futura fiber optic network service should be arriving to Spanish households. This service promises an initial access speed of no less than 30 megabytes per second with a later speed of 100 megabytes. Among other services and contents, this technology enables high definition Internet TV in different systems within the same household. It also provides sophisticated security services and unlimited videoconference usage.

One of the significant indicators of a country's degree of information technology implementation is the availability of fiber optic networks. Spain, however, is one of the developed countries with the least kilometers of this type of network installed. This deficiency is in part due to Spain's own difficulties with the process of liberalizing telecommunications. These difficulties have plagued Spain since 1998 and attributed to the omnipresence of the former monopoly, Telefónica.

Almost eleven years later, the rollout of fiber optic networks in Spain continues at below-average rates while demand for broadband capacity has skyrocketed. The problem is made worse by the fact that the potential of successive ADSL technologies using old copper wire systems has been overloaded in desperate attempts to cover Internet access for the vast majority of connected households.

It is obvious that Spain needs to make up for lost time, especially given that other countries are not waiting around. For example, KPN just announced investments of between 6 and 7 billion euros in Holland's fiber optic network, while Telefónica's foreseen investment from now until 2010 will be in the area of 1 billion euros.

To unclog the current situation, Spain's Telecommunications Market Commission (CMT in Spanish) has authorized Telefónica to commercialize its

fiber optic services, albeit with the prior obligation of sharing part of its network infrastructure (such as nodes and channels located in public areas) with rival operators. However, Orange, which is France Telecom's Spanish affiliate, alleges that Telefónica is not complying with the requirement to share its resources and is conducting abuses in the pre-sales of its services. Once the National Court ruled in favor of Telefónica, and the CMT verified, "the proper functioning" of Telefónica's wholesale register and conduct sharing service, the green light was given for sales of fiber optics to households. According to Telefónica, this service has begun to be implemented in zones that currently have coverage, but there has been no advertising campaign to date.

And the soap opera is not over yet. Brussels has taken issue with the model proposed by the CMT and is now demanding that it further substantiate the model. They are focusing specifically on two critical points. One is the distinction established by the CMT between zones where competition exists (and in which Telefónica would have fewer obligations) and zones where alternatives are absent. The other point involves Telefónica's obligation to facilitate access to its networks, but only at 30 megabits. This means that if other operators want to commercialize higher velocities, they will have to do so with their own networks. In short, what the EU is demanding is a guarantee that Spanish fiber optics will truly be open to free competition. It is also a way to ensure that high-speed access prices will be more accessible in the medium-term. However, it is hard to imagine them being more competitive than those in other European countries for the foreseeable future.