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Firms' takeover in War Times: The incorporation of the Tenerife Island Telephone Network to CTNE in 1938

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ABSTRACT

This paper studies the causes, conditions, and consequences of the process of absorption of the insular telephone network of the Cabildo de Tenerife (RTIT by its Spanish acronym) by the National Telephone Company of Spain (CTNE) in 1938. This process, which was presented as a friendly purchase beneficial to both parties, was actually strongly influenced by the special circumstances of the Civil War. The conditions that contributed to this decision are analysed, such as the financial situation of the Cabildo, the disciplinary processes suffered by the personnel considered disaffected by the military regime, or the situation of the company's management. The efforts made by CTNE to incorporate this network are also analyzed, as well as its consequences for both entities, particularly for the insular institution, which suffered a significant decrease in its revenues.

KEYWORDS: Firms' acquisition, service sector, National Telephone Company of Spain (CTNE), Spanish Civil War, Canary Islands

JEL CODES: L20, N74, N84

1. Introduction

This paper studies the process of incorporation of the *Red Telefónica Insular de Tenerife* (RTIT) to the Spanish Telephone Company (*Compañía Telefónica Nacional de España* or CTNE). The main objective of our research is to study how the special situation imposed by the civil war affected the RTIT and made almost impossible its continuity as a public independent company. Although the creation of the *RTIT* and its coexistence with the main telephone company has already been studied in other works (Pérez Jiménez and Quintana Navarro 2020a), the current availability of other primary sources, such as the minutes of the Board of Directors and the Executive Committee of CTNE, allows us to shed new light on the circumstances surrounding the acquisition of the Tenerife network by *Telefónica*.¹ The role of Demetrio Mestre in this operation can now be seen

¹ It has been made available thanks to the administrators of the portal <https://historiatelefonía.com>, who are doing an important work in compiling and disseminating materials related to this period. *Telefónica* was the popular name for CTNE in that time.

in its whole dimension, which allows us to see this acquisition as the final chapter of a process already initiated before the outbreak of the conflict and which was aimed at taking over the Cabildo's network at the lowest possible cost. This acquisition would allow not only unifying the two zones into which CTNE's network in Tenerife was divided up to that moment and increase the Company's profitability in the islands, but it would also be a merit that Mestre himself could claim for his promotion within the Company. This unification had been attempted as early as 1928, but the solid defence that the island local government (Cabildo) made of its investment and the validity of its operating license, which expired in 1950, had prevented it, at least until the beginning of the Spanish civil war in 1936.

Once the war began, the insular network found itself at a triple crossroads that led to its demise: On the one hand, it lost its management and an essential part of its personnel, both because of the purging processes ordered by the new military authorities and because of the enlisting of part of its specialized personnel, whose salary costs had to continue to be paid by the Cabildo. On the other hand, the critical financial situation of the insular institution, which suffered the loss of income from taxes due to the fall in trade due to the war, reduced its capacity to make new investments. Finally, the institution was subjected to pressure from the CTNE itself and the rebel zone's political authorities in favour of this absorption.

The treatment of the historiography on telecommunications in the Civil War has been very scarce so far and almost always focused on the role of CTNE, directly or framed in the investment of the United States in Spain in the twentieth century (Calvo Calvo 2010; Salas y Merlé 1941; Álvaro Moya 2007; 2015). However, telecommunications were already a strategic factor of undeniable importance, as Hugh Thomas indicates when defining the *coup d'état* of July 1936 as "the first rebellion of the telephone era" (Thomas 1976, p. 363). Therefore, recently, new contributions on the role of CTNE during the conflict have been appearing, highlighting the recent study by Soler Ferrán (2021), which continues a fruitful line of work on this subject (Iglesia Medina and Soler Ferrán 2017; Soler Ferrán and Iglesia Medina 2020). The evolution of the RTIT can be documented in the minute books of the government commission of the Cabildo Insular de Tenerife or the archives of the corporation, although it has also been the subject of other works on the evolution of the network itself (Pérez Jiménez 2020; Pérez Jiménez and Quintana Navarro 2020a; 2020b; 2021), and others focused on its financing mechanisms (Hernández Pacheco 2020). Finally, for comparative analysis, we can also study the evolution of other telephone networks that shared the telephone service in Spain with CTNE, particularly those of Guipúzcoa (Gutiérrez Alonso 1997; 2007; Soler Ferrán and Iglesia Medina 2020).

The telecommunications sector in Europe at that time was mainly dominated by state monopolies represented by the PTTs (postal, telegraph, and telephone companies and administrations). These simultaneously offered postal and telecommunications services and related services and, in many cases, controlled their equipment suppliers on a

subsidiary basis. In the 1930s, CTNE was unique among these companies because it was a private company controlled mainly by the U.S.-based *International Telephone and Telegraph Corporation* (ITT). It was also distinguished from its counterparts in that its corporate purpose was focused exclusively on the telephone industry.² This foreign control became very controversial along the first two years of the Second Republic (Calvo Calvo 2010, p. 170; Martínez Ovejero 2004), giving rise to a heated political debate in Spain. This control made the Company feel in a delicate position before the arrival of the Popular Front government in February 1936 and explains, in part, the support of much of its board to the military rebellion of July (Rivas García 2018, p. 148),³ support that, in the long run, was not rewarded by the new regime as the Company was questioned for continuing to operate in both areas during the conflict (Calvo Calvo 2010; Álvaro Moya 2015; Soler Ferrán 2021, p. 66), and even at the first years of the second World War, the Spanish government.

The acquisition of Red Insular by CTNE can be considered a horizontal merger, as joining companies were operating in the same sector and offering similar products or services. This option was selected after several previous purchase offers that the island local government rejected; CTNE also ruled out, as politically impracticable, the option of a hostile expropriation, both in this case and in that of the Gipuzkoa networks. The acquisition of the Cabildo network sought to achieve an economic benefit for the acquiring Company by increasing its number of subscribers and adding to its network a whole series of assets, such as the power lines that covered practically all the towns on the Island, or the only automatic switchboards existing on it. This union also made it possible to avoid the legal problems that had prevented, up to that date, the unification of the two nuclei that until then had been controlled by CTNE. At the same time, this purchase was presented as an act of social responsibility (Doh and Guay 2006), by which Telefónica relieved the Cabildo of a financial burden at a time of difficulty while offering RTIT users a series of additional advantages such as interconnection with networks in the rest of the world. However, these advantages were more potential than true in the context of the Civil War. They could only become apparent once the conflict was over, while the supposed economic burden that RTIT represented for the Cabildo was one of its most lucrative sources of income.

In this paper, first, the *antebellum* situation of telephony on the Island is presented, followed by a brief study of how CTNE faced the conflict and its division between the two opposing zones, with particular attention to the rebel zone, since communications

² Another point was the equipment supply. The leading supplier was *Standard Electrica S.A.*, created from a previous company (*Telefonos Bell*, founded by the Muntadas family in Barcelona), and acquired in 1926 by the same parent company of CTNE: ITT. Influential Spanish financiers such as the Duke of Alba and the Marquis of Urquijo played a leading role in this operation. See <http://www.historiatelefonía.com>. Nevertheless, Calvo Calvo (2010, p. 131) shows that CTNE itself was also manufacturing some equipment at that time.

³ It includes a testimony of General Kindelán, who, on July 8th, 1936, was able to get in direct contact with General Franco in Tenerife, calling from the office of CTNE's director in Madrid to finalize the preparations for the coup d'état.

with the Canary Islands depended on it. After this, the situation of the Insular Network during the war is described, paying attention to aspects such as its government, the Cabildo's financial situation, or the depuration process of its personnel, which conditioned its viability. Subsequently, the merger process and the situation of both organizations after the unification are described, and, finally, some conclusions are presented.

2. Antebellum situation

In July 1936, the Island of Tenerife was divided into three zones according to the ownership of its telephone networks. Two of them, disjunct, were managed by the Company holding the national monopoly of the telephone service (CTNE) and included the main urban centers (Santa Cruz, La Laguna, Puerto de la Cruz, and La Orotava) thanks to the purchase of the former urban companies *Servicio Telefónico de Tenerife* and *Servicio Telefónico de La Orotava* in 1924 (see figure 1). The area of the Island's capital was in communication with the network on the Island of Gran Canaria thanks to the submarine cable laid in 1929 between Santa Cruz de Tenerife and Sardina del Norte (Galdar). The connection with the Peninsula, and the rest of the world, was made through the radiotelephone station of El Ortigal in La Laguna dating from 1931 (Pérez Jiménez and Quintana Navarro 2020a), both infrastructures being CTNE properties.

The coexistence between the CTNE and RTIT networks had already had moments of tension. In 1926 CTNE filed a lawsuit against a resolution of the Cabildo⁴ that prevented it from laying lines to join the lines of the two urban concessions, which was finally dismissed in 1929.⁵ Despite this, the Company unilaterally began laying an interconnection line, for which the Cabildo then agreed to take legal action⁶ paralyzing the works in July 1930.⁷ The Cabildo then sought to sign an agreement with CTNE in which, in exchange for facilitating the interconnection between its networks on the Island, it would allow to link the Cabildo's lines with the submarine cable that communicated Tenerife with Gran Canaria since 1929 and with the radiotelegraphic network that, from January 1931, would connect the Canary Islands with the mainland and the rest of the world.⁸ However, no agreement was reached, and CTNE blocked the initiative of the Cabildo of Tenerife to establish telephone communication with the islands of La Palma, El Hierro, and La Gomera "using submarine cables or radiotelephone stations."⁹

⁴ Libro de Actas de la Comisión de Gobierno del Cabildo de Tenerife (hereafter LACGCT), book 1928-1929, Tenerife, minutes of February 9th, 1928, p. 24.

⁵ In LACGCT, book 1929-1930, minutes of November 27th, 1929, p. 180, and *Gaceta de Tenerife*, November 30, 1929, p. 2.

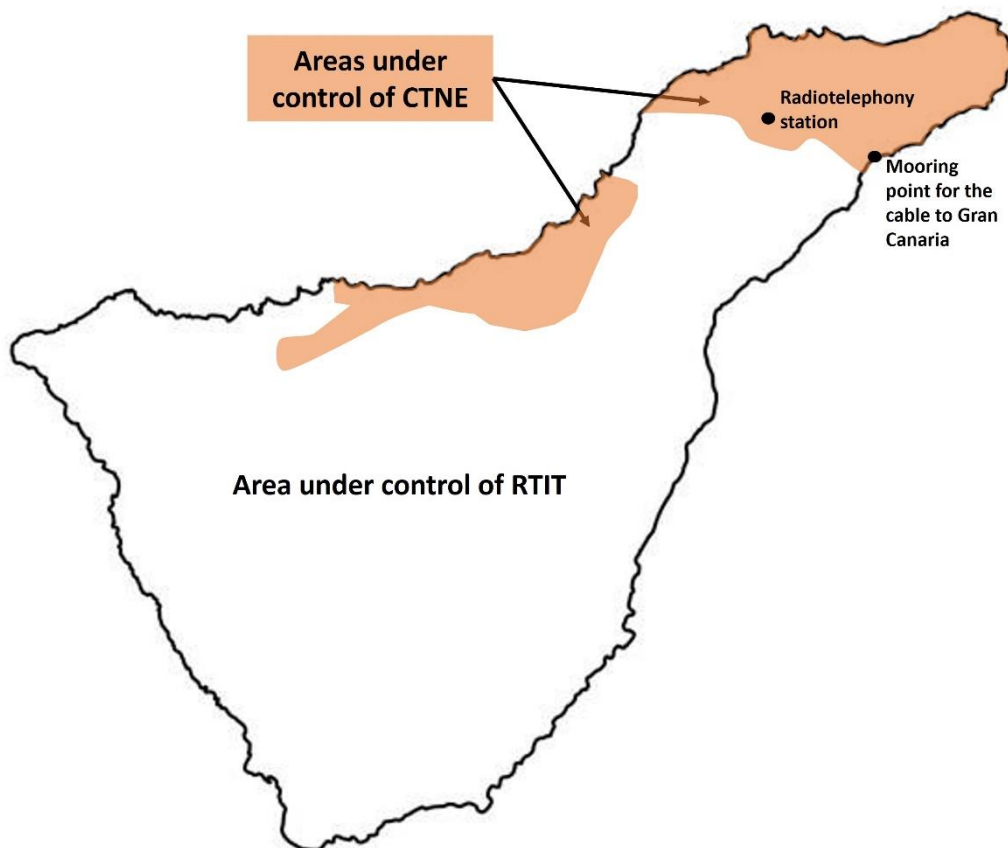
⁶ In LACGCT, book 1929-1930, minutes of December 26th, 1929, p. 227. *El Progreso* also reported it, December 27, 1929, p. 1.

⁷ *Gaceta de Madrid*, No. 184, July 3rd, 1930, p. 81.

⁸ LACGCT, book 1930-1931, minutes of July 30th, 1930, p. 6.

⁹ LACGCT, book 1932-1934, minutes of April 3rd, 1933, p. 163. Information can also be found in *Diario de Avisos* of La Palma, April 4th, 1933, p. 2.

FIGURE 1. Areas covered by the telephone networks in Tenerife in 1936



Source: authors own elaboration.

CTNE had already shown interest in acquiring the inter-island network. Although its contract with the State allowed it to carry out this seizure almost unilaterally,¹⁰ the political climate at the end of Primo de Rivera's dictatorship now made it necessary to set conditions for the agreement. The Cabildo rejected up to three times the pretensions of Telefónica to take over the island company: in March 1928, the then territorial director of CTNE, Jose De las Parras, offered to buy the Insular Network for an amount close to eight hundred thousand pesetas, using as a basis for valuation the one fixed by the State in November 1924 for the networks operated by *Correos* (Spanish postal service) based on the number of stations and subscribers, which was later used as a reference for the acquisition of other companies, such as the urban ones of Tenerife or the one of Arucas in Gran Canaria (Pérez Jiménez 2020, p. 240 et seq.). The Cabildo claimed that the amount was insufficient to cover the expenses it had incurred in its laying. In May 1929, a new attempt was made, but CTNE reduced the previous offer by 35% because of the

¹⁰ According to the contract (RD of the presidency of the Military Directory of August 25, 1924, *Gaceta de Madrid*, no. 241, August 28th, 1924, pp. 1050-1057, base 13th), the State was obliged not only not to grant new concessions (base 1st), but also to seize those in force that the Company requested, without the need for an agreement with the dispossessed concessionaire (base 5th) and including all those services susceptible of being offered by conductors or any other means adapted to the transmission of signals and communications (Pérez Yuste 2004, p. 186).

amounts spent on the new Santa Cruz de Tenerife plant's equipment and the cost of its interconnection with the networks of the rest of the Island. The national Company also agreed to maintain the staff and their salaries and take charge of the stock of stored materials "at invoice price," which gave a purchase price of around five hundred and fifty thousand pesetas. As if that were not enough, the Cabildo was also expected to pay for part of the radiotelephone station in La Laguna, so logically, the island body rejected the proposal.

In 1930, the arrival of Américo López Méndez to the presidency of the Cabildo brought new rumours of seizure,¹¹ which again clashed with the rejection of most of the Cabildo councillors. In general, the La Orotava area representatives favoured the transfer since their localities could be connected to the inter-island services. In contrast, those from the Santa Cruz area were more reluctant because the service tariffs of the island network were significantly cheaper than those of CTNE (which, at the time, were said to be among the most expensive in Europe).¹²

The proclamation of the Second Republic brought a period of inevitable impasse, broken in 1933 when Demetrio Mestre Fernández took over the baton of CTNE in the Canary Islands as the new territorial delegate. The latter again focused on its territorial expansion, including the areas that the former urban companies had left in the hands of the RTIT, such as the region of Acentejo. In January 1934, the appeal lodged by CTNE against the Royal mentioned above Order of July 1930 was heard before the Supreme Court. Once again, the result was favourable to the Cabildo,¹³ despite which Mestre declared in September of the same year that he had "received orders and authorization from the Company to build in this year new lines and centres for the towns of Realejo Alto, Santa Úrsula, La Victoria, La Matanza, and Tacoronte." The construction of the centre planned for Tacoronte, a vital point for linking the two areas, was successfully appealed by the Cabildo.¹⁴ Therefore, CTNE in general, and Mestre in particular, had already sought either to take control of the insular network by various means or to circumvent its areas of coverage, something that the arrival of the new authoritarian regime could facilitate by limiting legal and political controls over its actions.

3. A divided CTNE

Demetrio Mestre, who was politically very close to Falange Española, played a particularly significant role in the development of the events that led to the beginning of the Civil War. The Canary Islands were vital in the rebels' plans since General Franco

¹¹ *El Progreso*, March 6th and 7th, 1930, both on the first page.

¹² The cost with the insular network of a three-minute conference was 1.15 pesetas, while the CTNE rates were set at 1.65 pesetas. See the interventions of Jose Ayats Surribes in the National Assembly (*Diario de sesiones of the Asamblea Nacional*, legislature 1927-1929. No. 40, March 20th, 1929, pp. 509-540) and the review of a conference given by the same author in *El Progreso*, February 26th, 1930, p. 2.

¹³ LACGCT, book 1934, minutes of February 16th, 1934, p. 91. The sentence was published in the *Gaceta de Madrid*, n. 51, February 20, 1934, p. 1359.

¹⁴ LACGCT, book 1935-1936, minutes of December 9th, 1935, p. 401.

held the military command of the islands, which would be a safe rear-guard zone. His position as the territorial delegate of CTNE allowed him to control telephone communications to and from the Archipelago, which was transcendental for the coup's success. Mestre was involved in both the conspiracy and the development of the coup.¹⁵ When the Republican authorities repeatedly tried to transfer telephone orders to the Canary Islands to arrest General Franco, their efforts were unsuccessful because, as they suspected, these communications were diverted to collaborators of the general.¹⁶ Unsurprisingly, when the attempted coup became a long-term conflict, Mestre was appointed to organize the CTNE in the rebel zone. (Barciela López and López Ortiz 2014) has studied the situation of companies in both areas during the Civil War, (Calvo Calvo 2010; Álvaro Moya 2015) have studied the organizational aspects of the company, while (Soler Ferrán 2021) has reviewed the technical aspects and the vicissitudes of the deployment of the network during the conflict. The Spanish telephone network before the war had a marked radial character so that, with Madrid in the hands of the Republican Government, it was necessary to improvise solutions to connect the different network segments controlled by the rebels. (Soler Ferrán 2021; Salas y Merlé 1941). In the case of Canary Islands, as far as its internal network was not affected by fighting or sabotage, it soon lost its connection with the mainland. The radiotelephone receiving stations were in the vicinity of Madrid (in Pozuelo and Griñon) and therefore remained in the hands of the Government. Later, Franco's troops took Griñon, but the station was in an almost irrecoverable state of destruction and was too close to the front to be safe to operate. For that reason, it was necessary to improvise, with German help, a new station in Los Pizarrales, near Salamanca, for communication with the Canary and Balearic archipelagos and the African Spanish territories (Soler Ferrán 2021).

Meanwhile, the radiotelephony station in El Ortigal was used to broadcast Radio Club Tenerife's regular emissions (and propaganda) to the mainland and other countries (Davies 1999). The two leading telephone material factories, located in Madrid and Santander, also remained in the area loyal to the Government. However, once General Dávila's troops took the Cantabrian coast, they were able to supply the rebel zone with

¹⁵ M. Aznar provides Demetrio Mestre's name along with that of others to help "in everything concerning the plane and the trip from Las Palmas to Tetuan," referring to Franco's famous trip from the Canary Islands to Spanish Morocco (available on the hagiographic website about the dictator, http://www.generalisimofranco.com/biografia/p_22.htm). (Álvaro Moya 2014) notes that Mestre provided the means for Franco to communicate with Morocco. (Viñas, Ull Laita, and Yusta Viñas 2018, p. 327) stresses his role that "the territorial directors had the technical capacity to control communications, even when they did not have governmental authority." (Rivas 2018, p. 185) cites the service record of Colonel Teodulo Gonzalez Peral, where it is stated that Mestre "a person of great confidence" oversaw transmitting news in the moments prior to the beginning of the uprising.

¹⁶ The director of the International Service of CTNE himself, Jose Maria Clara, who was monitoring the official service between the Canary Islands and Madrid on the night of July 17th from Madrid, managed to get in touch with Mestre and deduced that he was the cause of the telephone calls not being made properly. In (Soler Ferrán 2021, p.51) the document "Información de algunos nombres de los que figuran en la organización de los americanos" of June 6th, 1940 from the Archivo Central Ministerio de la Presidencia (ACP), Madrid, Fondo Jefatura del Estado, legajo 51 is cited in this regard.

cables and some auxiliary materials. The rest of the supplies depended on the German and Italian allies.

Regarding the CTNE's organization, Mestre stated in 1937, "We will form a new National Telephone Company of Spain. We do not have to purge pasts because our conduct has been clear before and during the Movement" (Calabria 1937). He needed a "new" company because CTNE reflected the country's reality. Although a sector of employees and managers of the Company participated in the coup, such as Mestre, or the Marquis of Urquijo, who was left in charge of the Board of Directors of the rebellious zone (Cabrera Calvo-Sotelo 2011, p. 179), another part of the employees opposed the rebellion openly and continued working with the Republican authorities. In between, the ownership of the Company, in the hands of the American ITT, had to maintain the balance, which also cost it severe problems once the conflict was over, as it was branded as a collaborationist with the republican authorities by Franco's Government (Soler Ferrán 2021; Calvo Calvo 2010, pp. 197 & ff.).¹⁷

4. The Tenerife Island Network during the Civil War

After the failed coup d'état, which gave rise to the Civil War in July 1936, the Canary Islands remained in the rebel zone, and the Cabildo of Tenerife was placed in the hands of a Management Commission appointed by the military authorities (León Álvarez and Studer Villazán 2015). In its first meeting, Jorge Menéndez was appointed as the councillor in charge of the management of the Telephone Network¹⁸ and, a few days later, the dismissal of Emilio Lopez Gonzalez as director of RTIT was made effective, temporarily replaced by Matias Molowny Real.¹⁹ However, Molowny had to combine this position with other functions in the Cabildo, so it was necessary to look for a person who could attend to the daily management of the network. This position fell to Isidro Jiménez, an assistant accountant. All this movement of positions clearly shows the loss of management capacity of the corporation in those initial moments of the Civil War since it had to resort to less qualified employees to cover positions of relevance such as this one.²⁰

The Network also had to deal with the personnel situation with a double bloodletting between purges and recruitments, which will be described in detail later²¹. To this were added requests for leave of absence from various telephone operators for family reasons, which were generally denied "as long as the current circumstances persist",²² as well as

¹⁷ Vid. Instrucción jurídico-militar contra directivos estadounidenses de la CTNE, 1939-1941, Archivo General e Histórico de Defensa (AGD), Madrid, legajo 5247. For a complete transcription see (Iglesia Medina and Soler Ferrán 2023).

¹⁸ LACGCT, book 1935-36, minutes of July 23rd, 1936, p. 324.

¹⁹ *Ibid.* Minutes of July 30th, 1936, p. 328 et seq.

²⁰ *Ibid.* Minutes of August 13th, 1936, p. 354.

²¹ LACGCT, book 1936-37. minutes of October 8th, 1936. According to a note from the Military Command of September 11, 1936, the Island Corporation was to continue paying the same salary they received, which was to be applied "to both officials and workers."

²² LACGCT, book 1935-36, minutes of August 13th, 1936, p. 354.

the departure of some foreign technicians, but the number of new employees was also reduced. as well as the departure of some foreign technicians, critical as they were in charge of the automatic switch stations.²³ These human resources problems made it necessary to deny up to ten requests for telephone operator licenses, requested for family reasons due to the conflict. Some temporary measures were also taken, such as moving the headquarters of some telephone stations to the private homes of their managers.²⁴

In addition, economic hardship, and the difficulty of accessing equipment prevented not only the expansion of the Network but also to perform basic maintenance works. However, it is necessary to relativize this situation since the Network was still relatively modern and had reached almost all the inhabited nuclei of the Island. Hence, the growth that could be undertaken was merely vegetative, with additional connections to the existing stations. On the other hand, the scarcity of strategic materials and equipment, which could already be glimpsed on the eve of a new world war, would have made it unfeasible to attend to proposals for new lines if they were to be formulated.

4.1. Funding

The insular telephone network had been a healthy source of additional income for the Cabildo of Tenerife until July 1936, when it began to suffer economic difficulties due to the outbreak of hostilities. In fact, the Spanish Civil War was a real turning point in the economic history of the local Spanish corporations, which had to adapt their taxation not only to be able to face the demands and privations derived from the war, which were later prolonged in the Second World War and its post-war period but also to adapt to the new patterns imposed by the Franco regime and its autarchic economic policy. For all these reasons, local corporations had to undertake a series of transformations in their financial system to maintain a minimum level of income (Hernández Pacheco 2020; Alcaraz Abellán 1999).

The Cabildo of Tenerife was no exception, as shown in figure 2, which presents the evolution of its income.²⁵ In October 1936, the Corporation was forced to arrange a loan with the Bank of Spain "given the pressing situation (...) caused by the serious decrease in income", which, as mentioned, threatened to force the closure of various charitable services such as asylums, hospitals, or hospices, or even prevent the payment of the payroll of the staff of the island institution.²⁶ In 1937 this situation worsened when the Corporation suffered a drastic reduction in income of 21%, which caused a severe financial crisis that resulted in the item dedicated to the management and maintenance of

²³ These were Icod-Daute, Garachico and Buenavista. An example is the case of Hans Winkel at the Icod-Daute plant, a technician for *Standard Eléctrica*, the Company supplying this equipment, who left the island "at the end of the service contract he was performing". *Ibid.* p. 351,

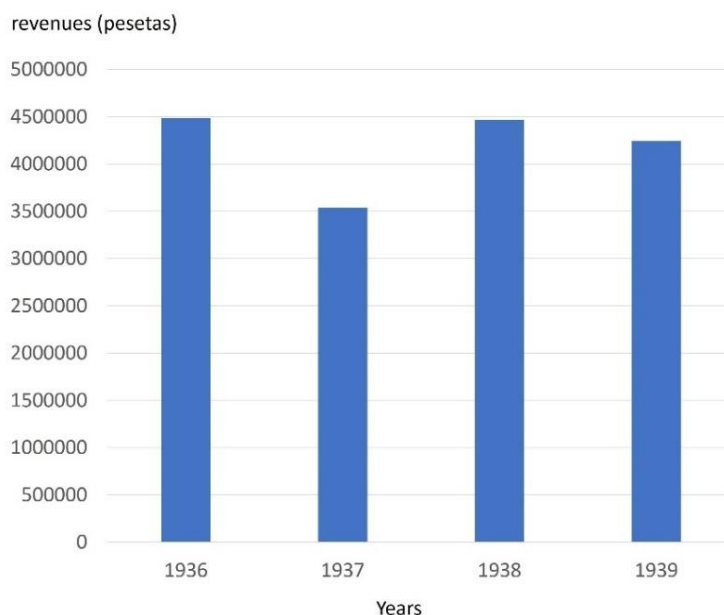
²⁴ *Ibid.* This was the case of San Juan del Reparo or Chiquerque, among others.

²⁵ The tax revenues of the Cabildo of Tenerife came from several items: exceptional contributions, duties, and fees, island taxes, taxes and resources ceded by the State, cessions of municipal resources, and island surcharges. Of all these, the most profitable was the import and regular taxes y duties on consumption (Hernández Pacheco 2020).

²⁶ LACGCT, book 1936-37, minutes of October 29th, 1936, p. 29.

the telephone network being reduced to an insufficient ten thousand pesetas in both the 1937 and 1938 budgets.²⁷ The Corporation had to look desperately for extraordinary income, such as through the sale of the RTIT, the creation of new taxes, or increases in some taxes, such as those on tobacco or gasoline.

FIGURE 2. Evolution of the liquidated revenues of the Cabildo de Tenerife in 1936-39



Source: Author's elaboration based on data from (Hernández Pacheco 2020).²⁸

4.2. Human resources

During the Civil War, two main phenomena affected the availability of personnel in the Insular Network: the enlisting of some of its key personnel and the process of purging of supposed political responsibilities that affected the whole of society under the control of the rebels, but with a particular incidence in the administrations and service companies. The call-up was significant concerning technical specialists, as was the case of the orderlies since they were in great demand for the army's transmission units (Salas y Merlé 1941). This was also worsened with the departure of other irreplaceable, specialized technicians, as those in charge of the automatic switch stations in Icod or Garachico who left the islands at the beginning of the conflict. This was something understandable on a country under a civil war situation, even though Canary Islands were a relatively safe rear-guard zone.

However, the distinctive factor was the purge process, which occurred in parallel with other services of the Cabildo of Tenerife (Studer Villazán et al. 2013). On July 23, 1936,

²⁷ *Ibid*, minutes of December 3rd, 1936, p.61 *et seq.* LACGCT, book 1937-38, minutes of December 4th, 1937, p. 29.

²⁸ It has been used as a conversion parameter that 1 peseta of 1936 would be equivalent to 235.314 of 2000. See *Relative Value of Spanish Peseta* in:

<https://www.measuringworth.com/calculators/spaincompare/index-es.php>.

barely five days after the coup d'état, the Management Commission appointed by the Military Command was constituted, in charge of the Cabildo and, therefore, its Telephone Network.²⁹ In that meeting, the first instruction on the purge process was made.³⁰ On August 6, this issue was again emphasized, again at the request of the military authorities, "given the special circumstances" which required having "personnel of all confidence who would lend their consent to the movement," something essential in the case of the personnel of the island telephone network, considered of strategic importance, for which the president was empowered to adopt "the measures he deemed convenient."³¹ The first wave of sanctions arrived between August and September 1936. It took the form of two station managers and a foreman dismissed three orderlies and a labourer suspended from employment and pay. However, they were reinstated in the service when released, except in one case.³² The cases filed were motivated by a generic "for having belonged to or acted in the Popular Front or being a supporter of advanced theories and dissolvent of society."

In January 1937, a list of twenty-seven persons to be investigated was received from the Military Command, which included eight telephone operators, five telephone station attendants, three orderlies, six administrative assistants, and five maintenance technicians, with proposed sanctions ranging from definitive separation from service to temporary suspension of employment and salary. Commissions were then set up to deal with these cases, and these proposed sanctions were reviewed throughout the following year.³³ A month later, the most critical case instructed to the former director of the Network, Emilio Lopez Gonzalez. He had been a candidate in the February elections for the Republican Party of Tenerife, which was close to Lerroux's radicals and, therefore, ideologically far away from the postulates of the Popular Front. Lopez had gained significance by occupying a position in the ministry of finance of the central government (Director of the stamped paper) in 1935. On February 11, 1937, his definitive dismissal as director of the Network and a four-month suspension of half salary in his previous position as comptroller of the Cabildo for was decided. On July 1, it was agreed to grant his retirement at his request "unless convicted of a crime." However, on September 21 of the same year, he was definitively removed from all his posts, despite of some particular inclusions from the members of the investigating commission, alleging that "him, as an

²⁹ LACGCT, book 1935-36, minutes of July 23rd, 1936, p. 322. Joaquín García Pallasar was named president of the Management Commission of the Cabildo. The members were the chief engineers of the Agronomy, Forestry, Hydrographic Division, and Public Works services, as well as representative members for each party head of the Island. These members were Manuel Batista Rojas, Casiano García Feo, who was elected vice-president, Angel Nuñez Lopez, Miguel Llombet Rodriguez, Jorge Menéndez, Leoncio Oramas Díaz Llanos, Francisco Manares and Antonio Borges.

³⁰ *Ibid*, minutes of July 30th, 1936, p. 327 et seq.

³¹ *Ibid*, minutes of August 6th, 1936, p. 340 et seq.

³² *Ibid*, minutes of August 20th, p. 363 and August 27th, 1936, p. 365. The exception was foreman Francisco Hernández Hernández, arrested for his "advanced Marxist ideas and fractious character," who was suspended from employment and salary and permanently separated from service on June 17th, 1937.

³³ LACGCT, book 1936-37, minutes of January 14th, 1937, p. 109.

interested party (...) has seen denied, all his means of proof, including documentary or testimonial evidence".³⁴

This hardening of the sanctions was something generalized in political repression in Tenerife as the war became entrenched (Millares Cantero 2012). From May 1937 onwards, the sentences in the investigations in progress were paralyzed. However, on August 31, 1937, the Cabildo received a letter from the Island's military commander informing it that the previous orders concerning the employees previously affiliated with the Popular Front had not been precisely fulfilled.³⁵ Thus, eight additional files were opened: two telephone operators, a telephone station attendant, a workshop assistant, two forepersons, and two labourers. Figure 3 shows the sanctions finally imposed after the closing of the files, where the most serious ones corresponded to those who had militated or openly collaborated with the parties of the Popular Front. Separations from service, which initially affected 32% of the files opened, became 39% of the final sentences. Suspensions of employment and salary went from being only 13% of the cases to 25% of the penalties. The lesser penalties initially requested for those accused of varying degrees of minor collaboration or simple sympathy with these organizations worsened to the previous categories, going from 55% of the initial proposals to barely 32% of those reflected in the resolutions.

To verify the depth of the purging carried out, it is necessary to compare it with the Company's overall workforce. This verification is complex in the case of laborers and forepersons since they generally worked on a piecework basis, so there were no contracts, but *ad hoc* work was carried out for repairs and new lines. The Company had about forty-five telephonists and about sixty station foremen on staff, which means that approximately 25% of the former and 12% of the latter were victims of reprisal. The telephone operators suffered sanctions for periods ranging from ten months of suspension of employment and pay to a minimum of four months at half pay.

The retaliated station managers were almost entirely removed from service. These sanctions affected small villages (such as Agua Garcia, Sabinita, Sabina Alta, or Pino del Buen Paso)³⁶ where, in general, there was only one telephone in a public establishment or a family home, with a manager who was paid by the Company only if the cost of the service provided did not reach a minimum amount (fixed at twenty-five pesetas). At first, the families of the reprisals were allowed to continue the service.³⁷ However, a later order of the Military Command cut this practice, dictating that they be closed, which meant the

³⁴ *Ibid*, minutes of February 11th, 1937, p. 129 et seq.; July 1st, 1937, p. 252 and September 21st, 1937, p. 354 et seq. Five council members, including the president, voted for the dismissal, while councillors Llombet and Pérez Izquierdo voted against it.

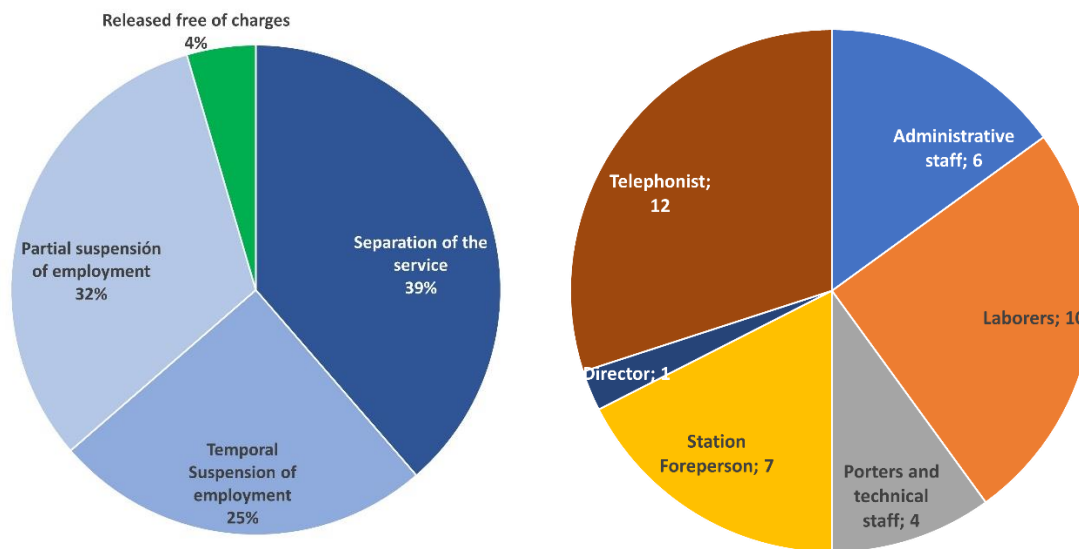
³⁵ *Ibid*, minutes of August 31st, 1937, p. 319.

³⁶ *Ibid*, minutes of October 19th, 1937, p. 373.

³⁷ *Ibid*, minutes of October 19th, 1937, p. 375 and ff.

loss of service in the entire population if they could not be moved to another location,³⁸ as indeed happened in the towns mentioned.

FIGURE 3. Penalties imposed after initiating proceedings (percentage over the total number of sanctioning proceedings) (left) and number of persons repressed, by category, in the Tenerife Island Telephone Network in 1936-38



Source: prepared by the authors based on LACGCT data.

This loss of human capital, together with the economic difficulties of the Cabildo, were factors that, although they did not make the survival of the Company in the hands of the island administration completely unfeasible, contributed to hindering its day-to-day operations. They all constituted the arguments to present the transfer of its ownership to CTNE as almost inevitable.

5. The takeover process

The beginning of the Civil War took CTNE, as already mentioned, under the direction of Demetrio Mestre. However, when he was called to the central services of the Company in the rebel zone to carry out the post of deputy director of CTNE, he ceded his leading role to Casimiro Olozaga, who was appointed territorial director in his place.³⁹ Olozaga remained only in the post for three months, until February 1937, when “the Superiority” (following the terminology of the time) ordered him to work as head of personnel in the central services, leaving Joaquin Lago Gayoso as CTNE director for Canary Islands. However, the Mestre-Olozaga tandem continued to handle matters related to the islands

³⁸ *Ibid*, minutes of November 23rd, 1937, p. 14.

³⁹ *Gaceta de Tenerife*, November 26th, 1936, p.2. See also Book of Minutes of the Board of Directors of CTNE in the so-called “national zone” (hereafter LACA-ZN, and afterwar LACA) no. 5, minute no. 1, January 30th, 1937.

and the incorporation of the RTIT,⁴⁰ for which they had the advantage of their unbeatable political contacts among the military rebels. As an example, in March 1937, when the authorization for the use by Radio Club Tenerife of the radiotelephony station of La Laguna to increase the broadcasting of its emissions was approved, it was stated that it was at Mestre's proposal "since this was in the interest of the headquarters."⁴¹

From the beginning of the war, CTNE continued pressuring the Cabildo to improve its positions in the telephone coverage of the Island, even in the areas under the license of RTIT. In September 1936, it requested that it be allowed to erect "a pole and a brace" in La Cuesta, something that the Cabildo authorized as long as they were removed for the needs of the Island's services and without these constituting grounds for alleging "any right of easement."⁴² However, it opened the door to other similar requests in the following months.

In July 1937, the board of directors of CTNE in the rebel zone authorized the management to resume the "previous steps related to the acquisition of the networks of the Cabildo of Tenerife and the provincial and municipal of Guipuzcoa."⁴³ A month later, the board agreed that the purchase of the RTIT should be managed and, if it was considered convenient, to entrust the management to Mestre "in use of the attributions he had conferred to act in the tenth district."⁴⁴ It was specified that he was empowered to "acquire the aforementioned central lines and all the rights of the Cabildo Insular for the exploitation of the network under his charge, for the prices and under the conditions freely stipulated by the mandatary." He was also granted the freedom to set the terms of payment "demanding or giving, as the case may be, the necessary receipts, letters of payment or settlements (...) and sign the deeds and as many public or private documents as may be necessary or convenient, without any restriction or reservation whatsoever". At the same board meeting, Mestre proposed (and it was accepted) to transfer these powers to Olozaga.

With these full powers, in October 1937, Olozaga wrote to the Cabildo, whose management committee agreed to "the convenience of carrying out the cession." However, it was considered necessary to specify the conditions for which a commission was appointed.⁴⁵ However, it was considered necessary to specify the conditions for which a commission was appointed. Despite this, barely three weeks later, the insular corporation accepted the offer in its initial state "in avoidance of the losses caused to the insular treasury by the maintenance of said service." It was agreed to request authorization

⁴⁰ Olozaga acted as the delegate of CTNE in the act of transfer of the RTIT and was the main interlocutor of the Cabildo in that period, as evidenced by the fact that he and Mestre received a bonus for its success.

⁴¹ LACA-ZN, n. 5, minute no. 4, CA March 31st, 1937.

⁴² LACGCT, book 1936-37, minutes of December 3rd, 1936, p.64.

⁴³ LACA-ZN, n. 5, minutes n. 8, CA July 31st, 1937.

⁴⁴ *Ibid*, minutes N. 9, CA August 26th, 1937. The tenth district corresponded to the Canary Islands.

⁴⁵ LACGCT, book 1936-37, minutes of October 5th, 1937, p. 386. It was formed by councillors Llombet, Pérez Izquierdo, Maldonado, and Oramas -replaced in July 1938 by Rodríguez Febles-.

from the civil governor and even to submit it to a period of public information.⁴⁶ For managing the telephone service during the transitional period, Miguel Llombet was appointed as the director in charge.⁴⁷

In December of that year, the conditions of the purchase were fixed in an appearance of Olozaga himself before the secretary of the Cabildo, ratifying the October proposal.⁴⁸ Also, the favourable opinion of the engineer appointed by the Civil Government, Rafael Galvis Murphy, was received, who emphasized the improvement that the absorption of the Network by CTNE would mean for the service to the subscribers of the insular Network, since now they could have access to the international networks. The purchase price was set at half a million pesetas, a lower amount than that offered in the previous purchase proposals, ranging from five hundred and fifty thousand to eight hundred thousand pesetas. It now included in that price were also included terminals, networks, equipment, buildings, and stored materials, except for those buildings that belonged specifically to the Cabildo (Pérez Jiménez 2020). Molowny, now comptroller of the Cabildo in place of Emilio López González, appealed to the urgency of the transfer given the "extraordinary financial advantages" that the island treasury would obtain. In the agreement, CTNE took over the expenses associated with the operation and assumed all the staff of the Network under its present conditions, improving them if they were worse than those of its employees. It had to keep all the stations of the Network in operation and to impose to the RTIT subscribers' rates similar to those of the rest of Spain. The Cabildo, on the other hand, withdrew all the legal actions underway due to the intrusions of CTNE in its area of influence.

Despite these promises to maintain, or even improve, the conditions of the staff, up to a dozen of the telephonists asked to be incorporated into other dependencies of the Cabildo instead of joining the CTNE staff, this was equivalent to a quarter of the total, but the insular institution did not accept the request to maintain the integrity of the service.⁴⁹ On June 30, Mestre informed the Board of Directors of "having been authorized by the Ministry of Finance and the Ministry of the Interior for the acquisition by the Company of the insular telephone network owned by the Cabildo Insular de Tenerife for five hundred thousand pesetas," which the Board approved unanimously.⁵⁰

Regarding the situation of the subscribers of the Island Network, it does not seem that the acquisition by CTNE meant an immediate advantage for them. The interconnection of their networks with those of *Telefónica* on the Island was undoubtedly important, even at the cost of higher tariffs. However, the issue should have been resolved independently of the acquisition. The interoperability of the networks at a local level was not a problem

⁴⁶ *Ibid*, minutes of October 26th, 1937, p. 388.

⁴⁷ LACGCT, book 1937-38, minutes of November 9th, 1937, p. 6.

⁴⁸ *Ibid*, minutes of December 14th, 1937, p. 40-42.

⁴⁹ LACGCT, book 1937-38, minutes of June 9th, 1938, p. 214. In general, the working conditions of RTIT were better than those of CTNE, especially for married women (Pérez Jiménez and Quintana Navarro 2020b).

⁵⁰ LACA-ZN, n. 5, minute no. 19, CA June 30th, 1938.

since the previous interconnection protocols inherited from the former *Sociedad de Telefonos de Tenerife* and Valle de La Orotava were being applied. Another thing was the use of inter-island or external connections. However, interoperability was already included in the legislation in force. As the regulatory body, the administration should have ensured that both companies were obliged to facilitate it.⁵¹ On the other hand, both the interurban conferences and the inter-island connection were within reach of a few pockets and subject to severe restrictions by censorship, at least while the war lasted.⁵² As for calls to the Peninsula, until 1937, there were no functional receiving stations, and the antenna of El Ortigal had been ceded to Radio Club Tenerife. After that, its use for radiotelephony was limited to the administrations and under military control. Therefore, only after the Civil War would these supposed advantages have become apparent.

Finally, on July 12, 1938, but with effect from July 1, the Cabildo accepted the final wording of the stipulations of the purchase contract where, in addition to the above, the current insurances (such as maternity or unemployment insurance) were subrogated. All rights of way and rentals of premises were transferred, as well as the lease of the facilities located in buildings that remained in possession of the island corporation. CTNE was also obliged to incorporate into the worldwide telephone communication all the centres that integrated the Cabildo's Network and to create links with those of La Palma, La Gomera, and El Hierro.⁵³

The signing ceremony took place on July 15, with the president of the managing committee, Américo López, representing the Cabildo and Olozaga y Mestre, who intervened from Valladolid for CTNE. The witnesses were Colonel Teodulo González Peral, head of the broadcasting services and the commander-in-chief of the artillery services, and former president of the Cabildo Insular, Jose Maldonado.⁵⁴ Subsequently, the island corporation paid CTNE over ten thousand pesetas corresponding to the available balances in the different telephone stations.⁵⁵ Table 1 shows the detail of the stations incorporated into CTNE once discounted those localities where both companies coexisted, where the RTIT personnel joined the Telefonica central office or those which, as already indicated, were closed after the purification processes. Figure 4 and 5 show the situation of the telephone networks in Tenerife at the time of their merger.

⁵¹ This is mentioned in Art. 5 of the Regulations for the execution of the contract signed between the State and CTNE on August 29th, 1924. *Gaceta de Madrid*, No. 326, November 22nd, 1929, pp. 1091-1102.

⁵² Salas (1941) indicates that in the Republican zone, conferences were prohibited beyond the needs of official organizations and military operations. In the rebel zone, they were allowed, subject to the identification of the speakers and censorship. However, this is contradicted by other testimonies of the time.

⁵³ LACGCT, book 1937-38, minutes of July 12nd, 1938, pp. 227 *et seq.*

⁵⁴ *Amanecer: diario de la revolución nacional-sindicalista*, July 16th, 1938, p. 2, *La Prensa*, same date, p. 2. *Vid.* LACA-NZ, n. 5, minute no. 20 CA 26 July 1938.

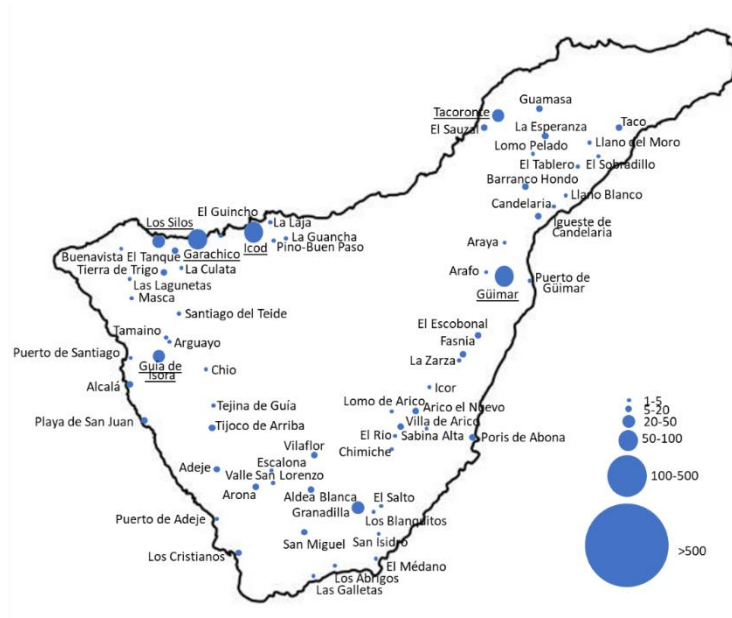
⁵⁵ *Gaceta de Tenerife*, September 11th, 1938, p. 2.

TABLE 1. Stations and subscribers incorporated into CTNE's Network from RTIT

Station	Subs.	Station	Subs.	Station	Subs.
Abrigos	2	Galletas	4	Puerto de Santiago	3
Adeje	20	Garachico	62	Rio (El)	4
Adeje puerto	2	Guamasa	13	Salto (El)	2
Alcalá	4	Guancha	2	San Isidro	2
Aldea Blanca del llano	10	Guía de Isora	34	San Miguel	10
Arafo	2	Güimar	96	Santiago del Teide	6
Araya	3	Güimar Puerto	2	Silos (Los)	59
Arguayo	2	Guincho (El)	2	Sobradillo	2
Arico Nuevo	15	Icod	90	Tableros	3
Arona	11	Icor	5	Taco	9
Barranco Hondo	6	Iguste Candelaria	7	Tacoronte	39
Buenavista	5	Lomo Pelado	2	Tamaimo	2
Candelaria	15	Llano Blanco	2	Tanque	7
Cristianos (Los)	13	Masca	2	Tierra del Trigo	21
Chio	3	Médano (El)	3	Tijoco de Arriba	7
Chimiche	5	Medinya	4	Valle de San Lorenzo	2
Escalona	3	Pino-Buen Paso	2	Vilafor	6
Escobonal (El)	10	Playa San Juan	8	Villa de Arico	6
Esperanza (La)	8	Poris de Abona	7	Zarza	8
Fasnía	14				

Source: CTNE memory 1936-40.⁵⁶

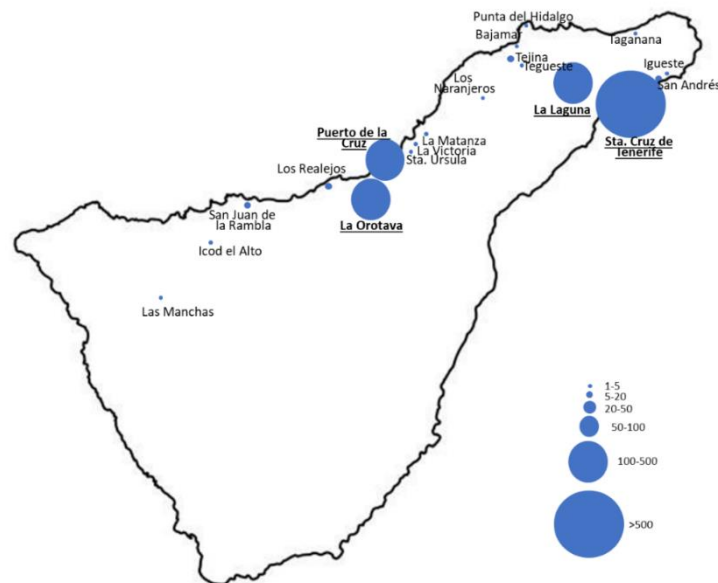
FIGURE 4. Location of the RTIT network in 1936



Source: own elaboration based on LACGCT.

⁵⁶ The approximate subscriber figures of the automatic switchboards of Icod-Daute, Los Silos, and Garachico have been incorporated, according to data collected in LACGCT.

FIGURE 5. CTNE network in Tenerife in 1936, with the number of subscribers per center



Source: Prepared by the authors based on CTNE's annual reports.

When comparing how dealt CTNE RTIT compared with the other networks coexisting with CTNE, the provincial network of Guipuzcoa and the municipal telephone network of San Sebastián, the differences become even more evident. Guipuzcoa remain loyal to the republican government and was occupied by the insurgent army in 1937. Since then, along with Vizcaya, it was declared a "traitorous province" for its refusal to support the coup. From 1937 *de facto*, and later also *de iure*, its traditional privileges were withdrawn, which significantly reduced the financial capacity of its Provincial government (*Diputación foral*). However, CTNE did not seek to take ownership either of the provincial network or the urban network of the capital, San Sebastián (or Donostia), which in this case enjoyed a perpetual license.

The provincial network license was granted from 1908 with a validity of 35 years. It was stipulated that, at the end of this period, it would revert partly to the State (the interurban lines) and partly to the municipalities (their urban networks). The survival of the Provincial network had been based on a tacit agreement with CTNE, which materialized in a promise of the Marquis of Urquijo, who stated that *Telefónica* would never attempt, in relation to the Guipuzcoa Network, "anything that was not in full agreement with the Provincial Council". In exchange, the latter agreed to withdraw the appeal filed against the 1924 decree that granted *Telefónica* a monopoly of the service. Later, protocols for the joint provision of services were agreed upon them (Gutiérrez Alonso 1997, p. 178).

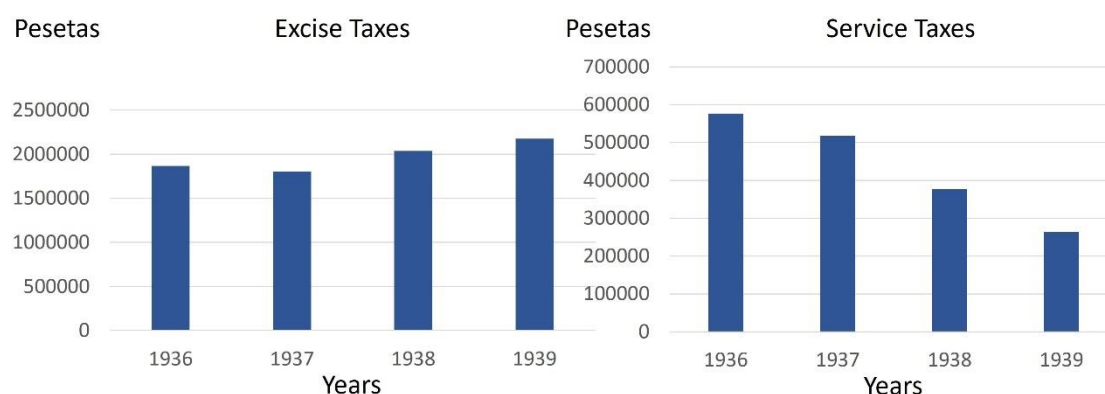
When the license expired in 1944, the reversion of the province Network to the State took place, which in turn handed over its interurban networks to CTNE. The urban networks of the municipalities, and specifically those surrounding San Sebastián, were the object of a *fait accompli* policy by *Telefónica*, which *de facto* took charge of them, as they tried

to do uniting the two areas under his charge in Tenerife. This was made even though the *Consejo de Estado* (Council of State) issued a favorable opinion to the San Sebastián City municipality in December 1944, confirming that the exploitation of the suburbs telephone networks by the CTNE had no legal support. Two subsequent Supreme Court rulings in 1956 and 1958 stated that the management of these networks should return to the San Sebastián municipal network, but CTNE ignored them in both cases (Gutiérrez Alonso 1997, p. 210; Loro Chico 1976, p. 115 and ff.). The coexistence lasted until 1970, when the municipal network needed a strong investment to expand and improve its facilities, and the municipality finally agreed to sell it to *Telefónica* for a thousand million pesetas.

6. The consequences

Although the sale of his telephone network contributed to alleviate Cabildo's economic situation in the short term, it had very adverse effects on the island institution in the long term. This situation is reflected in the evolution of the rates received in that period, a heading that included the results of the operation of the Network. Figure 6 shows that in 1936 they accounted for 13% of the Corporation's total income, a percentage which increased to 15% in 1937, thanks to the decrease in the weight of the item of taxes. However, the sale of the RTIT reduced this source of financing almost exclusively to the income received from the streetcars service. The percentage of revenues from this item fell almost to irrelevance, with 8% in 1938 and 6% of the total in 1939, when the sale of the Network had already been consummated (Hernández Pacheco 2020). This fall shows that the telephone service was one of the resources that brought the Corporation the most income, and its sale created such a state of necessity that the Cabildo was obliged to create new taxes and duties. As an example of this new taxation, in 1938, the collection of custody fees for the guarantees deposited in the Island's treasury to opt for auctions and tenders for the different services was approved. That same year the Corporation approved another proposal taxing the use of the Island's coat of arms in trademarks, trade names, company names, or any other commercial field and reserving the power to grant as many licenses as it deemed appropriate.

FIGURE 6. Evolution of the income of the Cabildo of Tenerife in the period 1936-39, by excise (left) and regular (right) taxes



Source: Own elaboration based on data from (Hernández Pacheco 2020).

Despite everything, the income obtained by the incorporation of these new taxes was very little relevant, so it had to be compensated, in turn, with additional increases of the taxes, like extending the tax to the whole Island in May 1937⁵⁷ or introducing a surcharge on the purchase of gasoline. At the same time, the Cabildo had to approve exemptions to the military Command or organizations of the new regime like FET de la JONS. Since the income was still insufficient, new surcharges were introduced, such as a 100% surcharge on the import of goods and a new 2% surcharge on the import of fabrics in general, drugstore articles, and some medicinal products, all very much in line with the autarkic proposals defended by the new regime but which would later limit the recovery of the Island's economy.⁵⁸

For CTNE, incorporating the island network was a very profitable business. It added almost seven hundred new subscribers and 58 additional stations, including the only three automatic switchboards on the Island: Icod-Daute, Los Silos, and Garachico. Already in November 1938, Mestre was able to inform the Board of directors that in Tenerife, the conferences had grown by 255%, the notices by 355% and the mixed course telegrams received by 86%, and those sent by 52%, "an increase due to the transfer of the network from the Cabildo."⁵⁹

The minutes of the Board of Directors also show the evolution of net operating income on the Island of Tenerife (see Table 2). These indicate that the investment made in the acquisition (half a million pesetas) had already been recovered by 82.44% at the end of 1939⁶⁰. The difference in operating costs between the first half of 1938 (before the purchase) and the same period of 1939 was less than one hundred and nineteen thousand pesetas, which was the "prohibitive cost" mentioned in the intervention of the Cabildo and which made its sale unavoidable. However, it was less than half of the operating income obtained. This income meant a positive difference for CTNE of almost one hundred and fifty thousand pesetas just comparing these two periods, an amount very similar to the decrease registered in Cabildo's fee income in that period. Unsurprisingly, the Company's Board of Directors thanked Mestre and Olozaga for their efforts with a bonus of twenty-five and twelve thousand pesetas, respectively.⁶¹

Concerning human resources, CTNE incorporated the Network's personnel while at the same time, it was also incorporating new personnel, considered politically reliable, for which it gave preference, in low-qualified positions such as Office Assistants, to the group of ex-combatants and war wounded.⁶² The Company also accepted the vetting process

⁵⁷ LACGCT, book 1936-37, May 14th, 1937.

⁵⁸ Archive of the Cabildo Insular de Tenerife (ACIT). Ordinary Budget of the Cabildo Insular de Tenerife of 1938, book 272.

⁵⁹ LACA-ZN, n. 6, minute No. 24 CA November 26th, 1938.

⁶⁰ These data that Mestre provided to the Council need to be corrected for the depreciation of the peseta in that period.

⁶¹ LACA-ZN, n. 6, minute No. 26 CA, January 26th, 1939.

⁶² *Diario de Las Palmas*, November 5th, 1938, p. 1.

already carried out among RTIT personnel "since it had been carried out by an official body" and accepted the sanctions applied.⁶³

TABLE 2. Products and operating expenses of CTNE in Tenerife, before and after the acquisition of RTIT (in current pesetas)

	1st semester 1938	1st semester 1939	difference	1938	1939	difference
Operating products	872.438	1.139.637	267.199	1.904.580	2.353.785	449.205
Operating expenses	377.934	496.736	118.802	974.187	1.011.201	37.014
Net operating:	494.504	642.901	148.397	930.393	1.342.584	412.191

Source: LACA.⁶⁴

7. Conclusions

This research has analysed the circumstances that led to incorporating the Tenerife Island telephone network into CTNE. This process is part of the model initiated in 1924, in which a monopoly company progressively took over the telephone service in the Spanish territory. It was also a general process initially intended to affect the networks of Guipúzcoa and San Sebastián, although these were finally not fulfilled (Gutiérrez Alonso 1997; 2007). Soler Ferrán (2021) points out that this case, as well as the Guipúzcoa telephone network, are two processes of integration into the CTNE network that "reflected the unity of command in which orders aimed at the total control of the network by the CTNE had to be assumed" and the margin of negotiation of the peripheral administrations was "very scarce if not nil" (Soler Ferrán 2021, p. 63). It corresponded to a general policy in European countries, but the Guipúzcoa network could enjoy his license until the arrival of his legal term, while the Cabildo suffered an insupportable pressure to give the RTIT. The other main difference is the private nature of the acquiring Company, making the Spanish case an exception in the general evolution of the telephone service in the countries of his environment.

At the first sight, this seems to be a regular operation where, for functional reasons, one Company absorbs another providing a similar service. In this case CTNE took advantage of the specific circumstances taking place during the civil war to buy at a very low price another company, something inherent, in fact, to speculative capitalism. This acquisition was made possible by the political context-imposed circumstances of subordination of the local institutions to a pyramidal and hyper-hierarchical power structure, in which their decision-making margins were reduced to a minimum. In this new regime, proximity to the pinnacle of power meant the possibility of accelerating favourable decisions by eliminating the control procedures that characterize a government under the rule of law.

⁶³ LACA, n. 8, minute no. 64 CA, extraordinary, October 15th, 1940.

⁶⁴ LACA, n. 7, minute No. 37 CA, October 26th, 1939 and minute No. 43 CA, January 26th, 1940.

Demetrio Mestre undoubtedly enjoyed this closeness,⁶⁵ and had been frustrated, while was territorial director in the Canary Islands, in his previous efforts to acquire RTIT by various court rulings, which limited the growth of CTNE and the interconnection of its two coverage areas.

The Civil War imposed special circumstances to the Cabildo, who was militarily intervened, resulting on limited human and material resources and lack of adequate management staff for the telephone network. The island institution saw how these circumstances, alien to the usual commercial development of the telephone business, limited its ability to maintain this structure as an independent telephone network. Mestre took advantage of this situation and was not only rewarded very generously by the Board of Directors. The prestige obtained for having achieved a very profitable asset for the Company at such a low cost was undoubtedly very profitable in his subsequent promotion to the Company's highest echelons. The implication of Mestre and the previous compromise of the Marquis of Urquijo seems to be the main differential factors between the Tenerife and Guipuzcoa networks.

Considering the balance sheets presented here, it seems clear that the Telefónica Insular Network was still profitable and its operation advantageous for Cabildo. Its acquisition at a lower price than the offers that the monopoly company had presented in the past meant a great business for CTNE, which entailed an unusually low amortization period of the investment. *Telefónica* was able to incorporate into its Network the first automatic switch stations that existed on the Island, as well as lines with a level of capillarity that allowed it to access all the inhabited nuclei of Tenerife, a coverage that it was far from achieving in the rest of the Archipelago. Furthermore, the circumstances of the conflict had reduced the salary mass that the Company had to take care of and annulled the potential response of the staff to this unification process.

From the Cabildo's perspective, the sale was a very short-term financing solution since it meant getting rid of a network that was already amortized, relatively modern, and with comparatively low operating and maintenance costs. The purchase price that was finally accepted was much lower than the valuation that had been made in 1924 for other similar networks, which was eight hundred thousand pesetas according to the offer of 1928 (which in 1938 was equivalent to approximately one million one hundred thousand pesetas), an offer already rejected at that time as insufficient given the investment made by the island institution, which had subsequently continued to improve the Network. The RTIT had also been a means of projecting the image of the island corporation in the different municipalities. The loss of this source of income weighed down the Island's finances for years. It was forced to make decisions to create alternative sources of financing in a socioeconomic context even more unfavourable than that of the Civil War

⁶⁵ In addition to broad powers to act on behalf of the Company, as indicated in LACA-ZN n. 5, minutes of July 31st, 1937. "Following the proposal of Mr. President of the Board of Directors, it is agreed to extend for its exercise throughout the national territory the powers transferred to Mr. Demetrio Mestre Fernandez by the then General Secretary, Mr. Gumersindo Rico, as he had as delegate of the Company in District 10th".

due to the impact of the Second World War on the Islands. Finally, for the subscribers, the union of both companies meant new services, even at a cost of higher tariffs.⁶⁶ Unfortunately, those advantages (access to CTNE's national and international Network), would be only used for a fraction of the RTIT users at that moment, and probably this access was an issue that the administration itself should have previously solved.

Therefore, the incorporation of RTIT to CTNE was not an inevitable decision, nor forced by an unsolvable economic situation, but rather the result of a set of political circumstances caused by the civil conflict. It was not, therefore, a simple commercial operation of takeover, it was a transaction forced by special circumstances in which a public asset passed into the hands of a private company, under the auspices of the authorities of the rebel zone, and at a price much lower than the cost of the assets to be incorporated.

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Author contribution statement

Rafael Pérez Jiménez: Framework, Formal analysis, Research, Writing, Visualization

Francisco Quintana Navarro, Methodology, Writing, Supervision

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⁶⁶ After a continuous wave of protests, a Royal Order of the General Directorate of Communications of Jan. 30, 1930, established new prices for urban and interurban communications, slightly reducing the pressure on the subscribers in medium and small cities, see *Gaceta de Madrid*, no. 35. Feb. 4th, 1930, p. 905 and in (Calvo Calvo 2010, p. 170-171). Nevertheless, the issue of tariffs remained a hot topic throughout the Republican period in the Canary Islands newspapers (e. g. see *Gaceta de Tenerife* Feb. 7th. 1935, p.3). As an example, the tariff for a 3-minute-local call in CTNE was a 40% higher than in RTIT, in the other hand, the intercity fees of both companies were similar, or even lower in the case of CTNE, for the same three-minute call.

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LACE-ZN: Minute books of the Executive Committee of CTNE (National Zone), from the end of the Civil War onwards, are called LACE.

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ACIT: Archive of the Cabildo Insular de Tenerife

AGD: General and Historical Archive of Defence.

AGP: Archivo Central Ministerio de la Presidencia

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Absorcions empresariales en temps de Guerra: La incorporació de la Xarxa Telefònica Insular de Tenerife a CTNE l'any 1938

RESUM

En aquest treball s'estudien les causes, els condicionants i les conseqüències de l'absorció de la xarxa telefònica insular del Cabildo de Tenerife (RTIT) per la Companyia Telefònica Nacional d'Espanya (CTNE) l'any 1938. Aquest procés, que es va presentar com una compra amistosa beneficiosa per a ambdues parts, en realitat va ser fortament influenciada per les circumstàncies especials de la Guerra Civil. S'analitzen les vicissituds que van coadjuvar aquesta decisió, com la situació financera del Cabildo, els processos de depuració oberts al seu personal o la situació de la direcció de l'empresa. També s'estudien els esforços realitzats per CTNE per incorporar-hi, així com els beneficis que aquest procés va reportar a la companyia i per a la institució insular, constatant-se que va patir una important minva dels seus ingressos.

PARAULES CLAU: Adquisicions empresarials, sector serveis, Companyia Telefònica Nacional d'Espanya (CTNE), Guerra Civil Espanyola, Illes Canàries

CODIS JEL: L20, N74, N84

Absorciones empresariales en tiempos de Guerra: La incorporación de la Red Telefónica Insular de Tenerife a CTNE en 1938

RESUMEN

En este trabajo se estudian las causas, condicionantes y consecuencias de la absorción de la red telefónica insular del Cabildo de Tenerife (RTIT) por la Compañía Telefónica Nacional de España (CTNE) en 1938. Este proceso, que se presentó como una compra amistosa beneficiosa para ambas partes, en realidad fue fuertemente influenciada por las especiales circunstancias de la Guerra Civil. Se analizan las vicisitudes que coadyuvaron a esta decisión, como la situación financiera del Cabildo, los procesos de depuración abiertos a su personal o la situación de la dirección de la empresa. También se estudian los esfuerzos realizados por CTNE para incorporar a esta, así como los beneficios que este proceso reportó a la compañía y para la institución insular, constatándose que sufrió una importante merma de sus ingresos.

PALABRAS CLAVE: Adquisiciones empresariales, sector servicios, Compañía Telefónica Nacional de España (CTNE), Guerra Civil Española, Islas Canarias

CÓDIGOS JEL: L20, N74, N84