

Community Minded

14 April 2008 [Martin Varsavsky](#)

Entrepreneur and Wi-Fi revolutionary Martin Varsavsky talks to Barry Mansfield about the ethos behind FON.

Martin Varsavsky was born in Buenos Aires, Argentina in 1960. He moved with his family to the US as a refugee, following the disappearance of his cousin at the hands of Jorge Rafael Videla's junta. He later obtained a BA from New York University, an MA in international affairs and MBA in business administration from Columbia.

While still at university, Varsavsky was an early founder of the New York Loft Movement. In 1986, he co-founded Medicorp Sciences, an early pioneer of HIV testing. In 1991, Varsavsky ventured into the telecommunications sector with Viatel, developing the call-back service. He relocated to Madrid in 1995, and two years later launched Jazztel, the first alternative telecommunications access provider in the Iberian Peninsula.

Currently, Varsavsky is an investment partner in a number of early-stage companies including 23andme (a search engine for genes), TV broadband application Joost, German business networking site Xing and blog search tool Technorati.

BM: The FON business model has been described as the perfect blend of socialism and capitalism. What is meant by that?

MV: The philosophy behind the FON project is that subscribers agree to share their internet connection through a custom-designed router provided by us. In return, they are given a username and password that enables them to access other FON hotspots around the world for free. Non-subscribers in the scheme can also access a FON hotspot, for a cost of about £1.50 per day.

BM: So it is two-tier service?

MV: With the FON social experiment, if you are [what we call] a Linus, everything is free for you. You share a little bandwidth and you roam the world for free. It's not a business if you're a Linus. But if you want to make money, perhaps as the operator of a hotspot at a café or bar, then you become a Bill, and you make money through a revenue sharing scheme. You take a cut of 50% of revenue from the fees paid. So we create an environment for the socialists and the capitalists. They can both be part of FON.

BM: With 3G speeds and coverage improving all the time, why build a Wi-Fi community now?

MV: There are advantages over 3G because of 3G's pricing and the monthly data caps. Music, video and gaming involve too much data for 3G. Also, the new European Commission caps on roaming charges don't extend to data. Using laptop data cards abroad can kill you. I used mine in Japan and it cost me €2,300. I like the internet, but not that much.

BM: You are from a family of left-wing intellectuals, so the FON social movement fits family tradition quite well?

MV: I should explain first that my family was a family of left-wing intellectuals who really disliked people in business and thought most successful entrepreneurs were thieves. My father was an astrophysicist who had studied at Harvard. He was also an inventor. I grew up in an environment of scientists. So it took me a lot of therapy to come to terms with the fact that I wanted to be an entrepreneur. I was accepted into Oxford to do a PhD in philosophy, but then my father died, and we found ourselves without money.

"We have to improve our channels of communication with the rest of the world to give a better account of ourselves."

Then the family's attitude changed and they had less negative views about me going into business. I changed the PhD for an MBA at Columbia and that's the beginning of the story.

BM: There seem to have been a few failures along with the successes?

MV: I lost €35m in a company called Einstein.net, which was doing cloud computing – internet-based computing. Of course, it's now a big thing, but 2002 was a bit too early for it. That's my black eye in business. The company didn't close – we saved all the jobs of the employees – but I lost my equity, so it was certainly a failure in terms of investment.

BM: FON has been criticised over security. How exactly are the routers secured?

MV: Part of the answer is that there are two separate SSID channels, one for the home user and one for the Fonero. But with FON we also have records of all the sessions. If somebody else was using your connection when the person-to-person file sharing was going on, then we have records of that. We keep them and we can show the police if necessary.

The Varsavsky Foundation organised the largest ever conference on terrorism, which gives you an idea of how involved I am in that area. The security experts I have spoken to prefer FON to open routers, because in the case of the latter, nobody knows what is happening. With FON we keep records of all the sessions, so it's easier to catch a wrongdoer than it would be if they were surfing anonymously, where you only have the IP address and MAC address.

BM: Although FON has been grabbing the headlines, it seems that Spain's growing status in business and technology has gone largely unnoticed by the rest of the world?

MV: Spain has an economy that has been booming, simply booming, over the last 15 years. Its GDP per capita has gone from being 45% of the size of Germany's to being 83%. But people elsewhere in the world don't know about this. Reputations take generations to build. People still think of us as laggards and don't think we're very high-tech.

But look at Telefonica. In many ways, it is not my favourite company, but remember, not so long ago they bought 02, and the company is now more valuable than Deutsche Telekom, France Telecom, Telecom Italia and BT.

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BM: How far does Europe have to go to match the success of Silicon Valley?

MV: Many people believe you have to be based in the US, but that's a misconception. If you are in Cincinnati or in Oslo, it's the same difference. It's not the US that has the advantage, it's Silicon Valley. New York City and Miami don't have many internet companies.

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system that made it possible.

So it's not a US phenomenon.

Something like 53% of entrepreneurs in Silicon Valley are not American. Silicon Valley created the conditions for the phenomenon to happen. It's a system, not a country. We have to work out the

It's a set of laws, a clustering of the best universities, like Stanford, with the best and sharpest financiers, open immigration laws and a critical mass.

I think Europe can compete with the Silicon Valley, but it has to find a unique set of characteristics that can create an alternative landscape. Europeans need to embrace failure as part of success – they go together. If you want to be successful all the time, you get nothing.