# Approaches to Licensing 3G & & the French process

Presentation by Mr Gilles Crespin

Director, Operators and Resources Service

Workshop on Licensing of 3G Mobile Geneva, 19-21 September 2001



#### Introduction

- A process prepared since early 98 in France
  - Experts group
  - Public call for comments
  - Draft proposals publicly available
- ... Thanks to the ITU works since 92 (WRCs)



# Several questions before launching licensing process

- Selection: auctions vs beauty contests
- Number of licences (4)
- Frequency band clearance
- Level of fees (France: 32,5 billion FRF/ 4,95 billion Euros per licence)



### Question 1: Selection process

- Auctions vs. Beauty Contests: where is the truth?
  - Largely depends on each country's situation and characteristics
  - Largely depends on the economic context
  - Largely depends on public policy goals
- Some comments on the European process
  - Auctioning spectrum is not so simple, far from theoretical promises
  - Auctioning can lead to various results among countries
  - Beauty contest is not a synonym of low price



### Question 2: The number of licences

- The "n+1 model": shared but wrong vision?
  - Competition enforcement compared to 2G markets
  - Spectrum availability is also driving number of licences
- Potential market size should be considered first
  - It is not the easiest way
  - Difficult to forecast (Government and Regulators)
- Too many licensees leads to sharing infrastructure debates
- A lack of candidates leads to a re-opening of the licensing process



### Question 3: Apectrum clearance

- Issue to be considered "sufficiently in advance":
  - Timing issues
  - Cost issues
- International co-operation requested



# The French call for tender: Content

- 14 criteria (500 points possible):
  - commercial criteria
  - technical criteria
  - financial criteria
  - ...plus general coherence appreciation
- Among the 14, these are of special importance:
  - roll out of the network and coverage (100/500)
  - business plan credibility (75/500)
  - services diversity (50/500)



## The French call for tender: Timing and Steps

- Quite a long process:
  - "Brain storming" since early 98
  - The official launch (publication of the call for tender):
     August 2000
  - Applications by the candidates: end of January 2001
  - Publication of the results by the Regulator (ART): end of May 2001 (4 months)
  - Delivery of the licences by the Minister in charge of telecommunications: August 2001
  - Frequency allocation by the Regulator (ART): September 2001



### The French call for tender: Impact of the turnaround of the economic context

- The most visible impact: 2 candidates for 4 licences (last-minute resignation of 2 potential candidates)
- The main reasons:
  - burst of the internet bubble
  - financial burden mainly due to licensing conditions abroad
  - dramatic decline in the market price of most operators
  - decline in their notations and higher credit conditions
  - delays in the timetable set in 98 at the EC level
  - delays in terminal equipments availability
  - uncertainties about new services availability



### The French call for tender: The final result

- Orange (France Telecom group) and SFR (Vivendi Universal group) received a 3G licence
- 2 ambitious projects, in spite of the gloomy environment:
  - 58 to 71% of the French population to be covered 2 years after licences delivery (144 kbit/s)
  - 94 to 97,5% 5 years after licences delivery (144 kbit/s)



### The French call for tender: The next step

- Duopoly situation is not a first best
- The Regulator (ART) is of the opinion that a new application process must be launched quickly...
- ... still following beauty contest procedure...
- ... but with licensing payment timetable to be reconsidered
- Why? Because economic conditions have changed



### NON-CONCLUSION

- Faith in 3G mobile, in spite of existing difficulties
- Licensing process is of crucial importance to select viable actors and to promote competition...
- ... but the chosen licensing process can also endanger actors and market growth
- Licensing is a lengthy enterprise...
- ... during which so many things can happen...

