

Approaches to Licensing 3G & the French process

Presentation by Mr Gilles Crespin

Director, Operators and Resources Service

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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...*