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# Results and summary of the award procedure for the fourth 3G licence

**18 December 2009**



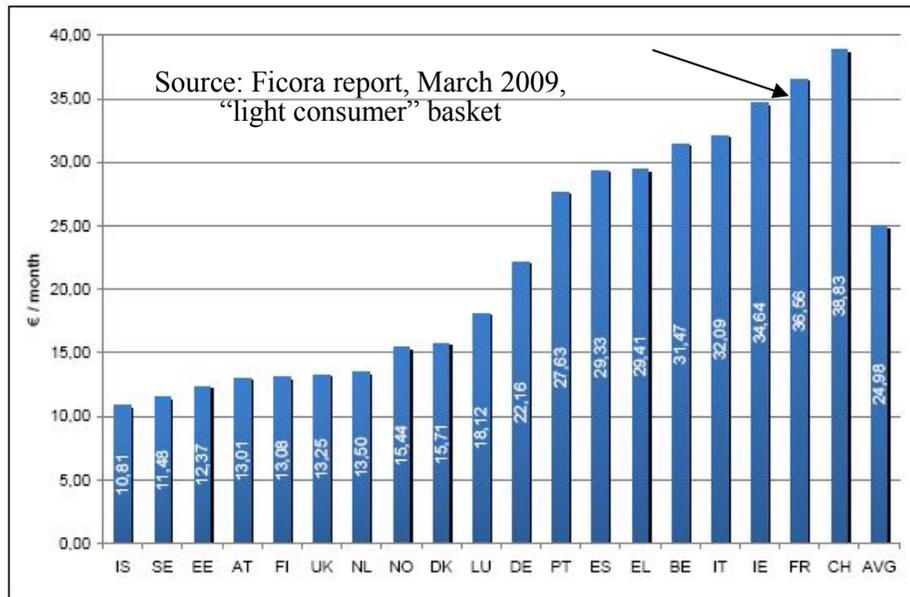
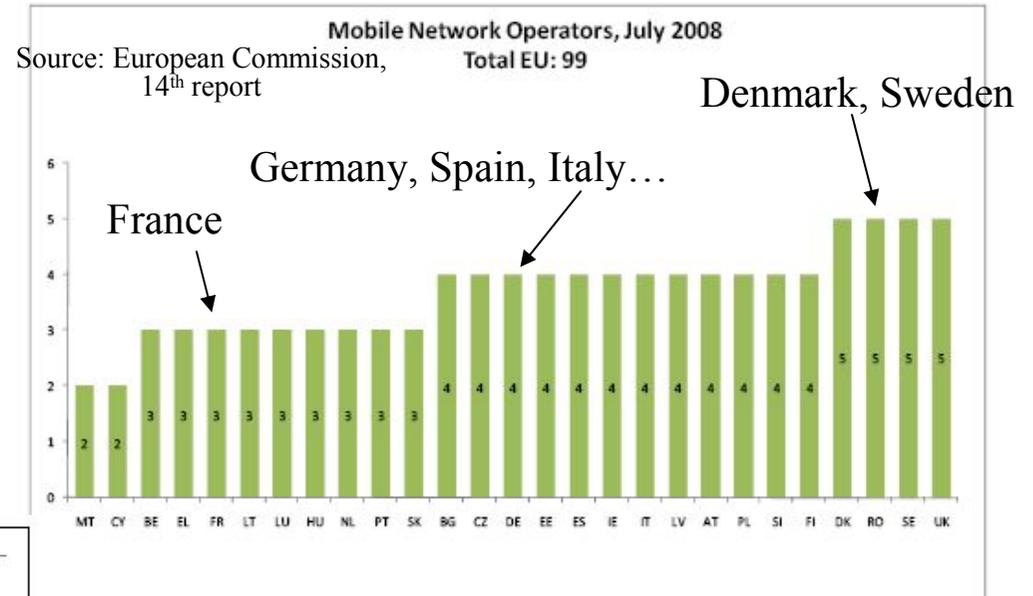
# *Contents*

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- **Context**
- **Analysis of the application**
- **Results**
- **Next stages**

# Fourth mobile operator planned for since 2000

- The plan since 2000 was to have a 4<sup>th</sup> mobile operator, which would put France in the European average



- Prices in the French mobile market are among the highest in Europe
- Existing operators have an established and sound market position

## ***Terms for setting licensing fees***

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- **The licensing fees were established by the government: they include a set portion to be paid upon award of the licence, and an annual portion equal to 1% of 3G revenue**
- **The set portion that the three existing mobile operators paid for their licences, in 2001 and 2002, was 619 million euros**
- **The sum of 240 million euros was set in 2009 for a 4<sup>th</sup> 3G licence that includes three times less spectrum (5 MHz instead of 15 MHz) in the 2.1 GHz band, after consulting with the Commission on shares and transfers**

# ***Awards procedure for the fourth 3G licence***

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- **The terms listed in the call for applications were similar to those applied in previous calls for submissions**
- **A single application was submitted: by the company Free Mobile, a wholly-owned subsidiary of the Iliad group**
- **ARCEP examined the application in three stages:**
  - **an admissibility stage, which involves verifying that the applicant has satisfied the formal requirements (submission of a complete file, in French, before the deadline)**
  - **a qualification stage, during which the Authority verifies that the candidate is eligible to be awarded a licence (independence from existing mobile operators, compliance with the minimal terms stated in the call for applications...)**
  - **a selection stage, during which the content of the applicant's submission is examined to determine whether it sufficiently satisfies the criteria listed in the call for applications**

# ***Analysis of the application***

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- **The report attached to Decision No. 2009-1067 includes a detailed analysis of the application**
- **What follows is a summary of the main components of this analysis with respect to the selection criteria**
  - **Service offering and pricing**
  - **National coverage: scope and speed of network deployment**
  - **Quality of service**
  - **Relations with service providers**
  - **Relations with consumers**
  - **Environmental protection measures**
  - **Job creation**
  - **Consistency and credibility of the business plan**
  - **Consistency and credibility of the project**

# Service offering and pricing

- **Free Mobile states that it wants to develop the mobile Internet market, and plans for all its offers to enable access to this service**
- **Free Mobile states that it will provide impartial access to all services available on the Web (instant messaging, IP telephony services, etc.)**
- **Free Mobile intends to provide customers with a clear distinction between handset-related charges and communications-related charges**
  - **For customers who do not want to buy a handset, the offers would have no minimum contract length**
  - **For customers who do want to buy a handset, Free Mobile states that it will offer a system of staggered payments over several months for its purchase**
- **Free Mobile agrees to market an offer that allows customers, at a price of less than 20 euros a month, to have more than three hours of calling to fixed and mobile lines in Metropolitan France**

# National coverage

- **Free Mobile agrees to launch its services commercially within a maximum two years of being awarded a licence**
- **Free Mobile commits to the following coverage levels, which are above the minimum levels imposed in the call for applications**

Date	Y1 + 2 years	Y1 + 5 years	Y1 + 8 years
	<b>Reminder: Obligations stipulated in the call for applications</b> (proportion of the population of Metropolitan France covered by the services)		
Voice	25%		80%
Packet mode data (144 kbps two-way)	20%		60%
	<b>Coverage commitments made by Free Mobile</b> (proportion of the population of Metropolitan France covered by the services)		
Voice	27%	75%	90%
Packet mode data (144 kbps two-way)	25%	69%	83%

- **Free Mobile also commits to participate to 3G coverage in the areas included the 2G "dead zone" programme**

# Quality of service

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- **Free Mobile will provision its network in such a way as to ensure a quality of service comparable to the one supplied by existing operators**
- **Free Mobile commits to quality objectives that are similar to or greater than the obligations imposed on existing operators**
  - **Example: 95% success rate for outdoor call completion and maintenance for 2 minutes, and 96% connection rate for all data services**
- **Free Mobile also agrees to finance the annual quality of service survey produced by ARCEP**

## ***Relations with service providers***

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### **Free Mobile makes several commitments in its application concerning MVNO hosting**

- **Free Mobile agrees to publish an offer for accessing the 3G network it has deployed as soon as it covers 25% of the population**
- **Free Mobile agrees to satisfy all reasonable hosting requests from MVNOs, on its own network**
- **Free Mobile agrees to comply with a great many of the Competition Authority recommendations, listed in its Opinion of 30 July 2008, which will enable a more fluid wholesale market**
- **Free Mobile agrees to host up to four full MVNOs on its 3G network**
  - **These are MVNOs that have their own core network elements**

# ***Relations with consumers***

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- **Free Mobile agrees to ensure fully transparent pricing for its offers, and plans on providing customers with a clear distinction between handset-related charges and communication-related charges**
- **Free mobile agrees to implement a system that makes it possible to alert subscribers when their consumption level is abnormally high**
- **Free Mobile agrees to implement a National Consumer Department which will handle individual complaints from consumers and ties with consumer associations, and which can be accessed free of charge**

# ***Environmental protection measures***

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- **Free Mobile takes into account all of the standards and charters pertaining to the public's exposure to electromagnetic fields, and the work performed by the "radiofrequencies, health and environment" roundtable of May 2009**
- **Free Mobile agrees to measure radiation exposure before the installation of each of its new sites, and after their deployment**
- **Free Mobile agrees to favour installations on existing sites (e.g. sites deployed by other operators, TDF sites, etc.)**
- **Free Mobile agrees that it will provide room for at least one other mobile operator on every site it builds**
- **Free Mobile agrees to systematically explore solutions for helping the sites that house its equipment to blend in with the landscape, to minimise the visual impact of its radio installations**

# Job creation

- **Free Mobile estimates that its arrival in the marketplace will globally be synonymous with job creation**
  - **Free Mobile forecasts that its internal staff will increase from 1,000 at the end of 2012 to more than 5,000 at end end of 2018**
  - **In addition, Free Mobile estimates that an additional 8,000 jobs will be created indirectly (equipment manufacturers, sub-contractors, etc.)**
  - **Lastly, Free Mobile estimates that its arrival in the mobile market is likely to provide an incentive for the three other mobile operators to invest in differentiating themselves, improving their services and securing customer loyalty which, according to Free Mobile, will encourage them to maintain their staff levels**
  - **On the flipside, Iliad believes that, at a time of increasing convergence between fixed and mobile, if the group did not have access to a 3G licence, its ability to remain an independent player in the French market could be threatened, which would have a negative impact on employment rates**
- **Free Mobile agrees to open a new customer relations centre in Metropolitan France before the end of 2012, with a staff of at least 500**

## ***Consistency and credibility of the business plan***

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- **Free Mobile relied on credible and often cautious market hypotheses when establishing the business plan contained in its application**
- **The Iliad group's cash flow and self-financing capacity enable it to finance the Free Mobile project as it is presented in the business plan**
  - **By taking into account planned investments in broadband and optical fibre**
- **In any event, Iliad currently has a low level of debt and Free Mobile included in its application letters guaranteeing its ability to secure bank loans and lines of credit with suppliers**
- **Lastly, Iliad indicates that other sources of financing can be obtained, such as capital increases**

# ***Consistency and credibility of the project***

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- **Free Mobile foresees strong synergies between its future mobile business and its current fixed business (e.g. on the technical front, with a single all IP core network)**
- **To strengthen the technical credibility of its project, Free Mobile is relying on a number of partnerships, whether in planning the mobile network or scouting for sites. The company intends to staff itself with required qualified personnel over time, to ensure a stable future for its mobile operator business**
- **Free Mobile drafted its application in collaboration with several equipment manufacturers, and particularly with a major manufacturer in the French market**
- **Network security concerns were factored into the project**

## ***ARCEP has decided to accept Free Mobile's application***

- **The application is admissible and satisfies the qualification criteria**
- **Free Mobile's application was awarded the following marks:**

Selection criterion	Mark given to Free Mobile		Marking scheme
Service offering and pricing	55	over	65
National coverage: scope and speed of deployment	64	over	100
Quality of service	20	over	25
Relations with service providers	54	over	60
Relations with consumers	17	over	25
Environmental protection measures	22	over	25
Job creation	22	over	25
Consistency and credibility of the business plan	56	over	75
Consistency and credibility of the project	72	over	100
<b>TOTAL</b>	<b>382</b>	<b>over</b>	<b>500</b>

- **The application satisfies the selection criteria to a sufficient degree**

## ***Free Mobile will be awarded the licence to use the frequencies in January 2010***

- **The licence will contain all of the commitments made by Free Mobile. ARCEP will ensure their strict application**
- **Free Mobile will benefit from provisions contained in the three other operators' licences**
  - **The three existing mobile operators will surrender a portion of the 900 MHz band (5 MHz). They will each keep 10 MHz**
    - **To ensure that the 4<sup>th</sup> operator has the same ability to deploy 3G in this band**
    - **Identical financial terms apply to the new entrant and existing mobile operators: 1M€ a year per MHz**
  - **Roaming rights on an existing mobile operator's 2G network for a period of six years, once the licence has been awarded (once it has covered 25% of the population)**
    - **To allow the 4<sup>th</sup> operator to complete its 3G network with a 2G network temporarily, as its three competitors do**
  - **Access rights to existing mobile operators' sites, when used for both their 2G and 3G networks**
    - **To allow the 4<sup>th</sup> operator to rely, like its competitors do, on existing sites to deploy its 3G network**

## Next stages

- The remaining spectrum in the 2.1 GHz band (a 5 MHz block and a 4.8 MHz block) will be allocated through a new call for applications, which will be issued in the first half of 2010
  - All market players, regardless of whether or not they hold a 2G or 3G licence, will be eligible to take part in this procedure



- In the second half of 2010, ARCEP will then launch the procedures for allocating 800 MHz and 2.6 GHz-band spectrum that will enable ultra high-speed mobile network rollouts