

Paris, 25 July 2001

**FRENCH TELECOMMUNICATIONS REGULATORY AUTHORITY (ART) RECOMMENDATION  
RELATED TO LEASED LINES OFFERS BY FRANCE TÉLÉCOM TO OPERATORS TO COMPLETE  
THEIR CUSTOMER SERVICE**

**I. Competition on the high-speed services market**

During 2000, ART carried out a study on the situation of competition in the high-speed services market. These included data transport services based on optical fibre services, whether through traditional high-speed leased lines provision (34 Mbit/s, 155 Mbit/s, or higher) or switched services using ATM and IP protocols, from 10 Mbit/s.

This study revealed that :

- France Télécom still exclusively ensures local and regional optical fibre services, outside an area restricted to inner Paris and the business district of La Défense ;
- in “départements” neighbouring Paris (1<sup>st</sup> ring) and in inner Bordeaux, Grenoble, Lille, Lyon, Marseilles, Nantes, Nice, Rouen, Strasbourg and Toulouse, operators have installed points of presence (PoP) for long distance networks and optical local loops. However, given that customer premises are often outside city centres — where local loops are actually settled —, alternative operators cannot access to many customers ;
- everywhere in France, including the rest of the Ile de France region, although alternative operators have installed PoPs for deploying their long distance networks, they did not build yet optical infrastructures to ensure access to the customers.

It appears that operators other than France Télécom cannot, in most cases, connect their networks to potential customer premises without resorting to France Télécom's high-speed services.

**II. France Télécom's leased lines offer to third-party operators**

***II.1 Regulatory system for leased lines provision to operators***

According to article D. 99-9 of the posts and telecommunications code, leased lines provision between operators come under the interconnection regulatory system. Should a tariff dispute arise, operators may refer to the Authority under article L. 36-8 of the code.

Leased lines provided by France Télécom must comply with the cost-oriented tariffs principle, as the company was notified as an “operator with significant power on the leased lines market”, according to the Authority's decision n° 00-1328 of 15 December 2000.

Under article D. 99-16, the Authority may request France Télécom, after consulting the French “Interconnection Committee”, to add or modify services in its reference

interconnection offer (RIO), particularly to ensure that prices are cost-oriented, or to address a demand from the operators community.

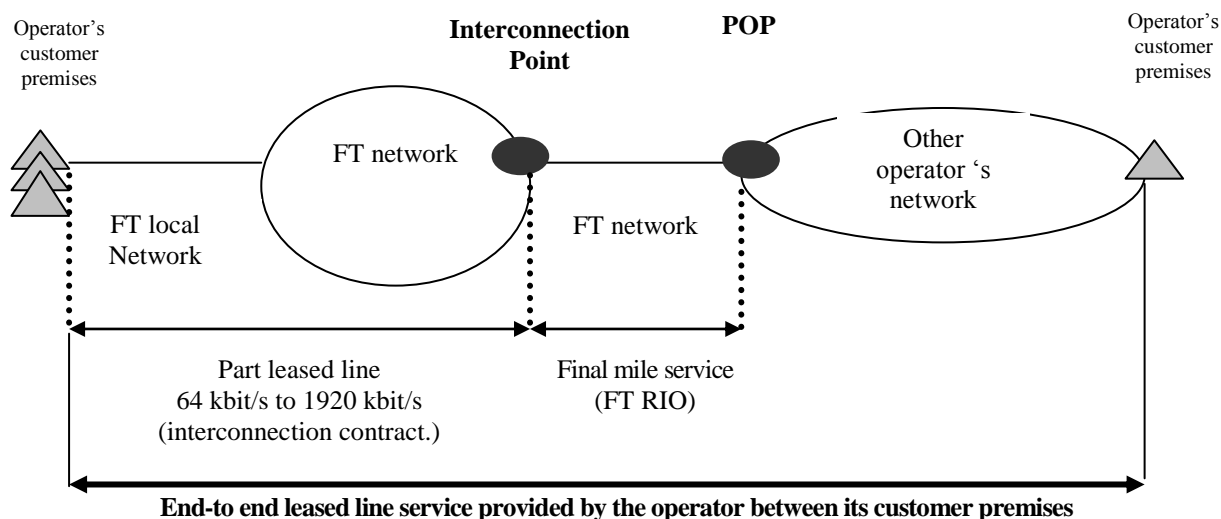
## II.2. France Télécom leased lines offers to third-party operators

At the present time, France Télécom has defined several leased lines categories in its offer to other operators.

### II.2.1. Lines under 2 Mbit/s

Part leased lines (PLLs) are supplied through interconnection contracts (“commercial” offer from France Télécom point of view), for speed ranging 64 to 1,920 kbit/s : they connect the operator's customer premises to an equipment of the interconnection point of France Télécom. France Télécom's prices to the operators are 10 % to 25% under tariffs for leased lines services supplied to end customers, depending on distances and speed.

In most cases, PLLs require 2 Mbit/s “final mile service”, connecting the other operator's PoP to the interconnection point of France Télécom ; this service is included in France Télécom's RIO.

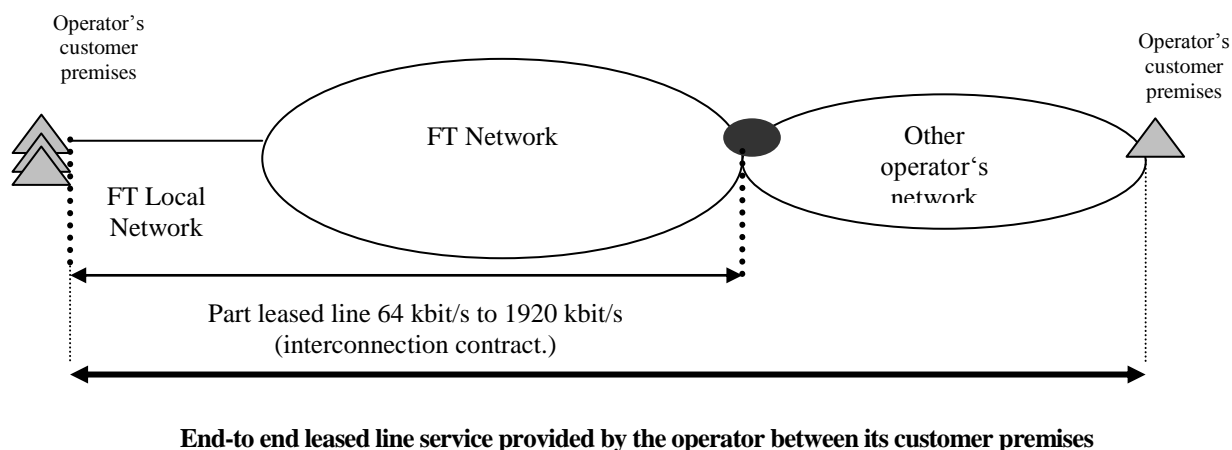


These two elements are subject to pricing based on capacity but also on the distance between :

- the interconnection point and the customer's premises on one hand;
- the other operator's PoP and France Télécom's interconnection point on the other hand.

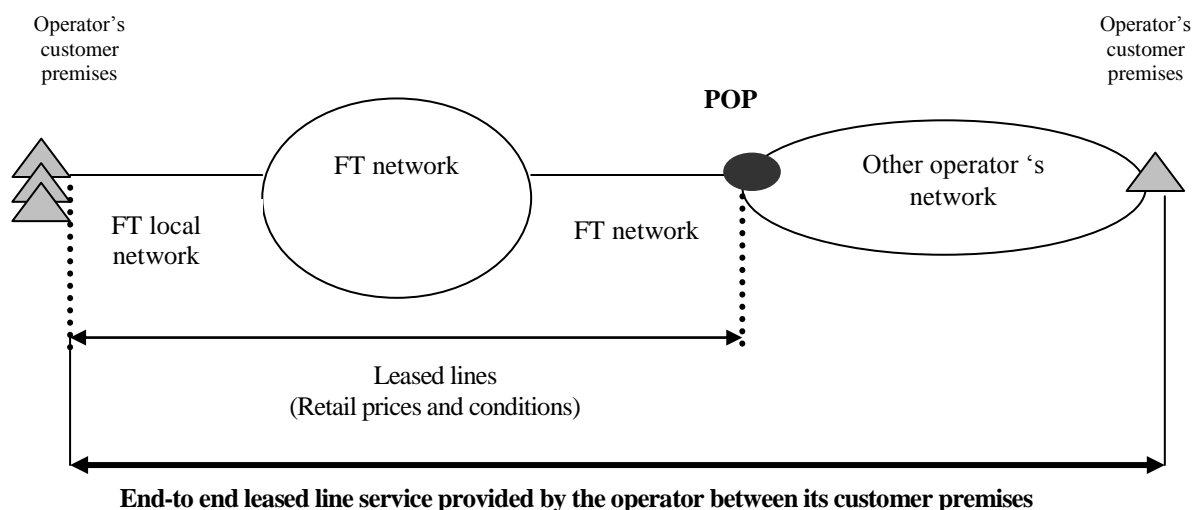
This bundled offer is often economically ineffective, because prices depend on the locations of the incumbent operator's interconnection points and on the tariffs for these two elements. Therefore operators mostly buy retail leased line services from France Télécom : their prices are based, besides capacity, on direct distances between the two premises as the crow flies, regardless of the interconnection point location and are finally less expensive than the interconnection offers.

In a few cases, the alternative operator's equipment is installed in France Télécom's premises (collocation): the operator thus only needs a part leased line to complete its own offer.



### II.2.2. Leased lines above 2 Mbit/s

When needs exceed leased lines above 2 Mbit/s, France Télécom has no specific offer ; operators must then buy France Télécom retail offers, with same contract and tariff conditions as those of the end customer.



## III. France's position in relation to the European Commission's draft recommendation

The European Commission published, in November 1999, a recommendation (provisional text) related to leased lines tariffs provided by incumbent operators to interconnected operators. This recommendation is a useful reference for best European practices in certain leased lines categories.

Regarding this recommendation objectives, aiming at allowing operators to complete their end-to-end leased lines services, France Télécom must provide services allowing to connect a operator's PoP to its customer's premises, saving costs due to in the incumbent operator's network topology.

## **IV. The Authority's recommendation <sup>(1)</sup>**

France Télécom's leased lines offer should be completed considering obligations relating to an operator with significant power on the leased lines market.

### ***IV.1. Leased lines categories affected by this recommendation***

Based on the Authority's assessment of market growth in 2000, it appears that the competitive leased lines offer remains in fact restricted to the long distance section of high-speed links. Therefore, provision by France Télécom of medium and short distance part leased lines interconnection seems crucial so that new operators may ensure end-to-end service to their customers.

The Commission pointed out that *“these leased lines interconnection services are provided by one operator to another operator to give access to a customer's premises and constitutes one segment of the end-to-end leased line between the customer's premises .”*

France Télécom must provide a leased line service allowing to connect an operator's PoP — licensed under article L. 33-1 provision of the posts and telecommunications code — to its customer's premises (see diagram in section II.2.2), with tariffs based on distances as the crow flies between these two points (PoP – customer premises).

It is deemed reasonable to restrict France Télécom's offer to 50-kilometer — measured as the crow flies between the operator's PoP and the customer's premises — in order to encourage the operators to implement their own network throughout the country (100 to 150 PoPs).

These offers must involve 64 kbit/s to 2 Mbit/s, 34 Mbit/s, and 155 Mbit/s leased lines services.

### ***IV.2. Tariffs for leased lines provision to operators***

Tariffs for leased lines provision by France Télécom to other operators must comply with the cost-oriented tariffs principle, defined in Authority decision n° 98-901 of 28 October 1998, laying down the interconnection relevant costs and rules, as France Télécom is notified as an operator having significant power on the leased lines market.

Without prejudice of an in-depth inspection resulting from a dispute settlement or from the inclusion of these leased lines in the RIO, under article D. 99-16 of the posts and telecommunications code, leased lines services to operators must be significantly cheaper than leased lines provided to end customers, for a same service (speed, distance):

- some costs, particularly selling costs, are excluded from relevant interconnection costs;
- the technical composition of these leased lines may be different from those leased to end customers; they may in particular only have one local segment;
- where the operator's equipment is collocated in France Télécom's premises, the cross connect costs may be relevant.

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<sup>(1)</sup> The present recommendation is not regulatory and does not introduce a modification in the rule of law. It does not deprive the Authority of its freedom of assessment, particularly for the settlement of a dispute. It retains the possibility to depart from the defined orientations, for public interest reasons, or to account for special circumstances.

Consequently, France Télécom's tariffs for leased lines provided to other operators licensed under article L. 33-1 provision should be reduced to take into account the elements described above.

It should be necessary to define, for all these lines, service quality conditions, including times for delivery and GTR (guaranteed period for restoration), at least identical to those defined in end customer contracts (Transfix or Transfix 2.0 contracts).

Lastly, it appears necessary that migration from Transfix contracts, when they exist, to interconnection agreements should not give rise to penalties, when the contract ends, or to technical costs when the leased lines services are already technically set.