

PART 1

Introduction to ARCEP

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ARCEP operations

- A. The Executive Board
- B. Organisation chart

The 7 members of ARCEP

Michel FENEYROL,
telecommunications engineer,
appointed 3 January 2001.



Jacques DOUFFIAGUES,
former minister,
appointed 4 January 2001.



Gabrielle GAUTHEY,
telecommunications engineer,
appointed 31 December 2002.



Chairman

Paul CHAMPSAUR,
INSEE inspector general,
appointed 3 January 2003.



Edouard BRIDOUX,
university professor,
appointed 4 January 2005.



Joëlle TOLEDANO,
university professor,
appointed 23 June 2005.



Nicolas CURIEN,
telecommunications engineer,
CNAM professor,
appointed 29 June 2005.



A. The Executive Board

Since the postal regulation law of 20 May 2005 was adopted, the Executive Board of what was formerly ART and is now ARCEP (Autorité de Régulation des Communications Électroniques et des Postes) has been expanded from five to seven members. The conditions guaranteeing ARCEP's independence have been reaffirmed: members of the Board cannot be dismissed and their six-year mandate is not renewable. This independence applies also to the way in which members are appointed to the Board by the highest authorities in the country. Three of the members are named by the president of the Republic. The other four are appointed by the president of the National Assembly and the president of the Senate.

Three members of the Board were named by decree of the president of the Republic:

- Chairman **Paul CHAMPSAUR** ;
- Members **Michel FENEYROL** and **Edouard BRIDOUX**.

Two members of the Board were named by the president of the Senate:

- Members : **Jacques DOUFFIAGUES** and **Nicolas CURIEN**.

Two members of the Board were named by the president of the National Assembly:

- Members : **Gabrielle GAUTHEY** and **Joëlle TOLEDANO**.

B. Organisation chart

1 June 2006

Executive Board

Chairman

Paul
CHAMPSAUR

Members

Jacques
DOUFFIAGUES

Michel
FENEYROL

Gabrielle
GAUTHEY

Édouard
BRIDOUX

Joëlle
TOLEDANO

Nicolas
CURIEN

Community Framework Implementation

Auréli
DOUTRIAUX

Director General

Philippe
DISTLER

Deputy Director General

François
LIONS

Communication

Jean-François
HERNANDEZ

Deputy
Ingrid VIOLET-
APPENZELLER

Economics and Forecasting

Coordination of economic analyses. Universal service and directory. Observatories and external studies. Forecasting.

Isabelle KABLA-LANGLOIS
Deputy: François VARLOOT

Regulation of Fixed and Mobile Markets

Regulation of wholesale and retail markets for fixed (switched and leased-line) and mobile services.
Tariff and portability regulation.

Benoît LOUTREL

Local Authorities and Broadband Market Regulation

Regulation of wholesale and retail markets for broadband networks and services and broadcasting.
Monitoring of relations with local authorities for purposes of regional digital development.

Laurent LAGANIER
Deputy: Jean-Claude BEAUCHEMIN

Operators and Regulation of Scarce Resources

Point of contact for operators (declarations, new technology framework).
Planning and regulation of scarce resources (numbers and frequencies).
Monitoring of obligations associated with authorisations (especially as concern quality of service and coverage).

Jérôme ROUSSEAU
Deputy: Olivier BLONDEAU

Postal Regulation

Regulation of mail-related postal activities: operator authorisations, universal service controls, accounting and tariff controls on the universal service operator

Guillaume LACROIX

International

Coordination and implementation of ARCEP's international activity.

Anne LENFANT
Deputy: Joël VOISIN-RATELLE

Legal

Responsible for all legal aspects of ARCEP's activity, ensures the legal certainty of decisions

Joëlle ADDA
Deputy: Loïc TAILLANTER

Administration and Human Resources

Manages ARCEP's ways and means as well as its publications, intranet and consumer relations.

Jean-Marc SALMON
Deputy: Elisabeth CHEHU-BEIS

Economic and Competition Analysis

Nicolas DEFFIEUX
Network and Service Economics
François VARLOOT

Forecasting

Didier CHAUVÉAU
Market Observatory and External Studies
Sylvie DUMARTIN

Retail Fixed Network Markets

Stéphane LHERMITTE
Access and Interconnection Market
Ari BIBAS
Mobile Network Market
Lucile BADAIRE-LOISEAU

FTTx and Unbundling

Sébastien SORIANO
Audiovisual Broadcasting and Bitstream
Local Authorities
Jean-Claude BEAUCHEMIN

Operators and Resource Planning

Anne HUGUET
Mobile Operators
Fabrice ALVES
Spectrum
Olivier BLONDEAU
Numbering
Jacques LOUESDON

Authorisations and Universal Service

Catherine GALLET-RIBAK
Tariff and Accounting
Rémy LEBRUN

European Affairs

Françoise LAFORGE
International Relations
Joël VOISIN-RATELLE
ITU Coordination and Standardisation
Marie-Thérèse ALAJOUANINE

Information System and Office Support

Pierre-Jean DARMANIN
Programming, Budgeting and Management Controls
Bernard THOUVIGNON

Publications

Elisabeth CHEHU-BEIS
Consumers
Stéphane KUNA

Human Resources and Staff Relations

Catherine AUTIER

The regulator's missions

- A. Electronic communications
- B. Postal sector

The regulatory framework transposing the European directives on electronic communications was adopted in July 2004. It was completed on 20 May 2005 with passage of the postal regulation law expanding the responsibility of the regulator now named ARCEP (*Autorité de Régulation des Communications Électroniques et des Postes*) and entrusting the Authority with the mission of overseeing the liberalisation and correct functioning of the postal market.

A. Electronic communications

Within the electronic communications domain, ARCEP is responsible for:

- enabling competition that is effective, fair, and benefits consumers. Competition is not an end in itself. It stimulates innovation and investment, develops markets, facilitates the diversification of offerings in terms of price and quality, and thereby benefits consumers.
- overseeing the provision and financing of universal service in the context of public telecommunications service. Universal service has four components: quality service at a price that is affordable and includes social tariffs; a directory information service and universal directory; access to telephone booths in public places; special measures for handicapped persons and for particular groups, especially certain income groups.
- ensuring the development of employment, innovation and competitiveness in the telecommunications sector. In its opinions and decisions, ARCEP strives to promote employment and innovation in the sector by maintaining an environment that encourages businesses to be competitive.
- addressing the interests of the regions and of users with respect to service and equipment access. Regional development is an ongoing concern of the Authority, whether it concerns extending broadband to scarcely populated areas or expanding national mobile coverage.

B. Postal sector

Under the law regulating postal activities, ARCEP is entrusted with the mission of overseeing the opening and correct functioning of the postal sector by:

- authorising postal activities;
- issuing public opinions on universal service pricing and quality objectives;
- approving tariffs for reserved areas.

ARCEP resources

- A. Budgetary resources
- B. Human resources
- B. Studies

A. Budgetary resources

For 2005, ARCEP was allocated a budget of €18.71 million, of which €10.77 million was for personnel expenses and €7.94 million was for routine operating expenses (excluding carried-over operating credits).

In 2006, for the first time, budget requirements were determined under the LOLF (*Loi Organique des Lois de Finances*), the organic law for finance. ARCEP is accounted for in Action 08 (*Régulation des communications électroniques et des postes, regulation covering electronic and postal communications*) of Programme 199 (*Régulation et sécurisation des échanges de biens et services, regulation and security of trade in goods and services*). This programme is one of the components of the ministerial mission of MINEFI, the Ministry of Economy, Finance and Industry (*développement et régulation économiques, which covers economic development and regulation*).

For 2006, the total budget amounts to €21.47 million in authorised commitments and €21.07 million in payment credits. Of this amount, €8.05 million of programme authorisations and €7.65 million of payment credits are earmarked for operating expenses. The budgeted headcount determined in accordance with LOLF guidelines is 170 full-time-equivalent personnel.

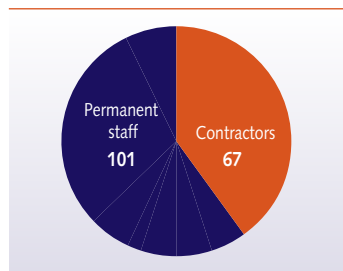
In addition, the Authority's cost accounts show that total authorised costs amounted to €16.6 million in 2004. Of this amount, €5.9 million was for monitoring general and individual licensing regimes. However, the amount of taxes and administrative fees invoiced to sector players in 2004 was also €5.9 million.

For 2005, total authorised costs amount to €18.7 million, mainly owing to the establishment of postal regulation. Of this amount, €6.2 million was for monitoring general and individual authorisation regimes. These costs are for ARCEP only, and do not include costs incurred by other administrative bodies that have responsibilities in this area, such as the Ministry of Industry or national spectrum regulator Agence Nationale des Fréquences (ANFr). The amount of taxes and administrative fees invoiced to sector players in 2005 was €6.5 million.

B. Human resources

The Authority's headcount rose from 152 as of 31 December 2004 to 168 (74 women, 94 men) as of 31 December 2005. The breakdown between permanent staff and contract personnel rose from 65 employees and 87 contractors as of 31 December 2004 to 67 employees and 101 contractors as of 31 December 2005. The number of Category A employees rose from 114 to 131 and accounted for 78% of personnel.

Breakdown of personnel
as of 31/12/05



The average age of personnel as of 31 December 2005 was 40.9 (47.1 for permanent staff and 36.7 for contractors).

The cost of professional training and conference participation for Authority personnel rose 28% in 2005, reaching a total of €248 000.

The Authority was reorganised in an effort to streamline its activity and strengthen its economic expertise by:

- creating a new unit in the Authority's economic and forecasting department with responsibility for economic and competition analyses;
- dividing the fixed markets unit of the fixed and mobile regulation department (*Service Régulation des Marchés Fixe et Mobile, SFM*) into two units, one devoted to the wholesale fixed network market, the other devoted to the retail fixed network market.

These changes were referred to the Authority's joint technical committee, the CTP (*Comité Technique Paritaire*), in January 2005.

The CTP also met in June 2005 to advise on the creation on 1 July 2005 of the postal regulation service. Finally, a third meeting was held in September 2005 during which rules for the correct use of computing resources and for compensating contractors as of 1 January 2006 were added to the Authority's internal operating procedures.

A joint consultative commission was established on 23 May 2005.

Internal elections were held on 18 October and 8 November 2005 to renew personnel representatives on the joint technical committee and to designate the members of the joint consultative commission.

Studies

Rapid changes in the sector and the highly technical nature and importance of regulatory issues have led ARCEP to seek technical, economic, statistical and legal expertise. The work of consulting firms has allowed ARCEP to benefit from specialised skills and unbiased outside advice. For ARCEP, this usually results in tools for internal use which are not intended to be made public. However, certain studies are undertaken to inform the sector and are made available to the public on the Authority's website.

In 2005, the budget for studies amounted to €1 079 031. Twenty-three studies were undertaken at an average cost of €47 000 and an average duration of 5 months.

List of main external studies in 2005**Subjects****Regulation of fixed and mobile markets**

Business demand (leased lines and data transport)

Tariff monitoring (residential market)

Value-added voice services

Local authorities

Evolution of regional networks

Universal service

Audit of 2003 and 2004 telecommunications service revenue

Technology assessment & outlook

Exposure to electromagnetic radiation (local networks)

Evolution of the fixed core network

Consumption and uses

Penetration and use of information technologies

Service quality and consumers

Voice service quality of second-generation mobile networks in France

Data service quality of second-generation mobile networks in France

Directory information service quality

Resource management

PMR (Professional Mobile Radio) market

Postal sector regulation

Evaluation of user expectations for universal postal service in France

Performance indicators

- A. ARCEP performance indicators
- B. Market indicators for 2005

A. ARCEP performance indicators

1. Opinions and decisions

ARCEP's activity culminates in the adoption of opinions and decisions.

The Authority is consulted for its opinion on draft legislation, decrees and regulations relating to the postal and electronic communications sectors. It may also advise the *Conseil de la Concurrence*, the competition authority, when requested to do so¹.

CPCE Articles L.5-8 and L.36-10.

In the electronic communications domain, an important activity for the regulator is awarding number and frequency resources to operators. This accounts for more than half of the decisions adopted by the Board. ARCEP establishes and administers the national telephone numbering plan, and awards numbers and blocks of numbers in an objective, transparent and non-discriminatory fashion to operators requesting these resources². Every award of numbers results in an individual decision. The same is true of frequency assignments to operators, which also are made objectively, transparently and without discrimination³.

CPCE Article L.44.

CPCE Article L.42-1.

In 2005, the ARCEP Board adopted 1138 opinions and decisions.

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Opinions and decisions adopted	458	1047	1159	1365	1299	1189	1322	1098	1138

Source : ARCEP

1.1. Opinions

L'ARCEP issued 112 opinions in 2005:

- 23 opinions on draft legislation, decrees, orders, reports, or at the request of the minister-delegate of Industry.
- 2 opinions submitted to the Conseil de la Concurrence
- 1 opinion on a draft CSA decision.
- 86 opinions on France Telecom tariff decisions.

1.2. Decisions

ARCEP adopted 1026 decisions in 2005, specifically:

- 2 decisions on guidelines (one on the definition of "closed user group" under the new regulatory framework, the other specifying the rights and obligations of GSM and IMT-2000 operators);

- 2 decisions establishing conditions for using fixed radio networks;
- 18 decisions relating to universal service;
- 10 decisions settling disputes, two of which concerned protective measures;
- 7 decisions on the dispute settlement procedure;
- 3 decisions relating to administrative audits;
- 7 decisions relating to interconnection and access;
- 22 decisions relating to market analyses;
- 324 decisions relating to numbering resources, including:
 - 4 decisions of general application;
 - 320 decisions relating to numbering, including 282 decisions on number reservation and assignment, 30 on abrogation, and 8 on modification of terms of use.
- 631 decisions relating to spectrum resources, including:
- 5 decisions of general application;
- 626 decisions relating to the assignment, modification or cancellation of frequency use authorisations, 322 of which concerned independent networks (among them 92 involving mobile networks other than professional mobile radio networks and 62 involving trunked mobile networks), 134 fixed service, 46 fixed service via satellite, 87 broadcast transport (among them 54 for radio and 33 for television), and 37 trials (25 in mobile services).

1.3. Opinions on France Telecom tariffs decisions

1.3.1. 2005 tariff opinions

In 2005, France Telecom sent ARCEP 150 tariff dossiers – 122 for evaluation and 28 for information.

Of the 122 requests, about one quarter concerned services covered by universal service, 107 were examined by the Authority, 6 were being examined as of 31 December 2005, and 9 were withdrawn by France Telecom before ARCEP reached a decision. In some of the cases examined, the Authority grouped multiple tariff decisions together, thus reducing the total number of opinions issued.

Thus, the Authority issued 97 opinions or decisions, 86 of them public, on tariff decisions by France Telecom. ARCEP's ruled unfavourably in 3 of the France Telecom tariff decisions:

- 2 tariff decisions were made compliant by France Telecom based on ARCEP's opinion, then ratified by the ministers (under the former regulatory framework).

- 1 tariff decision (relating to universal service) resulted in an opposition decision⁴ from ARCEP⁴.

1.3.2. Examination completion time in 2005

ARCEP has three weeks to issue an opinion or render an opposition decision⁵ from the date it receives a complete dossier.

See Part IX, Chapter 2.

4

CPCE Article R.20-30-11 for universal service and Article D.315 for the others.

5

The average examination completion time (date of the opinion or decision minus the date when documentation is complete) was 12 days in 2005 in contrast to 16 days in 2004. However, the average time to analyse (date of the opinion or decision minus the date of reception) did not change over the period 2004-2005 - it remained at approximately one month.

2. Number of authorised operators

As of 31 December 2005, 280 operators were authorised or had registered under the declaration procedure⁶. Of these, 255 were fixed, 2 were both fixed and mobile, and 23 were mobile. Of the total of 257 fixed operators, 99 registered under the declaration procedure in 2005 - 33 to operate networks, 66 to provide services.

See Part IX, Chapter 1.

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In 2005, 19 fixed operators relinquished their authorisations or indicated termination of their declared activity.

Also in 2005, 179 operators used frequency resources to operate wireless local area networks (WLANs).

3. Number of disputes

Any ARCEP decision may be appealed in an administrative court (either the *Conseil d'État* or the *Tribunal Administratif*) or a civil court (such as the *Cour d'Appel de Paris* or the *Cour de Cassation*), depending on the nature of the dispute. In 2005, 15 Authority decisions were appealed before the court of the *Conseil d'État* and 14 disputes were brought concerning taxes and fees.

Nature of proceeding	Referred to ARCEP	Decisions handed down by ARCEP	In progress	Remedies at law exercised	Orders issued	In progress before the court as of end 2005
L.36-8 dispute settlements	10 requests for litigation and 2 for protective measures	8 decisions and 2 protective-measures decisions	2	3	1	2
L.36-11 sanctions (requested and own-initiative actions)	40	30	10	3	0	3

Subject	Number of appeals	Number of decisions handed down		Number of cases pending	
		<i>Tribunal administratif</i>	<i>Conseil d'Etat</i>	<i>Tribunal administratif</i>	<i>Conseil d'Etat</i>
Authority decisions	15	0	13	0	15
Taxes and fees	14	14	0	14	0

Source : ARCEP

B. Market indicators in 2005

1. Fixed telephony

Market changes:

- Value: €11.99 billion (-5%)
- Volume: 104.3 billion minutes (-0.7%)

Competition development:

8 million carrier-selection subscriptions (+3.8%)

Price changes:

Average monthly bill per customer per month (including subscription and access charge): €26.90 before tax (-8.6%).

Average monthly consumption per customer: 236 minutes (-4.9%).

2. Mobile telephony

Market changes:

- Value: €16.1 billion (+8.5%)
- Volume: 81.7 billion minutes (+10%)
- Number of customers: 48.1 million customers (+7.8%).
- Penetration: 78.4% compared to 73.9% at the end of 2004.

Competition development:

- Number of ported numbers: 549 700 (+ 119 %)

Price changes:

Average monthly bill⁷: €29 before tax (+1%).

Average monthly consumption: 147 minutes (+2.4%).

3. Broadband Internet**Market changes:**

Number of subscribers: 9.5 million (+44.3%).

Internet revenue (broadband and narrowband): €3.23 billion (+17.1%)

Competition development:

Total unbundled lines: 2 820 000 (+78%), including:

- 2 228 000 partially unbundled lines;
- 592 000 fully unbundled lines.

The average monthly bill per customer is calculated by dividing mobile telephony revenue, inclusive of data transport, by the average subscriber base for the year. Revenue from interconnection services, which is to say from incoming calls, is not included.

Information and communication

A. ARCEP website

B. *La Lettre de l'Autorité*

A. ARCEP website : www.arcep.fr

Activity on the ARCEP website remained intense in 2005 with 1.6 million unique visitors⁸, a very slight decline over 2004 (-3.9%). Since 2000, the number of visitors has grown by nearly 500%.

Unique visitor:
Only unique IP addresses connecting to the website are counted as visitors, regardless of the number of visits associated with each address. This is the opposite of counting each visit or connection as a visitor, an approach that can result in a visitor being counted multiple times.

1. Top 10 topics visited (apart from the home page) between December 2005 and February 2006

- Local loop unbundling (special report and FAQ)
- Numbering database (look up the first 4, 5 or 6 digits of a telephone number beginning with 0, 1 or 3 to find out which operator it belongs to)
- Unbundling progression and geographic deployment (quarterly scorecard)
- Current events: press releases
- Search engine
- Observatories (sector statistics)
- About ARCEP
- Reference texts
- Implementing the universal directory (FAQ, scorecard)
- Opinions and decisions adopted by ARCEP

2. Number of subscribers per distribution list

As of 1 March 2006, the telecom distribution list had 12 894 French-version subscribers (975 English-version) and the postal sector list, which was launched in May 2005, had 660 French-version subscribers (47 English-version).

3. Number of sites pointing to the ARCEP sit

More than 600 sites point to www.arcep.fr and www.art-telecom.fr (according to Google, 1 March 2006).

B. La Lettre de l'Autorité

La *Lettre de l'Autorité*, the ARCEP newsletter, which is published every two months and has a circulation of 6 000 copies, is another of the tools that ARCEP uses to inform sector professionals and any member of the public interested in the technical, legal and economic aspects of regulation. It allows readers to stay abreast of current events, particularly the progress

of relevant market analyses. Each edition is devoted to a specific subject (for example, local authorities and broadband, MVNOs, universal service, postal sector regulation, and spectrum issues). In mid-2005, *La Lettre de l'Autorité* began publishing interviews with various European regulators in order to engender a better understanding of postal regulation and associated issues. It also has published articles by players in the sector. Also since mid-2005, ARCEP has regularly made presentations on the various economic instruments and concepts it employs in its analyses (market share, barriers to entry, etc.).

2005 issues

