CHAPTER 7

# Telecommunications in the overseas territories

## A. Market round-up

### 1. Broadband

#### 1.1 The retail market

The arrival of a new operator, Mediaserv (a subsidiary of the Loret group), in 2007 helped increase competition in the overseas *départements* (DOM).

Three operators – France Telecom, Outremer Télécom and Mediaserv – currently market broadband services throughout the overseas *départements*.

In most cases, however, the bitrates on offer are below those available in Metropolitan France (512Kbit/s on average, compared to more than 20Mbit/s in Metropolitan France, for the same price).

**Broadband penetration rate in the overseas *départements***

| | Guadeloupe | Martinique | Guyane | Reunion |
|---|---|---|---|---|
| Number of lines | 200 000 | 187 000 | 55 000 | 243 000 |
| Broadband penetration (% of households subscribing to broadband) | 34 | 35 | 40 | 37 |
| Alternative operators' market share (%) | 22 | 21 | 8 | 22 |

*Source: ARCEP.*

The broadband penetration rate in the overseas départements is lower than in Metropolitan France. This disparity is due in part to the small share that alternative operators have of these overseas markets, and to the retail prices charged for residential ADSL broadband offers in the DOM. These are determined to a large degree by the collection costs generated by the use of the undersea cables that connect the overseas départements to Metropolitan France and to each other[1]. Theses specific costs are carried over to retail tariffs.

**1 -** *Cf. Part 4, Chapter 7, G.*

### 1.2 The wholesale market

There are wholesale broadband access offers that enable operators with no infrastructure of their own in the overseas départements to market retail services, but the use of these offers appears to have been marginal up until now.

Operators with their own infrastructure in the overseas *départements* can connect to the France Telecom network for the purpose of interconnection. Here, the regulated offers for broadband (unbundling and bitstream), telephony and leased lines in the overseas *départements* are identical to those in Metropolitan France.

As concerns unbundling, France Telecom's fibre optic link offer, LFO, and the projects rolled out by local authorities have enabled existing alternative operators to connect their networks to a large number of exchanges (59 out of a total 195 in the four *départements*), providing coverage of 66% of the population as of 31 December 2007.

## 2. Mobile markets

### 2.1 Mobile operator market share in the overseas *départements*

| | Total market | | Prepaid base | | Post-paid base | |
|---|---|---|---|---|---|---|
| | Total customers | Market share | Total customers | Market share | Total customers | Market share |
| **Mobile operator market share in the Antilles-Guyana zone[2], as of 31 December 2007:** | | | | | | |
| Orange Caraïbe | 586 154 | 55% | 226 577 | 49% | 359 577 | 60% |
| Digicel | 294 188 | 28% | 159 943 | 35% | 134 245 | 23% |
| Outremer Télécom | 162 625 | 15% | 61 811 | 13% | 100 814 | 17% |
| Dauphin Télécom | 15 231 | 1% | 13 711 | 3% | 1 520 | 0% |
| Total | 1 058 198 | 100% | 462 042 | 100% | 596 156 | 100% |
| **Mobile operator market share in Reunion and Mayotte, as of 31 December 2007:** | | | | | | |
| SRR | 677 618 | 66% | 397 937 | 68% | 279 681 | 64% |
| Orange Réunion | 283 954 | 28% | 156 302 | 26,5% | 127 652 | 29% |
| Dauphin Télécom | 65 503 | 6% | 32 860 | 6,5% | 32 643 | 7% |
| Total | 1 027 075 | 100% | 587 099 | 100% | 439 976 | 100% |
| **Mobile operator market share in Saint-Pierre and Miquelon, as of 31 December 2007:** | | | | | | |
| SPM Télécom | 3 006 | 100% | 999 | 100% | 2 007 | 100% |

### 2.2 Consumption trends

A survey commissioned by ARCEP[3] revealed that mobile phone users' consumption patterns were largely the same in the overseas *départements* and in Metropolitan France.

Mobile operators have nonetheless developed specific offers for the overseas *départements*, notably to adapt to the particular geographical situation of the population that maintains close ties with Metropolitan France (children gone to study in France, family members who work there, etc.). As a result, operators offer preferential tariffs for calls to mainland France. The other main difference between Metropolitan France and the overseas *départements* is the higher price paid for handsets, on average, in the DOM, due to lower operator subsidies and the high percentage of

*2 - Included are the départements of Martinique, Guadeloupe, Guyana and the territorial collectivities of Saint-Martin and Saint-Barthélemy.*

*3 - The results of this survey are not publicly available.*

prepaid customers in the overseas *départements* (it is chiefly phones associated with subscriptions that are subsidised).

### 3. Fixed markets

The rules that apply to telecommunications markets in Metropolitan France apply in the same manner to the overseas *départements*.

In 2007, the Authority continued to scale back fixed telephony retail market regulation by lifting most of the obligations imposed on France Telecom in residential access markets[4]. This decision was applied in all regions concerned by market analyses, including overseas. ARCEP also adopted a decision to scale back the regulations applied to France Telecom in inter-territorial transit markets[5].

In early 2008, the Authority published a public consultation on its second cycle of analysis of fixed telephony markets[6]. This analysis plans on full deregulation of fixed telephony retail markets and to have regulation concentrated only on access and interconnection services – which constitute a lasting bottleneck – namely access to the telephone network, call origination and call termination.

The ARCEP analysis is integral to the ongoing drive to develop competition. The Authority has noted that operators now have functional and adapted wholesale offers that allow them to replicate the incumbent carrier's services. As a result, over the past few years, operators in Metropolitan France and the overseas *départements* have developed voice over broadband services based on wholesale offers such as unbundling and bitstream.

At the same time, alternative operators continued to develop their offers based on carrier selection which, in residential, business and corporate markets, still accounts for a substantial portion of users who subscribe to alternative carriers.

Lastly, the Authority notes that use of the wholesale line rental (VGAST) offer rose significantly in 2007, particularly overseas where Outremer Télécom was the first operator to employ it on a large scale in 2006.

*4 - ARCEP Decision No. 07-0636, dated 26 July 2007.*

*5 - ARCEP Decision No. 07-0744, dated 11 September 2007.*

*6 - ARCEP public consultation on its analysis of fixed telephony markets of 22 February, available on www.arcep.fr.*

## B. 3G in overseas markets

### 1. Public consultation to prepare the terms of licence awards

As a result of the interest expressed by several players in obtaining a 3G licence for the overseas *départements*, ARCEP launched a public consultation in May 2007[7].

The Authority received nine responses from existing 2G operators and potential new entrants to the mobile telephony market. It emerged that:

- the lack of scarcity made it possible to confirm the relevance of awarding licences on an ongoing basis. This is a process comparable to that which was already implemented in late 2000 for awarding 2G authorisations in overseas *départements*. By adopting a less restrictive timetable than a call for candidates, it offers the advantage of giving players greater leeway in setting the roadmap for their project. A player planning on deploying a 3G network will not have to apply for frequencies immediately. Furthermore, ARCEP does not need to decide from the outset how many operators will be awarded a licence;

*7 - ARCEP public consultation on the introduction of third-generation mobile communication systems in the overseas départements and territories, on 24 May 2007, available on www.arcep.fr.*

- the players confirmed that an initial allocation of 5 MHz was enough to launch a commercial 3G business and estimated that, given current forecasts on 3G development, 10 MHz would be enough spectrum to offer innovative services to users in these overseas *départements*;
- players expressed a strong desire for frequency allocation procedures to be strictly supervised, to prevent any spectrum pre-emption or hoarding.

## 2. Launch of awards on an ongoing basis

The introduction of 3G opens up opportunities for residents of the overseas *départements* to access mobile multimedia and broadband services.

Market experience in Metropolitan France shows that the moment is right: the mobile Internet is becoming increasingly popular, handsets are now less expensive and the technology delivers new possibilities (videophony, etc.) thanks to HSPA (3G+), which marks a real departure from 2G in terms of speed (several Mbps).

This is why, at a joint press conference with the Secretary of State for Overseas Territories, on 30 January 2008, ARCEP launched the awards procedure for 3G licences (in the 2.1 GHz band) in the overseas *départements* and territories.

To take into account the specifics of the overseas market that were underscored during its public consultation, the Authority opted for an ongoing frequency allocation procedure that is more flexible than the system used in Metropolitan France (where a call for candidates system was chosen), and better suited to the overseas markets.

This procedure is faster and simpler: there are no limits to the number of potential players occupying the frequency band, and there are no deadlines for submitting a spectrum allocation request. This type of procedure is made possible by the fact that the public consultation revealed that there would be enough spectrum at 2.1 GHz to satisfy the needs of the interested parties, and that there was thus no need to select one over another.

Spectrum resource allocations will be supervised and take place gradually, apace with the evolution of each of the players' needs. Licences are awarded département by département and, initially, the players will have access to a 5 MHz duplex, in other words a UMTS (3G standard) carrier wave. This block of spectrum will be expanded later, according to market requirements.

The fees that licensed operators in the overseas *départements* are required to pay are akin to an extension of their GSM licence fees: they are composed of fees for the use of the 2.1 GHz frequency band, which are set by the government, and reimbursement (in Martinique and Reunion) of the fees advanced by the Ministry of Defence for liberating the necessary frequencies. They are thus in no way comparable to the UMTS fees charged in Metropolitan France (€619 million).

The licences are valid for a period of at least 15 years, but do carry rollout commitments: operators must cover 30% of the population and have their network open commercially within two years of obtaining a licence, and achieve 70% coverage within five years.

An assessment will be made in mid-2011 of how well the procedure has worked, and earlier than that if two-thirds of the available spectrum is allocated before then. This evaluation will make it possible to ensure that the process is in line with the actual use of and the technological progress made by 3G networks.

Spectrum allocation requests must be filed with ARCEP in the first quarter of 2008, and the commercial launch of the first 3G networks in the overseas départements and territories could occur before the end of 2008.

## C. Decrease in mobile call termination tariffs

In October 2007, the Authority decided to impose a decrease in wholesale voice call termination tariffs on mobile operators' overseas networks for the period running from 2008 to 2010[8], as it had already done in Metropolitan France[9]. The high call termination tariffs charged in overseas markets that had been charged up until then could not be justified by the operators' cost structures. This is why ARCEP required that they decrease their wholesale prices by 30% to 50% between 2007 and 2009. Tariffs nevertheless remain high (from 10.5 to around 27 eurocents a minute for 2008) compared to those charged in Metropolitan France, which are among the lowest in Europe (between 6.5 and 8.5 eurocents a minute in 2008, depending on the operator).

*8 - ARCEP Decision No. 07-0811, dated 16 October 2007.*

*9 - Cf. Chapter 3, Part A, point 3.*

The ARCEP decision concerns the tariffs that operators charge one another for routing calls on their network. It applies to all of the concerned mobile operators overseas[10] in the form of obligations that are proportionate to their size. The impact of the decision will include a decrease in retail prices for customers, notably for fixed-to-mobile calls, and should allow cellular customers in France's overseas markets to benefit from more dynamic competition.

*10 - These are: Société Réunionnaise du radiotéléphone (SRR), Orange Caraïbe, Orange Réunion, Outremer Télécom, Digicel (ex Bouygues Télécom Caraïbes), Dauphin Telecom, SPM Télécom and UTS Caraïbe.*

The state of mobile market competition in the overseas *départements* and territories is not a balanced one, with a single operator enjoying a very large market share. Orange Caraïbe and SRR, for instance, have over 60% market share in the Antilles-Guyana and Reunion-Mayotte zones, respectively. This imbalance has become even more pronounced with the recent development of unmetered on-net calling offers (so-called unlimited time offers).

As a result, operators with a small market share will find it harder to implement this type of commercial offer than operators such as SRR or Orange Caraïbe. Indeed, only those operators with a large customer base can "rid" themselves of call termination costs by confining their high-volume offers to on-net calls, i.e. between their own subscribers.

## D. Roaming between Metropolitan France and the overseas territories

On 27 June 2007, the European Union adopted a regulation[11] that imposed a significant decrease in the retail price of mobile voice calls originating or terminating on a French cellular phone whose owner is located in an EU country other than France[12]. This regulation also reinforces operators' obligations to inform their customers of the tariffs applied when roaming inside the European Union.

The European regulation only applies to roaming services supplied between operators from different Member States, however. Here, France stands out for having carriers whose operations cover geographically distant national territories (Metropolitan France, Guyana, Guadeloupe, Martinique, Reunion, Mayotte, Saint-Pierre and Miquelon). As a result, from a technical and economic standpoint, roaming agreements fall outside the scope of application of this regulation. This meant that a European consumer travelling in the overseas territories would be eligible for these regulated tariffs, but a French mobile operator's customers would not. It thus became necessary to extend the European regulation to internal roaming between the different national territories.

The law[13] put an end to this paradox by extending the European Commission's regulated price cap to sub-national calls, up to 1 July 2010. Now, all licensed operators in Metropolitan France, in an overseas *département*, in Mayotte, Saint-Barthélemy, Saint-Martin or Saint-Pierre and Miquelon routing calls to and from customers of a licensed mobile operator in any of these other locations must apply the retail and wholesale tariff provisions contained in the European regulation[14].

The CPCE was also amended so that ARCEP could ensure that operators were complying with these provisions.

*__11 -__ EC Regulation No. 717/2007 on roaming on public mobile telephone networks within the Community, Official Journal of the European Union of 29 June 2007.*

*__12 -__ Cf. Part 4, Chapter 5, D.*

*__13 -__ Act No. 2007-1774, dated 17 December 2007, bringing various amended economic and financial provisions to Community laws, JO of 18 December.*

*__14 -__ Cf. Articles 3 and 4 of EC regulation No. 717/2007 on roaming on public mobile telephone networks within the Community.*

## Eurotariffs applied in the overseas *départements* and territories (as of 15 April 2008)

| Opérateur | Eurotariff | | Automatic switch to Eurotariff (opt-out process | Details on tariffs and billing practices | Extension of the Eurotariff to countries outside the European Union |
|---|---|---|---|---|---|
| | Outgoing calls | Incoming calls | | | |
| **Digicel** | €0.54/min | €0.27/min | 30 August 2007: all customers switched to the Eurotariff | Tariffs including VAT, billed by 30-second increments, after the first indivisible minute | Metropolitan France |
| **Amigo (Dauphin Telecom)** | €0.49/min | €0.24/min | 31 July 2007: all customers switched to the Eurotariff | Tariffs including VAT Per-minute billing | Metropolitan France, other DOM-TOM |
| **Orange Caraïbe** | €0,54/min in the Antilles<br>€0,49/min in Guyana, St-Martin and St-Barthélémy | €0,27/min in the Antilles<br>€0,24/min in Guyana, St-Martin and St-Barthélémy | 30 August 2007: all customers switched to the Eurotariff | Tariffs including VAT billed by 30-second increments, after the first indivisible minute | Metropolitan France, Reunion |
| **Orange Réunion** | €0,53/min | €0,26/min | 30 August 2007: all customers switched to the Eurotariff | Tariffs including VAT billed by 15-second increments, after the first indivisible minute | Metropolitan France, Antilles-Guyana, Iceland, Switzerland, Turkey |
| **Onlyplanet (Outremer Telecom)** | €0,54/min in Antilles et Réunion<br>€0,49/min in Guyana and Mayotte | €0,27/min in Antilles et Réunion<br>€0,24/min in Réunion | 1 september 2007 : all customers switched to the Eurotariff | Tariffs including VAT Per-minute billing | — |
| **SRR** | €0,49/min | €0,26/min | 30 August 2007: all customers switched to the Eurotariff | Tariffs including VAT billed by one to 30-second increments, after the first indivisible minute, depending on the offer | Metropolitan France, Reunion, Mayotte, Andorra, Gibraltar, Iceland, Jersey/ Guernsey, Liechtenstein, Norway, St Marin, Switzerland and The Vatican |

*Source: ARCEP, available on www.arcep.fr.*

## E. Mobile number portability in Reunion and Mayotte

The process for ten-day "one-step" mobile number portability was implemented in the Antilles-Guyana zone on 1 April 2006, in Metropolitan France on 21 May 2007[15], and in Reunion and Mayotte in July 2007. The goal of portability is to stimulate competition by making it easy for customers to switch operators.

15 - *Cf. Part 4, Chapter 5, E.*

This process simplifies the portability process for customers who now need only address themselves to their new operator of choice which, in turn, processes the new subscription, the porting request and notifies their existing operator of the cancellation of their contract – all within a maximum 10 calendar days, unless the customer expressly requests a longer period.

The good results achieved in the Antilles-Guyana zone, which was the first region to benefit from the new system, justified its extension to the other French regions. In the less than two years since the new system was rolled out in that zone, some 25,000 mobile numbers have been ported[16], or around 2.3% of its active mobile customer base (compared to 2% in Metropolitan France more than three years after the two-step MNP system was introduced).

16 - *ARCEP estimates.*

In the Reunion-Mayotte zone, the quantity of numbers ported since the implementation of the one-step process in July 2007 is proof of its positive impact on competition. 10,000 numbers had been ported between 31 March 2005 (when the two-step portability process was introduced) and the end of December 2007, whereas 3,500 numbers were ported in the fourth quarter of 2007 alone.

## F. Universal service price cap specific to overseas markets

The Authority imposed on France Telecom – in its capacity as the universal service operator[17] – a multi-annual price cap on a pre-defined tariff basket for calls[18]. This price cap applies up to the end of 2008 to calls made by a subscriber who uses the operator's universal service offer.

There are, however, considerable disparities between the consumption of a subscriber using the universal service, depending on whether he or she resides in Metropolitan France or overseas[19]. In particular, these differences pertain to specific consumption profiles, including the length of calls, the peak/off-peak-hours breakdown and the destination of the calls (fixed, mobile, international, etc.). To take these differences into account, two tariff baskets were included in the price cap mechanism: one for Metropolitan France and one for the overseas *départements* and territories. The basket for the latter is composed of local fixed calls, fixed calls between overseas *départements*, calls to mobiles in overseas *départements*, calls to fixed lines in Metropolitan France and calls to mobiles in Metropolitan France.

17 - *Pursuant to the decrees of 3 March 2005 designating the operator responsible for providing the first universal service component (i.e. the telephone service) listed in CPCE Article L.35-1.*

18 - *ARCEP Decision No. 06-0725 of 25 July 2006.*

19 - *Reunion, Guadeloupe, Martinique, Guyana, St-Pierre and Miquelon, and Mayotte.*

The average annual price of the overseas tariff basket – and the one for France – will evolve every year at most at the rate of the consumer price index, minus 3% and minus the decrease in external interconnection and access costs (notably mobile voice call termination). Every year, France Telecom provides the Authority with all of the elements it needs to confirm that the operator is complying with the universal service price cap. These prices concern retail calling prices in the overseas basket, the corresponding external interconnection fees and the traffic volumes for the calls concerned. This approach is also employed for Metropolitan France.

A multi-annual system of controls, in both overseas markets and in Metropolitan France, guarantees that the end users of the universal service – in this case the service offered by France Telecom – will benefit from a regular decrease in their calling tariffs, and notably that decreases in mobile call termination tariffs ordered by the Authority will be passed onto them. This will also allow them to benefit from a share of the incumbent carrier's productivity gains.

## G. Undersea cables

### 1. A key link in the chain

To route traffic from the overseas départements, either to the national voice network or the global Internet, all operators need to use satellite links (e.g. in Mayotte) or have their traffic routed by undersea cable (e.g. in the Antilles). The two solutions are not interchangeable: satellite links are structurally more expensive and deliver lesser performance than undersea cables.

To be able to offer an end-to-end service, operators will generally need to connect all of the network elements and purchase:

- an undersea cable transport service: here, the provider needs to own a stake in the consortium that manages the cable, which gives it capacity rights that are proportionate to its share of ownership. The operator can also buy excess capacity between two landing stations from the consortium;
- a complementary terrestrial service, between the landing station and its point of presence (POP): here, the service provider will need to install its own equipment in the landing station.

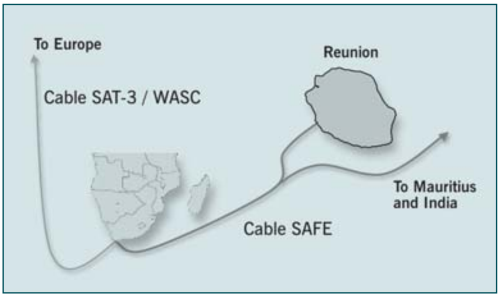
In Reunion, France Telecom enjoyed a de facto monopoly and, as a result, over traffic routing on the sole cable (SAFE) that connects the Reunion and Metropolitan France. It does nevertheless appear that this monopoly has ended as operators have managed to purchase services from other members of the consortium.

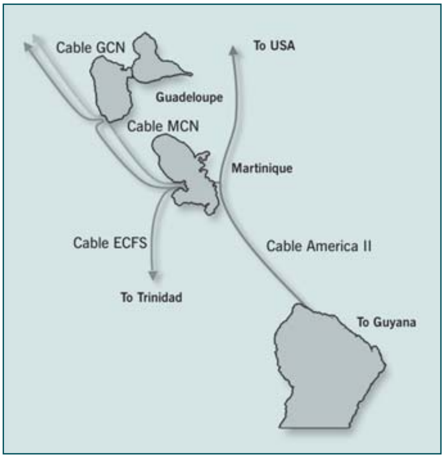
The state of competition in the Caribbean is expected to evolve following the operational launch in late 2006 of a new cable (GCN), built as part of the *Guadeloupe Numérique* (digital Guadeloupe) project, which was co-financed by the Guadeloupe region, the French State and the European Union. A delegated public service mechanism was set up in late 2004, putting a subsidiary of the Loret group in charge of the construction and future operation of the cable connecting Guadeloupe to the Internet, in Puerto Rico. Inaugurated on 3 October 2006, the GCN cable has promised attractive IP transport wholesale prices.

In addition, in late December 2006, a new cable (MCN) that extends the GCN cable to Martinique via Dominique was installed on the initiative of the Loret group. It also promises attractive wholesale tariffs. The price per megabit is 375 euros a month, which is considerably less than what France Telecom charges (around 800 euros a month).

In Martinique, Guyana and Guadeloupe, France Telecom nonetheless enjoys a *de facto* monopoly in the landing stations for the two "old" cables (ECFS, built in 1995, and Americas II, built in 2000).

**Situation at the start of 2008**




## 2. ARCEP actions for decreasing tariffs

A dispute resolution in 2004 provided the Authority with the opportunity to intervene in the area of wholesale tariffs charged for transporting traffic over the undersea cable to the Reunion, bringing the price of traffic travelling on the SAFE cable down by a factor of ten. Further decreases in the wholesale tariffs charged by France Telecom on the SAFE cable occurred in early 2006 and 2008, as a result of which the price of the offer has been divided by close to 30 over the past four years.

Since 2006[20], ARCEP has benefited from a legal framework that covers all of the overseas *départements* and territories, which imposes the following obligations on France Telecom:

- cost-oriented pricing for the terrestrial component for incoming traffic to all overseas *départements*;
- cost-oriented pricing for the Metropolitan France-Reunion route;
- non-excessive prices for the other routes;
- obligation to meet all reasonable demands for access.

**20** - *ARCEP Decision No. 06-0592, dated 26 September 2006.*

# H. The new numbering plan in Mayotte

The territorial collectivity of Mayotte changed its numbering plan on 30 March 2007. The process consisted primarily of changing the country code for international calls to Mayotte, replacing the current country code shared with the Union of the Comoros with the "French Indian Ocean" country code (262). It also helped open up the 0639 block for mobile numbers in this territory. On 28 December 2007, the parallel operation of two sets of mobile phone numbers (old ones starting with 0269 and new ones starting with 0639) was put to an end[21].

**21** - *ARCEP Decision No. 06-0720, dated 20 July 2006.*