

# French mobile groups' bundling trend risks harm, watchdog warns

Cost of buying TV content is a danger to network investment, says head of Arcep



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by: Harriet Agnew in Paris

The head of the French telecoms regulator has warned that the growing trend for mobile operators to offer bundles of telecoms and TV services across Europe risks harming investment in their networks.

"If telecom operators are massively investing in content . . . there's a high risk that this deters investment in telecom networks in France," Sébastien Soriano, chairman of Arcep, told the Financial Times.

"I would prefer to hear them with a clearer message of investing in fibre, in 4G, in 5G, than this kind of permanent discussion about content."

Mr Soriano's comments come as the country's four telecoms operators — Orange, SFR, Bouygues and Iliad — weigh up the benefits of owning and creating TV content, including exclusive sports rights, that can be broadcast over their broadband and mobile networks.

These operators have been locked in a price war since 2012, when Xavier Niel's Iliad launched its mobile service, Free. Content is seen as a potential means to differentiate from competitors, improve average revenue per user and reduce the churn rate — a measure of customer loss — although the cost of doing so can be expensive.

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Sébastien Soriano

Convergence of media and telecoms is a strategy backed in particular by SFR, the French telecoms provider owned by cable entrepreneur Patrick Drahi's investment vehicle Altice

Altice announced in December that it would offer eight entertainment channels to customers of its network. SFR is fighting to keep customers after losing 2.5m subscribers since it was bought from Vivendi just over two years ago.

Orange owns sports rights and OCS (previously known as Orange Cinéma Séries) — TV content also available for subscribers of other providers. Orange chief executive Stéphane Richard said in December he was also open to buying leading French pay-TV channel Canal Plus, which is owned by Vivendi.

Vivendi, under the control of billionaire Vincent Bolloré, is building a European media content business across France, Italy and Spain. As part of this plan, Vivendi has built up stakes in Telecom Italia and Italian broadcaster Mediaset.

Bouygues, owner of French television channel TF1, and Iliad have an open model of allowing clients to access as wide a range of content as possible without a premium on exclusivity.

Mr Soriano said that a good solution to the price war should be differentiation by networks, rather than differentiation by content.

He added: "A really bad scenario for us would be a scenario where two players would be engaged in media differentiation strategies. Then there's a high risk that the market goes to a duopoly, which for us is terrible. Duopolies are very hard to regulate."

Mr Soriano said that Arcep, which concentrates on ensuring France's telecoms providers continue to invest in infrastructure, was largely powerless to prevent convergence, and that if the trend developed, a new regulatory framework might be needed.

He said: "My main concern is that we don't go further on this telecom media story. For the moment there are no big problems — but please could we just stay at this point."

Arcep ruffled feathers earlier this month when commenting on Orange's investment in fibre networks. It said that "Arcep will work to prevent any obstructive behaviour from Orange".

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**ARCEP WARNS AGAINST TELECOMS' TV BUNDLING:** Sébastien Soriano, the chairman of French telecoms regulator Arcep, told the FT that mobile operators who offer bundled telecoms and TV services may harm network investment. "If telecom operators are massively investing in content ... there's a high risk that this deters investment in telecom networks in France," he said.