

Interview with Olivier Roussat, Chairman and CEO of Bouygues Telecom

“This solution should facilitate the tie-up with SFR”

Bouygues Telecom has reached an agreement with Free. What is it about?

We have entered into exclusive negotiations to sell our entire mobile network to Free for up to €1.8 billion. That represents 15,000 base stations and a portfolio of frequencies, some of them 4G. The agreement is conditional on the success of our offer to merge with SFR, which we submitted to its parent company, Vivendi, on Wednesday, 5 March. It means that we can lift the main uncertainty about competition issues surrounding our project. It also means that Free can become a fully-fledged operator in its own right. We were willing to make concessions and Free knew that it needed a network in order to handle its growing number of subscribers. Its own network was under construction.

Does this deal a fatal blow to the rival project from Numericable?

We have immediately addressed the competition issues. A merger with SFR would leave us with one network too many. Here, we have a buyer who will recreate a competitive environment. It is a turnkey solution that should facilitate the tie-up with SFR and reassure Vivendi. Selling our network to Free will generate annual cost savings worth hundreds of millions of euros for the new entity.

If Bouygues and SFR merge, when will the agreement with Free come into effect?

The Competition Authority will look at the deal before coming to a decision later in the year. The process of migrating subscribers will take place in 2015, with the transfer of Free's customers onto the Bouygues Telecom network and ours onto SFR's.

Selling your network isn't going to reassure employees fearing job losses...

Free wants to use its own people to maintain the network and we want to keep the 1,200 employees who are doing that job at present. Our network will not be destroyed. On the contrary, our 15,000 base stations will pass to Free and Free will keep them up and running. There will be three networks to maintain and that will guarantee employment in the French telecoms industry as a whole. Our employees know that we always keep our promises to them: we say what we do and we do what we say.

How will you avoid job cuts if you merge with SFR?

I confirm that our planned merger with SFR will not cause any redundancies. It will enable us to reinvest €2 billion a year in our internet and mobile networks, which will be maintained and modernised by technicians in France. We will spend €400 million a year on optical fibre, representing 20% of our capital expenditure. All that will create jobs. That is the crux of the matter.

Will you keep your call centres and the SFR and Bouygues stores?

We have 2,500 call-centre operatives at Bouygues. We find that customer relations are better when they are based in France. Some of our subscribers will be handled in these centres, which we intend to

expand. The same applies to stores. If we merge, we will need all hands on deck to deal with customers. If queues get too long, people will go elsewhere.

Which brand will you keep?

We haven't decided yet. The agreement with Free shows that we can make simple, clear choices. We will take the best of both worlds between the Bouygues Telecom and SFR brands according to the needs of different types of customer – traditional, low-cost or business.

Does this mean the end of the price war?

A network is expensive and must be used to capacity in order to make it cost-effective and offer low prices. Selling our network to Free will enable both of us to cut costs. It is the only way of maintaining this competition. Since Monday, we have been offering the most aggressive internet access packages on the market. And we will continue in this vein. Just as Free will surely not abandon its low-cost policy in the mobile segment.