

Interview with Martin Bouygues - Published in Le Figaro dated 25 June 2015

“Bouygues is still the natural buyer of SFR”

By Bertille Bayart, Elsa Bembaron and Gaëtan de Capèle

INTERVIEW - Martin Bouygues says that Bouygues Telecom, coveted by SFR-Numericable, is not for sale and criticises a destabilisation tactic.

LE FIGARO. – On Tuesday evening you turned down Altice’s offer for Bouygues Telecom even though the €10 billion price tag seemed more than anyone could have expected. Does that mean Bouygues Telecom is worth more?

Martin BOUYGUES. – It’s not a question of whether the company is worth €10 billion or more but whether this unsolicited offer corresponded to our strategic objectives. The Board unanimously said no. A business isn’t just another commodity, you know. Not everything in life is for sale, and Bouygues Telecom isn’t. The company is now in battle order, having come through four really tough years. We have had to restructure root and branch, our employees have had to make considerable sacrifices and we’ve been through two voluntary redundancy plans. But now Bouygues Telecom has the best 4G network in France, an exceptional portfolio of frequencies and very well-positioned offers. Who could say better than that?

How far did the risk of a Competition Authority veto influence your decision?

It is true that the offer from Altice and Free entailed a considerable execution risk. Do you really think the French government, which did so much to increase the number of operators from three to four, would so easily accept a deal which would reverse that situation? We felt Patrick Drahi was working on the assumption that the Competition Authority would give him the nod. I find that very incautious. In all events, the Bouygues group could not allow itself to be exposed to that risk over the period of nearly a year during which the offer would be under review. And if something had gone wrong during that time, at the end of it we would have found ourselves with a shattered company on our hands.

Would you consider another offer?

In all events, another offer would not change the criteria or the objectives to which the Board attached importance on Tuesday evening.

You also raised the issue of jobs to justify turning down the offer.

Extraordinary “synergies” were promised in connection with the financial package, while at the same time giving “commitments” about jobs. But what are these synergies if not job cuts? If the newspapers are to be believed, the SFR-Numericable merger has hardly been idyllic... I am not used to roping my employees in with me in such adventures and I have no intention of doing so with the people at Bouygues Telecom.

Isn't turning down the offer just pride on your part, because the company is your creation and because your competitors clearly seemed to have come to an agreement to share it out amongst themselves?

I am 63 years old, I have been working for 43 years and I have been the head of a business for 35 of them. I inherited a name and the spirit of enterprise and I have created my own companies. But I have also sold some of them, even if it was painful. That was the case with Maison Bouygues, Bouygues Offshore, Saur and Eurosport. I took those decisions when there was a good strategic reason to do so. That is not the case here and all the directors agreed with me. I defend the interests of the group and of its employees, who are also its largest shareholders, not my ego. To paraphrase General de Gaulle, it's not at the age of 63 that I will allow my ego to get the better of me!

As for our competitors, I can indeed see how eager they are. Perhaps that says something about their own situation... There has been an attempt to destabilise Bouygues Telecom by announcing, somewhat precipitately, that I would be a genius if I were to sell. It wasn't exactly subtle.

A year ago, when you were a bidder for SFR, you were arguing for a return to market with three operators. Now you are saying the opposite. Aren't you contradicting yourself?

My position hasn't changed: Bouygues is still the natural buyer of SFR. But several things have changed in the last year. To begin with, Bouygues Telecom is no longer in the same predicament. We have done what it takes, as I said earlier, we are winning customers and we have successfully launched an offensive in the fixed broadband market, where some of our competitors were making extravagant margins. We are the new maverick on the market. Secondly, the noises coming from the new president of Arcep [the French telecommunications regulator] suggest that henceforth the regulator intends to try and re-establish fair ground rules in the industry.

So you want new rules on roaming for Free?

Of course I do. Roaming is the source of all the problems. Will people at last realise the devastation that has been wreaked on the industry? 50,000 jobs have been destroyed and the government itself has been deprived of substantial tax revenues because of decisions taken for demagogical reasons. We were told five years ago that the mobile market needed to be opened up to a new entrant. But when setting the rules, the regulator conveniently "forgot" that the new entrant was already a very powerful player in the fixed broadband segment. I did not benefit from the same advantages when tackling fixed broadband from my positions in the mobile market! At the time, Arcep did not consider it necessary to carry out economic studies before taking a decision. It is an incomprehensible way of doing things and it caused extensive damage for which no-one is willing to assume responsibility. Of course there is room for four operators on the French market, but only if the conditions are fair, as the Competition Authority made clear in its report in March 2013. Arcep's former president took no notice. I hope the new one will. The forthcoming auction of 700 MHz frequencies, in which we will of course be taking part, will also help to structure the sector.

The government spoke out against the Altice plan. Did that play any part in your decision?

No. Of course the government did not impose the decision on me; how could it ever have done so? But I am happy to have its backing for my strategic choice.

Will your relations with Patrick Drahi or Xavier Niel suffer as a result of this episode? You still have to negotiate with SFR in the context of your network sharing agreements.

I have met Xavier Niel perhaps twice in my life and Patrick Drahi once. Enough is as good as a feast... So this affair will have no effect on our relations or on the discussions taking place about implementing the network sharing agreement.

Selling Bouygues Telecom would have enabled you to reinvest in your core construction businesses and in TF1. Does the group have the resources to roll out its strategy in all its business segments?

Bouygues Telecom has never been a reason for me to restrict investment in our other businesses. Construction is not a capital-intensive business and I believe that TF1 has all the resources it needs to continue its development after selling its controlling interest in Eurosport.