

The “French Pentagon”: Martin Bouygues strikes back - Published by “Les Echos” on 15 December 2011

A judicial investigation was begun in February 2011 for corruption and favouritism in connection with the award of the contract for the French Ministry of Defence headquarters in Paris, which you won. What is your response?

These insinuations are false and deceitful. Our lawyers have asked the prosecutor whether Bouygues was involved and the answer is no. We have conducted an internal investigation which also found nothing untoward. There is nothing in this affair that concerns our group.

The tendering process took 20 months, there was a shortlisting phase, the specifications were changed several times as part of a competitive dialogue and everyone had access to them as the changes were made. I wish someone would tell me what benefit there would have been in trying to gain access to anything at all beforehand. I cannot let it be said or let it be believed that the people who work for Bouygues are dishonest. You may find that normal but I certainly don't. In fact, I am deeply shocked because the presumption of guilt appears to have replaced the presumption of innocence. That is totally abnormal. The damage to us is considerable and global. We have 135,000 employees worldwide and have been asked questions about this matter everywhere.

What action do you intend to take?

I am angry and I am going to sue. We will be bringing a libel suit against Le Canard Enchaîné in the coming days for having made groundless accusations against us and for suggesting that being in the construction business means you have to be dishonest. It is intolerable. The damage to our image is enormous. For twenty years, ever since I became chairman of Bouygues, we have imposed strict ethical rules on ourselves. Seminars on the subject are organised in each of our businesses. The Board of Directors has an Ethics committee, chaired by an independent director. We were the first to do that. I insist that our business is conducted as rigorously and transparently as possible. On my instructions, a very strict rule has been in place for a number of years: Bouygues systematically initiates legal proceedings against any employee who willfully commits an offence. Fortunately, we have only had to do so on three occasions.

What sort of shape is the Bouygues Group in? Has your construction business been hit by the crisis?

The business environment is holding up well: we have taken some very good orders on international markets and there has been no obvious slowdown in France. Our order book was up 7% in the first nine months of the year. On the basis of our orders and housing sales this year, which will be reflected in next year's sales figures, we are very confident and upbeat for 2012. Beyond that, who can say what 2013 will be like? Not me. We just can't see that far ahead. But no, for the moment we have not been affected by the crisis. As far as the construction industry is concerned, this crisis is not in the same league as the one in the 1990s, which was catastrophic.

You mention housing sales, but won't they fall sharply next year because of the state of the economy?

To say that housing production will slow is nonsense and I don't believe it will. France has an aggregate structural shortfall of 800,000 to 1 million housing units in relation to the needs generated by population growth and the rising number of reconstituted families. The very structure of society is increasing the need for housing. There is also a great need to rehabilitate the existing stock. From a buyer's standpoint, I believe the financial resources are there; the problem at the moment is more one of confidence in the future. The general mood of anxiety causes uncertainty among young households but the financial conditions are ideal. Help is available from the enhanced zero-interest loan scheme, and even though interest rates have gone up they are still very attractive.

But tax incentives have been scrapped and property prices are high...

Who knows what measures to support housing will be taken after the presidential elections? Given the scale of housing needs, I don't believe we can do without some form of public assistance, especially a tax incentive for investment in rental housing. France simply doesn't have the choice. As for high property prices, they simply reflect high land prices, and property developers are not responsible for that! There is a shortage of building land. The government has to increase the amount available by changing the regulations.

The debt market is in crisis. How does that affect the construction industry?

We at Bouygues are not worried because we have been working for years to optimise our financial structure. Our bond maturities are well spread out and we have no short-term maturing debt. I won't say the debt crisis does not have an impact on construction. It makes financial packages in particular more complex and more expensive, but customers are equally determined.

Alstom has had problems. How do you see your stake in the company now?

I am very happy both with our investment and with the work accomplished by its Chairman and CEO, Patrick Kron. Alstom has seen a slowdown in its activity, but its order intake has increased 45% over the last six months and I am particularly pleased to see that 65% of orders are from emerging countries. There are also real synergies with Bouygues and we have a number of projects in hand. Outside France, we submit joint tenders for design-build contracts for power plants and for high-speed rail projects, for example.

Free is arriving on the mobile phone market. Are you ready to meet the new competition?

We are ready and unafraid. Competition has always been part of the business and, unlike Free, we had no help whatsoever when we started up. In 1996, we had no roaming agreement, for example. Initially our service covered only the Paris region. The GSM 1800 MHz standard was imposed on us and at the time we were the only ones to use it. There was little equipment available and only one type of handset! What I see is that the trend throughout Europe is more towards consolidation on the mobile phone market than the creation of new operators. France has made a choice. I warned that that choice would have a social and financial cost. That's where we are now. As operators become less profitable, the government will lose tax revenue. We are talking about a billion euros a year here. And Free will create very few jobs, while the other three operators will have to adjust their cost base. At Bouygues Telecom we have prepared for this situation by cutting our costs.

Are you worried on the commercial front?

No. We were already the first to react in the mobile market with B&YOU, successfully launched six months ago and distributed only on the internet, without subsidy and without commitment. B&YOU will be able to adapt quickly to any change in market conditions. Our performances in the fixed segment are excellent. We lead the way in terms of net market growth, having signed up 311,000 new customers in the first nine months of the year. We already have just over 1.1 million customers. As a challenger, we can both develop new technologies, by introducing new routers, and enhance value for customers, which is what they expect from us. We can go further, faster and stronger. Bouygues Telecom will remain the ultimate innovative challenger.

In television, TF1 has lost the rights to Champions League soccer. Does the rising cost of sports rights worry you?

On the contrary, it is an opportunity. We will make savings. We were losing a lot of money on some Champions League matches. Viewers stayed away and advertising revenue followed. We may have fewer major sporting events but we will still have some and they will cost us less.

LCI was not able to become a free-to-air DTT channel. What are your thoughts on that?

Our competitors lobbied to prevent LCI from going free-to-air. It is something I regret, but LCI will extend its audience base while remaining on pay-TV because CanalSat will no longer be the exclusive distributor. Increasing our audience means we will be able to enhance our advertising revenue. And we have teamed up with Auchan to launch new offers in order to give pay-DTT fresh impetus.

Interview by Nicolas Barré, David Barroux, Myriam Chauvot and François Vidal