
FRANCE ROLLS OUT OPEN ACCESS NETWORKS

The Government of France is well underway in the implementation of its broadband strategy to ensure the provision of ubiquitous and affordable high-speed and very high-speed services throughout France. The basis of the policy framework is on the building and operation of new open-access Internet Protocol (IP) networks through the use of public-private partnerships. These IP networks are being developed on a regional and community basis by local authorities. The networks will be technologically neutral, interoperable with those of other operators, and will be able to offer 'triple play' services to the end users. In addition, the French Government is examining a number of policy and regulatory initiatives to facilitate the introduction of fibre to the home (FTTH) with the objective of connecting 4 million households by 2012 if not sooner.

The construction, operation and financing of these broadband networks will be undertaken by organisations that have been granted a concession for a 15 to 20 year term through a public procurement process and consistent with the 'public sector delegation' mechanism specified in French law. The concession holder will provide a range of wholesale services including dark fibre to all retail operators, but will not be permitted to provide service to end users. Although the network operator is responsible for the financing of the system, government grants of up to 45% may be made available for the construction of these networks. The network operator will generate its revenues from the provision of wholesale services to other companies involved in the retail provisioning of services.

The new networks involve the installation of a fibre optic backbone network, fibre to the premise for businesses, wireless (WIMAX) services to serve remote areas, and connections to telephone exchanges for the provision of competition in the DSL service market. The network is designed to deliver a minimum bandwidth capacity of 2Mbps with services of 100Mbps for larger users.

The roll out of these new open access networks is progressing with a number of them already in operation or scheduled for completion over the next two years. Axione and Covage are two organisations that have been very successful in securing concessions to build and operate these networks. Covage has secured 12 concessions involving over 2000 communities that have a combined population of about 4.3 million and over 100,000 businesses. It has noted that it is also pursuing more than 30 other network opportunities that it anticipates will be put out to tender by local authorities.¹ Axione has obtained 7 concessions with a market of over 3 million people and 120,000 companies. It currently operates networks in the Pau conurbation, the Loire, and the Limousin region.²

The open access network concession granted in the Limousin region is very significant as a model for use by other regional authorities in France, because this intervention was not only approved by the European Commission but has also attracted Commission funding. For this reason, the Limousin network is featured in the following case study.

¹ Axia NetMedia Corporation case study, December 2006. www.axia.com

² See Axione website for further information at www.axione.fr/new-hp/

Limousin Case Study

Overview

The Region of Limousin is essentially a rural area where the dominant industries are farming and forestry. It has a land area of 16,942 square kilometres with a population of 750,000 making it one of the less densely populated areas in France. As a result of its



demographics, there has been an ongoing issue with the provision of high-speed telecommunications services in many parts of the region. Consistent with French legislation allowing local authorities to establish and operate telecommunications networks, the Limousin regional authorities entered into a 20-year concession with Axione in 2005 to build and operate an open access IP network to serve the entire region. Axione is in the process of completing the installation of its 1200 km fibre-optic network and other facilities, including its WIMAX³ system, which is all scheduled to be in operation by mid 2007.

The overall budget for this initiative is 85 million euros and it has received approval of the European Commission.

Legal Structure

Under French legislation passed in June 2004 (L.1425.1), local authorities may be granted a concession to own and operate telecommunications networks. The local authorities are responsible for the construction, operation and maintenance of the network, which in turn can be delegated to a private sector operator.

The public authorities in Limousin established Dorsal, an organisation composed of representatives from local governments in Limousin, to implement the establishment and operation of the high-speed network. In April 2004, Dorsal issued a notice in the Official Journal of the European Union (2004/S 70-059218) requesting interested parties to tender on the construction, operation and maintenance of a network to serve the Limousin region on a public-private partnership basis with Dorsal. This would be implemented under the mechanism of a 'public service delegation' (delegation de service public) where a private company or consortium would be selected to build and operate the network. Axione and Sogetrel were subsequently chosen and established a company, Axione Limousin, to undertake the project. They were awarded a twenty-year concession. At the end of the contract, the network will be transferred to Dorsal.



³ Axione Limousin has been licensed by ARCEP, the French Communications Regulatory Authority, to provide WiMax service that it estimates will enable it to provide coverage to 99% of the population of Limousin at a minimum speed of 2Mbps.

Financing

The total budget allocated to the project over the 20year concession period is 85 million euros of which the financing is 55% private and 45% public. Some 68.39 million euros have been allocated for the initial phase of this project relating to the establishment of the network. Axione Limousin will contribute 30 million euros with the balance being provided by public financing from the European Commission (13.21 million euros), French Government (8.47 million euros), Limousin Region (8.47 million euros) and three regional departments and Dorsal (8.25 million euros). In addition, La Caisse des Dépôts et Consignations will participate in the financing of Axione Limousin to a maximum of 30%. (The CDC is a state-owned financial institution that makes investments on behalf of France's central, regional and local governments.) Axione Limousin was established as the operating company with Axione holding 70% of the shares and the CDC with 30%.

State Aid

The Government of France notified the European Commission in September 2004 of the intention to provide government subsidies to support the development of a high-speed network throughout the entire region of Limousin. The purpose of the intervention is to ensure that presently underserved areas of the region will have access to high-speed transmission services, which are not being provided by existing operators.

In its decision (IP/05/30) of 3 May 2005, the European Commission stated:

The European Commission has decided that, the public co-funding of an open broadband infrastructure in Limousin, France constitutes compensation for the provision of a Service of General Economic Interest and is not state aid. The project has a total budget of €85 million and will be co-financed by EU funds The scheme will enable telecom operators to provide broadband services to residential users, businesses and public authorities on a transparent and non-discriminatory basis.

Ken Murrice
murriK@btinternet.com

19-01-2007