# Internet price war launched in France as consolidation looms

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Construction and telecom group Bouygues reported a big loss for 2013 after a writedown for shares in Alstom, but its mobile-phone division switched back into profit

French telecoms firm Bouygues Telecom on Wednesday launched a national price war to grab at-home Internet, TV and telephone customers, piling pressure on a cut-throat market that analysts say must now consolidate to stay profitable.

Bouygues Telecom, number three in France's market, said it was offering so-called "triple-play" subscriptions—all-in-one offers covering at-home television, telephone and Internet access—starting at 19.99 euros ($27.50) per month. That was around a third cheaper than its competitors, which were now expected to be forced to follow suit.

The announcement sent shares in Bouygues Telecom's rivals plummeting on the Paris stock exchange.

Iliad, owner of upstart operator Free, plummeted 5.75 percent to close at 167.10 euros, while Orange (formerly France Telecom) ceded 3.37 percent to 9.31 euros.

Shares in Bouygues, the construction and communication conglomerate that owns Bouygues Telecom, finished flat, down 0.07 percent at 30.23 euros, giving up gains early in the day.

The three telecoms and Internet operators are already licking their wounds from a price war between their mobile telephone units, which has become increasingly combative after Free launched two years ago with market-grabbing cheap deals.

Shares in Vivendi, owner of number two mobile service provider SFR, fell heavily on the Paris stock market on Tuesday when the group unveiled 2013 profits well under expectations largely because of SFR's sharply lower revenues.

Bouygues chairman and chief executive Martin Bouygues said of the triple-play offer: "This mature market needs to be shaken up."

## 'We'll still make money'

The head of the Bouygues Telecom subsidiary, Olivier Roussat, told

AFP that the lowball offer "is not loss-making; we'll still make money. Our bet is that increased volumes will make up for a smaller margin".

Bouygues Telecom currently has two million subscribers for its at-home broadband service, behind Free, which has 5.6 million subscribers.

Bouygues Telecom made a net profit of 11 million euros in 2013, after a 14-million-euro loss in 2012, but its revenues showed an 11-percent slide, mainly from the heightened competition to its mobile activities.

On Wednesday, Free adjusted its little-publicised, basic AliceBox Initial offer to one cent cheaper than Bouygues Telecom's, suggesting that the price war was likely to be as fierce as for the mobile sector.

"What is certain is that a new price war started this morning (Wednesday) and a huge tariff cut for fixed line services has begun," said Mathieu Drida, who runs the meilleurmobile.com website comparing operators' offers.

Analysts believe consolidation in France's mobile and triple play markets is inevitable—especially given the big outlay in investment in 4G mobile networks that needs to be recovered.

Vivendi this week confirmed that France's biggest cable operator Numericable, owned by Altice, was interested in buying half of SFR. Reports estimated the deal to value SFR at 15 billion euros, but Vivendi said nothing firm was yet on the table.

One unnamed competitor to Bouygues Telecom told Le Monde newspaper that the shake-up occurring was "a signal" to French market authorities that mergers were necessary to ensure investment.

"Bouygues Telecom maybe wants to help create a more favourable political environment for a merger between two operators," he said.

But the newspaper suggested that the French government was sanguine.

"It's to be expected that a player weakly positioned in the fixed-line telephone sector works out a development strategy. It's rather healthy," it quoted the junior minister in charge of the digital economy, Fleur Pellerin, as saying.



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