

## **France Mobile Bid Could Extend Consolidation Trend**

Lori Hinnant, Associated Press

PARIS (AP) — French conglomerate Bouygues offered 10.5 billion euros (\$14.4 billion) for control of mobile operator SFR telecommunications, launching a bidding war Thursday that could extend the wireless industry's attempts to consolidate in Europe.

Industry analysts said the Bouygues offer reflected broader trends on a continent whose mobile industry is split among some 150 major operators crisscrossing national lines — compared to just four in the United States.

Bouygues said its offer to combine SFR with Bouygues Telecom would create the largest mobile operator in France — and the seventh-largest in Europe — leapfrogging current market leader Orange, now the fourth-largest in Europe.

Vivendi has also received an offer for SFR from Altice, the owner of French cable operator Numericable. Altice has not disclosed details of its bid.

Competition regulators both within France and at the EU level will have a large say in approving any sale. A Bouygues-SFR tie-up would leave the top two mobile operators with a virtual stranglehold on the French mobile market, with only a tiny slice left for fourth-ranked player Free.

A similar offer in Germany — Telefonica's bid to take over E-Plus — has raised anti-trust questions in Brussels.

French customers have taken advantage of price wars touched off by the entry of Free, and their bills have dropped accordingly. Analysts say prices will not necessarily rise, but the cuts that have tightened margins across the industry are all but certain to come to an end if the Bouygues deal goes through. That could make the government think twice about allowing a Bouygues-SFR consolidation.

But Bouygues has said the deal would help it invest in infrastructure and protect jobs, helping the French economy at a time when the government is eager to show improvement in persistently high unemployment.

"They're very much positioning it as the benefits this would bring in terms of the economy and jobs," said Kester Mann, an analyst at CCS Insight.

Even if French and European regulators decide against this merger — as they might with European Parliament elections approaching in May — some analysts say the trend is clear and inevitable, as Europe's wireless industry plays catch-up with the U.S. and Asia.

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As for how Vivendi is likely to view the offers, "the most appealing one is Bouygues but the safest one is Altice," said Dario Talmesia, principal analyst at Informa Telecoms and Media. "What's happening in Germany can be a good indicator of what can be happening in France and the rest of Europe."

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