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Directorate D: Government Finance Statistics (GFS) and quality

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Mr Ronan Mahieu
Head of Department of National Accounts
Institut National de la Statistique et
des Études Économiques
18, boulevard Adolphe Pinard
75675 Paris Cedex 14
France

Subject: Mobile phone license allocation - time of recording

Reference: Your letter of 27/1/2016 n°03/DG75-G401/
Our letter of 14/03/2016
Your letter of 16/03/2016 n°06/DG75-G401/

Dear Mr. Mahieu,

Thank you for the letter of 16 March 2016. After checking carefully the arguments set out in your letter, please find below Eurostat's view on the suggested approach to be used for estimating the part of the revenue that should be allocated to government, when frequencies become available for use at different moments for different areas.

In your letter you set out the idea that: "...in practice operators give priority to investments in large urban areas. It is not even sure that they would invest in rural areas if they were not obliged to commit themselves to do so in their auction bids." Based on such considerations you suggest that a better approach to estimating the part of the revenue that should be allocated to government when frequencies become available for usage in a specific area should also take into account the population density (and not only the percentage of total population living in the area, compared to the total population covered under the contract as originally suggested by yourself and agreed by Eurostat).

It is true that, in theory, if the operators had a choice to invest only in one (or more) specific area, they would most probably all prefer to invest only in urban, densely populated areas where a large number of potential customers live and work.

However, in this case the operators do not have a choice. They have all obtained a licence for the entire country and they have a contractual obligation to cover a specific share of the population in the entire country by a certain date (see annex 1, par. 2.2 of the decisions). The operators are also obliged to cover a minimum share of population per department as well as to cover major highways and railways.

Therefore, under such conditions and since the expected cost of investment is already set (as the entire country should be covered anyway), the main issue becomes the revenue that is expected from each area.

The split of expected revenue per area can be estimated by taking as a proxy the percentage of population living in the area.

Moreover, as statisticians we need an estimate which is as simple, understandable, and verifiable as possible, being as close as possible to economic reality. The total population living in an area (as a percentage of the total population) accomplishes this function.

Based on the above analysis, and taking into account the arguments raised in your letter, Eurostat still considers that the percentage of the population living in each area is a better estimate of the share of proceeds to be imputed as government revenue per year/quarter when an area becomes available for use by the operators.

Given the above, we would ask INSEE to inform us before 15th July 2016 which mobile phone license allocations will become available per year and per area between 2016 and 2019 as well as the corresponding population for each area.

Yours sincerely,

(e-Signed)

Eduardo Barredo Capelot
Director