

Paris, 24 January 2007 – 5.40 p.m.

The Government, UMP and PS Members of Parliament Wish to Create
a New Tax on Internet:

This is likely to increase the cost of electronic communication
for consumers.

An amendment signed by some UMP and PS Members of Parliament and supported by Mr Dominique de Villepin's government has the intention of creating a new tax which is likely to end up being paid by consumers even if France has made up for its slow growth in the digital economy.

It is necessary to understand that the telecom operators already contribute a by no means insignificant part of their turnover to the development of audiovisual creation. Therefore, Free paid almost 12 million euros in 2006.

The principle of a contribution is in no way illicit from the moment that it is accompanied by real compensation which is in the consumer's interest.

At this stage, this is nothing of the sort.

The operators are still faced with major difficulties as far as access to contents: films, news, sport but also High Definition while the stock of decoders – more than a million – capable of issuing HD contents among telecom operators today is currently superior to HD decoders by satellite or cable.

In consumers' interests and for the pursuance of digital economic development in France, Free is asking the Members of Parliament not to vote this amendment for the following reasons:

1. The meeting was a sham, those principally concerned were presented with a fait accompli. Free has just discovered the existence of the amendment.
2. Parliament is considering voting a tax outside of a finance bill at the risk of unconstitutionality.
3. The equality of treatment between the networks has not been respected since the cable operators have benefited from an exemption.
4. Having complained over the years about their economic dependence concerning the television industry, film and audiovisual producers will create a financial dependence concerning the telecommunication industry through this new tax with the support of the Ministry of Culture.
5. This tax will worsen a policy which has already proved to be inefficient. France is behind Germany, the United Kingdom but also Italy and Spain in terms of the number of dramas produced per year as well as in investments in fiction produced by the GDP per capita. This system of financing is Malthusian and corporatist. Parliament is considering imposing this Malthusian logic to the telecom operators and preventing them from finding, for audiovisual creation, more sound kinds of financing linked to Video On Demand (VOD) and SVOD.
6. In any case, the tax will be passed on, as the job of ADSL operators is not the production or edition of programmes. For the operators, there are two ways of passing on this new tax:
 - either by making the subscriber pay and in this case it will be a new tax on young people's consumption (considering the average age of the subscribers),

- either by making the channels and the editors pay. This would be tough for the small channels, which have found their audience, as only the major media will have the means to support the power struggle and negotiate with the operators. Parliament is in the process of creating a tax that will weigh down the small channels, to the advantage of the big ones, by asking the telecom operators to play the role of the tax collector.

In the end, under cover of supporting cultural creation, this new tax will on the contrary undermine cultural diversity and pluralism.

7. Consumers demand access to continuous and low cost culture. Today France plays a leading role (cf. OECD study, April 2006) in this area thanks to triple-play offers. This extension of the tax which is not accompanied by any compensation is a direct attack on this leadership and on consumers' rightful expectations, especially the youngest ones. While the authorities emphasize the necessity to support investment in the digital economy, it is paradoxical to note that Parliament is preparing to establish a tax on the sly on the turnover of one of the most dynamic sectors of the French economy, which can reach up to 4.5% (that is to say the most archaic and anti-economic tax).

While the candidates for the presidential elections wish to decrease taxes and increase the buying power of the French people, the attitude of the PS and UMP Members of Parliament who wish to create a new tax paid by consumers is incomprehensible.