



Future Models of Media Regulation

Connecting TV to the future

A new « digital challenge »

April 2013



BROADCASTERS ARE

MAIN CONTRIBUTORS TO CONTENT FINANCING



▶ **Business model based on advertising revenues (1 403 M€ in 2012) within the framework of geographical segmentation**

▶ **28 % of advertising revenues – 392 M€ - finance content*:**

▶ **Taxes on advertising revenues (178 M€) :**

- Taxes for the CNC (national center for cinema) : 82 M€
- Taxes for the public channels : 6 M€
- Taxes for radio and press : 12 M€
- Taxes for the authors' collective rights management society and SDRM : 58 M€
- Miscellaneous additional taxes : 20 M€

▶ **Compulsory investment in production :**

- Patrimonial works : 170 M€
- Cinematographic works : 44 M€



**TF1 contributions for 2012*

BANDWIDTH DRIVES CHANGES



2G

3G



► Broadcast :

- Regulation
- Taxes
- Multiplication of operators

► OTT :

- « No » regulation
- « No » taxes
- Unlimited number of service providers

With a constant level of advertising revenues

THE AVMS DIRECTIVE SHOULD IMPOSE THE SAME RULES FOR THE SAME SERVICES



In May 2012, 800 million users spent 4 billion of hours to watch videos on YouTube

THE PRINCIPLE OF COUNTRY ORIGIN IS QUESTIONED BY THE NEW TECHNOLOGICAL AND BUSINESS MODELS



- ▶ **In a digital and globalised world, the country of origin is volatile:**
 - ▶ Technology allows flexibility
 - ▶ It can be used to optimise business models according to tax and regulation conditions

- ▶ **Value creation depends as much on customers as on providers:**
 - ▶ For YouTube, customers create their own channels
 - ▶ Therefore, the digital factory is run by the customers and should be subject to regulation
 - ▶ The consequence is probably the harmonization of rules all over Europe, or even worldwide

- ▶ **Taxation is a similar issue (Report of CE expert group on taxation of the digital economy 28/05/2014):**
 - ▶ VAT but also tax over income (for GAFA, between 25% and 50 % in US, less than 5 % elsewhere)
 - ▶ G20/OCDE BEPS project (Base erosion and profit shifting)
 - ▶ Question: definition of the Permanent Establishment: country of destination?

CONVERGENCE QUESTIONS AVMS DIRECTIVE AS WELL AS E-COMMERCE DIRECTIVE



▶ AVMS directive and e-commerce directive have determined exemptions, years before YouTube launch:

- ▶ AVMS: “natural or legal persons who merely transmit programmes”
- ▶ E-commerce directive: activity of “mere technical, automatic and passive nature”

▶ Passive hosts become more and more active:

- ▶ TV channels
- ▶ Access to full movies
- ▶ Protection of intellectual property rights like content ID
- ▶ Videos suggestion according to the profile of each user
- ▶ Advertising

▶ Non-linear services should have the same level playing field:

- ▶ Allociné is entitled to advertise cinema movies with trailers
- ▶ TF1 website shall not advertise cinema

WHAT IS THE DIGITAL SINGLE MARKET

▶ For telcos:

- ▶ A local market: rolling-out the local loop
- ▶ A global market: apps are a worldwide market

▶ For broadcasters:

- ▶ A national market based on geographical segmentation
- ▶ Competing with worldwide service providers

▶ A new challenge: audiovisual roaming

- ▶ « It took 60 years political work to eradicate European boundaries in the material world. We don't like to see them reappear in digital world » (Michel Barnier)

▶ A sympathetic ambition, but new risks for a business model based on geographical segmentation ... and no legal basis in the treaty



THANK YOU