AFP in crisis:

How can we overcome financial constraints?

Other choices are possible

Nothing is going right at AFP: the agency is posting losses, the debt is climbing, commercial sales are slowing, operating budgets are being cut, working conditions are worsening and our wages are threatened.

This alarmist message about AFP's financial situation comes just as management is trying to seal a new wage and benefits deal to replace almost all of our existing agreements that it renounced in 2015. And the message is clear: "We don't have the funds to maintain your current wages and benefits. You need to make sacrifices: work longer for nothing in return, except look around you, we aren't cutting staff..."

How can you respond to such pressure? Give in, knowing it is a never-ending downward spiral of ever-larger sacrifices as it doesn't offer any perspective of an end to the crisis?

Decrypt the crisis

How did AFP end up in a financial crisis? Let's be clear about one point right away: if the current CEO goes, he'll be replaced by another *énarque* that will complete his mission. You only need to listen to our new deputy-CEO, Fabrice Lacroix, to be convinced of this. If *SUD* has always denounced Emmanuel Hoog's lack of sincerity and maneuvers (notably on the undermining of AFP's statute, the negotiations with the European Commission and French government, and the move of editorial services to rue Vivienne), and if we criticize like other unions the CEO's management, we believe that **AFP's fundamental problem is its financing mechanism.**

Finalized in 2015 under the direction of the French government and the European Commission, this new model for AFP consisted of the following: **a revision of the 1957 Statute, an Aims and Means Contract** (COM) signed with the French state in **compliance with EU competition rules**, creation of the **AFP Blue** subsidiary to finance investment, adoption of a **strategic development plan**, renouncing the wage and benefit agreements...

(/...)

All of these elements complement one another to form a **coherent ensemble** (which *SUD* has always denounced and resisted). One year after this Big Bang it is already **leading us straight into the wall**. During the last Board of Directors meeting on September 22, several members recognized the need to "**redefine the economic model**" of the Agency. [1]

The particularity of AFP

One hears frequently these days that AFP is a particular case in that it **doesn't have capital and that it can't raise funds on the market**. That is glossing over the complexity of the "sui generis" nature of AFP as defined in its 1957 Statute and the **essential role played by the French state**. Whether you like it or not, AFP would never have seen the light of day had it not been for the commitment of French legislators to give France a **global** news agency.

The fragility of the Agency's original financial model meant it could not maintain itself in the global league and keep up with technological modernization given the proportionally small contribution of the French press **unless it received a subsidy from the French state**.

Today, AFP's particularity is facing three major obstacles:

- **The French media has fallen victim to concentrated ownership**: a handful of billionaires and industrial groups dominate the newspapers and private TV, restricting the pluralism of information. Since the beginning of the 1980s the press groups represented on AFP's Board of Directors haven't contributed cooperatively to the Agency's development and on the contrary have lobbied with success to reduce their subscription fees.

- **European rules prohibit direct public aid for financing investments**, judging that to be "anti-competitive".

- **The French state has been gradually disengaging from AFP.** Supply-side economic policies carried out by various French governments and the European Commission aim a reducing state funding for public services to reduce debt and labor costs.

1,000 new clients to plug the holes?

The recipe in the 2014-2018 COM and Strategic Plan to deal with the disengagement of the state: increase commercial revenue and reduce costs (in particular wage costs), to generate enough funds to reimburse the loans taken out via AFP Blue to finance investments.

(/…)

[1] See the statement by the employee representatives on the Board of Directors - http://u.afp.com/ZtYc

We have always expressed our doubts about whether it is realistic to try to square the circle in this manner. Already, the planned revenue increases have been shown to be unrealistic. Add to that the fact several large clients have recently canceled their subscriptions (and these weren't poor clients, although the CEO never ceases to hammer home his message about our "impovrished" clients).

If the revenue plan hasn't been a success, the borrowing plan has: AFP's debts have soared to €71.5 million at the end of 2015.

Alongside €18.7 million used for working capital, **most of the debt (€50 million) is due to the fact the French state no longer invests into the Agency**: €13.8 million building lease-back, €20.4 million Iris, €15.8 million in loans taken via AFP Blue to finance investments[2].

To put €70 million in perspective, it is still just two Eurocopter EC665 Tiger attack helicopters.

However the "**social debt**" – unpaid or underpaid taxes and social contributions abroad – remains unquantified, but one that AFP will eventually have to pay.

And so our CEO now wants to pull a rabbit out of his hat: **1,000 new clients**. Evidently, this one is for those who still believe in Santa Claus…

Conclusion: the only element in this financial Meccano that works is reducing operating and staff expenses!

Don't despair – act!

It is clear that **AFP's financial problems are not inherent, but the result of political and ideological choices made on three levels**: the European Commission, the French government and the Agency's management. **In place of defeatism, SUD sees a different path**: trade unionism, civil action and social change. It depends on us.

Resist the Grand Accord and social regression that the French government is pursuing via the El Khomri law and other measures.

- At AFP, as at demonstrations against the El Khomri law, *SUD*-Solidaires has consistently sought to **resist anti-social initiatives**, participate in movements seeking more equitable tax and spending policies, defend public and social services, and secure new rights.

- With its Grand Accord, AFP's management risks destroying the good will of staff that has ensured the Agency's operation and success. Staff are not responsible for the current situation, and further sacrifices by them won't save the Agency. Only a mobilization will create a balance of power that can avoid social dumping.

2 Source: Report by the Sextant agency, presented at the Works Committee meeting on 23 September 2016

Act against the bad choices made by management (within the political constraints imposed upon us): in addition to transparency on the salaries of senior management and certain excesses of the CEO's management, we call for an exhaustive accounting of the creation of subsidiaries, doubtful partnerships and new products (Newzwag, Relaxnews, TweetFoot, e-diplomacy, Citizenside, Infoplum…) which were often abandoned, generally after important costs or losses.

Act to alert legislators and citizens. As was often the case in the defense of AFP's Statute prior to the collective defeat in 2015, the balance of power inside the Agency is insufficient and we need to take our message outside. With big media groups pushing their agenda, citizens need more than ever a source of complete and objective information that is independent of political and financial interests. AFP can and should have a role to play as society (in France and elsewhere) confronts this challenge.

Act against budget cuts. Under its austerity policy, the French government has decided to limit its support for AFP. While its support under the 2009-2013 COM increased at an annual rate of 1.8 percent, the 2014-2018 COM foresees no increases after 2017. We won't let the extra funds promised in the 2017 budget pull the wool over our eyes – it is a cheap effort to buy peace in an election year. The problem is that the CEO poorly negotiated the COM (signed in 2015) which pushes AFP into a Grand Accord that is a financial straightjacket that is much too tight. **Demand the revision of the COM!**

Act so the French state compensates 100% of the additional cost of the public service provided by AFP. If European regulations prohibit state aid for investment (in the Agency's current legal form), they allow the compensation of the additional cost AFP incurs in providing the public service it has been tasked with. But in 2015 the French state only compensated 96% of that cost. AFP thus lost out on €4 million. And in 2016, 2017, 2018…? Don't accept the disengagement of the state! **Fully fund the public service mission**!

Act with a view towards the 2017 elections (presidential and legislative). The choice of economic and social policies, along with the renegotiation of the European treaties, should figure among the principal subjects of the French elections. We should reactivate our successful experience with SOS-AFP [3] ! **Engage candidates and political parties!**

Join *SUD* for an open discussion on Tuesday 18 October at 1 pm

(Conference room, first floor HQ, opposite library and CE).

Paris, 17 October 2016

***SUD*-AFP (Solidarity-Unity-Democracy)**

[3] http://www.sos-afp.org