

# Press Subsidies in Europe

Isabel Fernández Alonso, Miquel de Moragas,  
José Joaquín Blasco Gil and Núria Almiron (editors)



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This book aims to provide a descriptive and analytical account of subsidy policies for periodical publications in Western Europe in 2006. It sets out the position of the policymakers who design and implement such policies, of sector industrial federations and of academics specialised in media policies and economics, as presented at the First International Symposium Press Subsidies in Europe: Development, Pluralism and Transparency, held in Barcelona on 19 and 20 June, 2006, and promoted and organised by the Catalan Government (Generalitat de Catalunya via the Communication Secretariat, the Catalan Institute for the Cultural Industries and Patronat Català Pro Europa) and by the Institute of Communication of Universitat Autònoma de Barcelona.



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Proceedings of the Symposium Press Subsidies in Europe: Development, Pluralism and Transparency, held in Barcelona on 19 and 20 June, 2006

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# O

ne of the advances that occurred in Catalonia during the thousand days of government presided over by Pasqual Maragall (2004–2006) is the change in the model of relations between the Administration and privately owned media. Following the decision by the Department of the Presidency to eliminate all en bloc newspaper subscriptions, a series of events in the spring of 2004 led to presentation, in December 2004, of three Government reports to the Parliament on subsidies, subscriptions and Generalitat (Catalan Government) advertising in the printed media over the ten previous years.

This was unprecedented, and continued the following year with the introduction of a new media subsidy system on the part of the Department of the Presidency. As a result, in 2005 and 2006, grants to the printed and other media were public and awarded by tender, an additional good practice to be added to those already implemented by the Department of Culture in this area.

Despite its imperfections, it is generally agreed that this scheme is a new departure which opens up great possibilities for development and progress. Regardless of whether or not the new system has lived up to the sector expectations it generated, or whether the mechanisms and criteria applied are cor-

rect, the new transparency is a crucial factor in press grants. Because transparency, especially in this procedure, means that political decisions gain in democratic quality and equanimity.

In fact, an identifying feature of a modern democracy is the presence of a press which adheres to the principles of informative plurality, cultural diversity and quality of information. These are the values that a grant system based on responsibility and transparency should foster, since they guarantee the independence of companies from the government, and of governments from companies.

Aware of the difficulty of developing successful policy in this area, the Generalitat government, in addition to its new grant system, encouraged the organisation of the Barcelona Symposium on *Press Subsidies in Europe*, through its Communication Secretariat. The objective of this international meeting was to debate and pool the various European experiences in the field of press subsidies, so as to draw conclusions and enrich knowledge in this traditionally opaque and little understood subject area.

We could say that the results were highly positive, yet this is unnecessary. Readers can judge for themselves from this book, which includes, among other contributions, the study on European press subsidies prepared by the Communication Institute of the Autonomous University of Barcelona (InCom-UAB). The InCom-UAB study, the heart of the symposium and factotum of this book, offers the most exhaustive and updated description of European press subsidies, with detailed information on each country. A vital contribution that, so far, no institution at European or Community level had found time for. Therefore, it is a great honour for me to present this book, the second in the Lexikon collection, and I hope that it serves to stimulate — with the required degree of passion — debate on press support policies and their management, in the hope that they make a responsible and useful contribution to democracy and the communication industry.

**Ramon Font**  
Communication Secretary, Catalan Government,  
Barcelona, October 2006



The symposium *Press Subsidies in Europe: Development, Pluralism and Transparency*, held in Barcelona on 19 and 20 June 2006, was organised by the Catalan government (through the Communication Secretariat of the Department of the Presidency, the Catalan Institute for the Cultural Industries and the Patronat Català Pro Europa) and the Communication Institute at the Autonomous University of Barcelona (InCom-UAB).

With the aim of identifying and evaluating the different types of subsidies given to periodicals in Western Europe, the symposium brought together for the first time political representatives of bodies with responsibilities in the area of the press, business associations and academics specialising in the field of communication policies.

Through this book, the Organising Committee seeks to bring into the public domain the contributions of the speakers invited to the event, and also the Final Declaration read at the closing session.

The various sections that go after this introduction follow the structure of the symposium itself. Part I, "The press in Europe: crisis and subsidies", consists of three papers of an academic nature: the keynote address, by Alfonso Sánchez-Tabernero, describes and

evaluates the distinctive features of the newspaper market in Europe in 2006. The second paper, by Peter Humphreys, explains the origin of the system of subsidies, the different types and modalities of subsidy that exist, the arguments for and against subsidies, and their meaning in the context of the information society. In the third paper, Isabel Fernández Alonso and José Joaquín Blasco Gil present the conclusions of the comparative study on press subsidy schemes in Europe commissioned from InCom-UAB by the Catalan government.

Part II contains the contributions of representatives of various European governments that have significant models of direct press subsidies (Norway, Austria, the Belgian French-speaking community, Sweden and the Netherlands) or have given subsidies in the past (Spain). Thus, the texts in this chapter explore in greater depth the policies outlined earlier in the report by the InCom-UAB team.

Part III includes contributions by representatives of the newspaper publishers' associations that accepted our invitation to attend the symposium, and who provided widely varied perspectives on the issue under debate: the European Association of Daily Newspapers in Minority and Regional Languages (MIDAS), the European Newspaper Publishers' Association (ENPA), Spanish Newspaper Publishers' Association (AEDE), Press Association of Portugal (APImpresa), Associació de Català Association of Periodic Press (APPEC), Catalan Association of the County Press (ACPC) and Catalan Association of Free Newspaper (ACPG).

Part IV focuses on the granting of subsidies to periodicals on linguistic grounds. It contains three texts: a framework paper by George Jones, which systematises subsidies to the printed press in minority languages in Europe, and a second and third papers describing case studies of the main Basque and Catalan policies in this field.

Finally, Part V provides insight, again from an academic perspective, into the position of the European Union with respect

to the issue of press subsidies: Josep Maria de Dios approaches it from a legal viewpoint and Robert Picard does so from an economic one.

By way of conclusion, this book offers the Final Declaration of the Organising Committee, which was presented by Miquel de Moragas, director of InCom-UAB, at the closing session.

We cannot conclude this short introduction without acknowledging the help and support of many people. Without them, neither the event itself nor this book would have been possible. Our thanks then to Judit Permanyer and Ana Cabado (Communication Secretariat), Marià Marin and Pia Subias (Catalan Institute for the Cultural Industries) and Miquel Gómez, Ramon Garcia, Frederic Tort, Marta Civil, Imma Ruano and Mireia Cirera (Incom-UAB)."

#### **The Organizing Committee**

# The Press in Europe. Crisis and Subsidies

1

## **The European Press at the Beginning of the 21st Century. Defining Characteristics and Future Trends**

**Alfonso Sánchez-Tabernero**

*School of Communication, University of Navarre*

Europe was the cradle of the press. The first magazines and newspapers came out of the Old Continent, and many journalistic genres and models were created here (Díaz Noci, 2000), above all with the appearance of publications specialising in such areas as the economy, sports and so on. The European market gave birth to the first popular newspapers and developed business models based as much on advertising revenue as on the sale price of each publication. Some of the world's best known titles, later imitated in other continents, are published in European countries (Iglesias y Verdeja, 1997).

The first debates about the role of the press and criticisms of professional errors took place in France, Great Britain, Germany, Spain and other countries around us. From the 17<sup>th</sup> Century, journalism has figured in European literature as the subject of analysis and controversy. Writers such as Bécquer, Machado, Proust, Balzac, Dickens, Chesterton and Waugh have commented accurately—and almost always wittily—on the light and shade of the profession of journalism.

Europe has also led the way in detecting and lamenting successive crises in the press. In Great Britain in the 1930s, for example, the BBC was forbidden to broadcast news in the morning, because the development of publicly-funded radio was seen as posing a critical threat to the country's press. Similarly, pessimistic voices were raised when—after the end of the Second World War—television started to take up a prime place in most European homes. More recently, the appearance of rolling news channels on radio and TV, and the development of the Internet and free newspapers, have led to a new wave of doom-laden predictions about the future of the press.

### **The Development of Newspaper Circulation and of Advertising**

Some common characteristics mark the European press market; common to at least those countries which have a long history of involvement in the European Union. Most of the newspaper owners have been from

the country where their newspaper is published, and they have almost always won turf wars with foreign investors. Companies with a high market share have had a high profit margin. The existence of rigorous *barriers to entry* has protected the position of the market leaders, who have lost their privileged status on very few occasions (indeed, the average age of European newspapers is 101 years). And many companies have diversified into the audiovisual sector, taking advantage of the deregulation of that industry which took place in the eighties and the nineties.

Another aspect relevant to almost all European countries is the stagnation of newspaper circulation. Indeed, the World Association of Newspapers (2006) revealed that only a few countries with a low level of newspaper readership, or with clearly expanding economies, have increased newspaper sales significantly over the last five years. In the 2000–2005 period, European press circulation fell by 5.26% (from 86 million copies to 81.5 million).

During the same years, sales went down in Belgium (5.21%), the Czech Republic (2.52%), Denmark (10.53%), Estonia (1.91%), Finland (2.12%), France (5.81%), Germany (7.73%), Greece (9.25%), Hungary (9.48%), Italy (5.53%), Luxembourg (4.27%), The Netherlands (8.54%), Slovakia (11.28%), Spain (0.49%), Sweden (1.29%) and Great Britain (11.41%). Drops were also experienced in other, non-UE, countries, such as Iceland (25%), Norway (6.7%) and Switzerland (6.6%).

However, during this period circulation grew in four UE countries: Austria (2.68%), Ireland (29.27%), Latvia (10.56%) and Poland (43.99%). Turkey, currently bidding to join the UE, saw an increase in newspaper circulation of 20.2%.

Comparing trends in Europe with those in other areas shows clear increases in circulation in lesser-developed countries. In the 2000–2005 period, world press circulation rose by 5% to a record figure of 439 million newspapers sold, which indicates an estimated readership of slightly over a thousand million people. Over that period, sales grew in China (26.5%) and India (14%). However, sales not only fell in Europe, but also in other high-sales areas, like the USA (down 2.5%) and Japan (down 2.13%).

These varying trends have had an effect on the world press circulation ranking. In 2005 China led the way with 96.6 million newspapers sold, followed by India, with 78.7 million, Japan (69.7 million) and the USA (53.3

million); in sixth place in the table lies the European country with the best sales figures — Germany — with 21.5 million copies sold.

It is also of interest to notice the change in the number of different newspapers published around the world. In 2000–2005 an increase of 4.6% brought the number up to 7,693 different titles worldwide (7,862 if free papers are included). The number of newspapers published went up 1.3% in Europe, 1.1% in Latin America, 4.6% in Asia, 10.4% in Africa and 1.4% in Oceania. In contrast, there was a decrease of 0.1% in the USA.

Advertising in the press worldwide increased by 5.7% in 2005, 5.3% in 2004 and 2% in 2003. All in all, the press's share of advertising revenue over all the media went down from 30.5% in 2003 to 30.2% in 2005. The press is now second to television in terms of advertising revenue.

In Europe, advertising revenue increased in 2004 by 4% over the previous year, although this figure was still 16% below the year 2000 level. However, that year was atypical because the Internet boom generated an extraordinary — perhaps unjustified — growth in investment in all media.

Between 1999 and 2004 advertising revenue in the press grew in the Czech Republic (49.4%), Estonia (29.03%), Hungary (44.56%), Latvia (45.51%), Lithuania (93%), Luxemburg (10.6%), Poland (98.6%), Holland (18.08%) and Slovakia (114.85%). However, it dropped in Finland (3.22%), France (23%), Greece (0.26%), Italy (16.33%), Spain (6.28%), Sweden (15.8%) and Great Britain (6.31%).

As we have indicated, one of the keys to understanding the sector's development lies in knowing the starting points in each country. For example, there is great potential for expansion in Equatorial Guinea, where there are no printing plants and newspapers are photocopied; or in Bolivia, where only 5% of the population buy newspapers; or in Uzbekistan, where the government has invented a press with no journalistic information — private publishers can edit newspapers with advertising, horoscopes and comic strips, but news content is prohibited.

Apart from such extreme circumstances, newspaper consumption grows when legal difficulties common to non-democratic regimes are overcome, and when economic and cultural under-development is gradually counter-acted (Albaran, 2002). In contrast, those markets which have

long since overcome these problems tend to stagnate. In the countries with the highest newspaper readerships — such as Japan, Norway, Finland and Sweden, which in 2005 had the highest ranking, with 634, 626, 518 and 481 copies sold per 1,000 inhabitants respectively — it is more difficult to maintain such high figures in the face of the development of numerous other news providers.

In the last decade new alternatives have emerged in the journalistic information market: radio stations and TV channels dedicated to rolling news, free papers and the Internet all compete with traditional newspapers in providing up-to-the-minute news. In the period 1999–2004, use of online versions of newspapers alone increased by 350%. While it is true that this success was reflected in the results of the publishing companies, a large part of the information on the Net is generated outside their control in homepages, search engines, blogs, etc.

The boom in free papers has also meant a significant change. In 2005, these publications — which hardly existed ten years ago — represented 51% of press circulation in Spain, 33% in Portugal, 32% in Denmark and 29% in Italy. Free papers have had greater success in Europe than in other parts of the world. They have reached 17% of total newspaper circulation in Europe, as against 6% worldwide.

Timothy Balding (2006), the Director General of the World Association of Newspapers indicates that publishers have responded appropriately to this increase in competition: "Newspapers are going through a period of upturn thanks to the appearance of new products, new formats, new titles, new editorial focuses and improvements in distribution and marketing". However, this optimistic view cannot be applied to European journalism as a whole.

### **State Action**

Cultural, demographic, political and economic differences have formed a widely-varied press market in Europe. Readership levels in the north of Europe are three times those in the south. Some areas have both quality and sensationalist press; while in other cases the tabloids have not gained a foothold. In Great Britain and Ireland the *national* press predominates, whereas in continental Europe most of the circulation corresponds to regional papers. In the south of Europe, sports papers have a wide circu-

lation, but this is not the case in the north. In some markets — such as Spain, Italy and Portugal — most copies of newspapers are sold in kiosks, but in others—the Scandinavian countries, for instance — most newspaper distribution is carried out via subscription.

These differences between countries explain the variety of press protection and development policies (Bagdikian, 2004). Direct or indirect state aid is not habitual in regions with a large number of different titles and growing circulations. In contrast, in countries where the press is at risk of being monopolised — for example, because the population is small or is scattered over a very wide area— there has been a tradition of protectionist policies for more than half a century.

As happens in other areas of the media, regulators tend to concern themselves more with the way the market works — the number of different titles, avoiding over-dominance or *bottlenecks* — than with the contents of the newspapers themselves. It is therefore difficult to establish and impose standards of service which guarantee the public's rights. *Market errors* such as manipulation or sensationalism cannot be avoided without it leading to more serious side effects, such as lack of freedom of expression.

So governments set up mechanisms to correct situations of monopoly or oligopoly, or any other circumstance in which a company could abuse a dominant position. They intervene by making laws that stimulate competition. They oppose moves to concentrate too much power in the same hands and back any publications which may well disappear without public aid.

There are two extreme theories about the effects of public intervention in the press industry. The first is based on the *public service theory*. Governments and regulators try to protect the rights, needs and demands of the public, so it is important that they have the means to adjust the inefficiencies and injustices of the market (Gitlin, 2002; Herman and Chomsky, 2002; Gamble and Watanabe, 2004).

The second, the *capture theory* reasons that various interventions carried out by pressure groups and political parties actually subvert the public will and make the idea of public service unrealistic. From this perspective, legal control should be limited to promoting a free flow of supply and demand, and to protecting privacy and other basic rights of the individual (Wolf, 1999; Zaccone, 2003).

Defenders of both theories refer to specific cases to back up their arguments. Those in favour of public service refer to the most habitual errors of the under-regulated markets; ignored minorities, falling standards of quality, ethical problems, abuses of dominant market positions, excessive influence of large media groups during electoral processes, loss of cultural identity, etc. In contrast, the more liberal camp points out the inefficiency of state aid systems.

A *cost/benefit analysis* is a suitable framework for examining public decisions. State aids and grants imply an increase in resources for companies and a wider range of choice for the public (benefits), which must be put into relation with the amount of money invested (cost). Sometimes technical errors lead to funds being given to newspapers which are already financially viable, which means a certain expense that benefits the company involved, but not the public. But the opposite attitude also leads to problems: should help only be given to those companies whose products do not interest the public, do not have a wide readership, and therefore lose money?

Policy-makers have to evaluate alternatives: is it preferable to subsidise the press, spend tax-payers' money on other services, or collect less tax? And if it is the case that daily papers deserve state help, what mechanisms should be put in place to promote a better cost/benefit ratio? (The Euromedia Research Group, 2004).

Those who share a negative view of state intervention often point to two kinds of *meddling*. In the first place, governments tend to take decisions which are designed more to help them to stay in power than to really help the public. Secondly, large-scale publishing companies exercise pressure on the government which is effective in stifling competition, which acts against their smaller rivals or those who are new to the market, and against society in general. Here it is interesting to note what has happened in Latin America: the main newspaper publishers have effectively lobbied to stop foreign investors getting into their market.

Both the *public service theory* and the *capture theory* camps have identified real problems, and they show the danger of extreme attitudes. So it would be advantageous to set up a system of public intervention that did not err by excess or defect, and which put an end to interference that is not in the public interest.

By means of a *cost/benefit analysis*, resources invested by the state and their effects can be measured. When the costs of the intervention outweigh the

benefits gained, the regulator has failed, magnifying the market error. It would have been better if this public intervention had never taken place.

When studying the results of decisions taken by governments and regulators, it is necessary to take external factors into account: the costs or benefits derived from an economic transaction do not fall to the buyer or the seller, but to third parties (rival companies, suppliers, distributors, providers of substitute products, or the general public). External mediation always creates problems, because economic decisions lead to a ripple effect of consequences—both positive and negative—which change the rules of the market game—even if only to a very small degree.

In the case of subsidising a newspaper, a cost/benefit analysis would lead to quantifying on the one hand the *effort* made, which can be seen in two dimensions: a) the money invested by the State, and b) the *external effects* (increased investment by competitors to attract readers and advertising). It would also be of use to determine the benefits gained: a) the utility of the product itself—quality, diversity and level of reader satisfaction—and b) the *external effects*—strengthening of related sectors and activities (news agencies, press distributors, paper manufacturers, etc.).

In the world of the press, the choice between a more liberal or more interventionist policy also depends on the concern of the public and of their governors to protect their own identity (Bondebjerg and Golding, 2004). In the face of the surge of globalisation, and the twilight of economic protection, France has set up a programme to correct market errors, via a doctrine of *cultural exception*; under this flag the French ruling class say that it would be less serious if the national car or computer market were in the hands of foreign companies than the audiovisual sector, the press or the Internet. For them, the survival and strengthening of local companies acquires an added value: building a barrier which makes it more difficult for stronger competitors from other countries to get into the market.

For reasons of cultural tradition, France leads the way in Europe in protectionist press sector policies. The Scandinavian countries have also set up systems of direct and indirect aid to guarantee the viability of newspapers whose distribution costs are extremely high due to the wide geographic dispersion of their readers. In other European countries, subsidies have been more sporadic, or less generous.

Frequently, protectionist policies do not achieve their aim of strengthening the indigenous press. Growing cultures are open to external influences, and absorb a wide variety of ideas and focuses. In contrast, self-sufficiency stifles development and cultural innovation. Under Franco, Spain remained free of McDonald's, but also received very little literature, cinema or information media from abroad, and nowadays almost nobody cites that period as an example of the strengthening of Spain's cultural identity.

Some Disney films — *Snow White and the Seven Dwarfs* or *Pinocchio* — are based on European stories. Others, like *Aladdin* or *Sinbad*, have their roots in Arabic literature. Uniting traditions, cultures and widely-varied forms of expression can lead to productions with a wide popular appeal. Paradoxically, one of the most efficient ways to weaken a culture is to protect it, cutting it off from outside influences, preventing it from becoming enriched by new sources of inspiration.

### Factors of Change

The future of the press in Europe depends, to a large degree, on the publishers' strategies. But there are also four factors beyond their control which will effect the profitability of the sector, and the quality and quantity of products available in the market: i) regulation, ii) technological innovations, iii) economic development and iv) demographic development.

From the point of view of public intervention, policies designed to protect the press now face a new problem: when newspapers were the principal source of information for the public, the diversity of newspapers on offer was an essential pre-requisite for a healthy democratic system. But now—with news available from a wide variety of other sources such as radio, television, the Internet and mobile phones—it seems more difficult to justify direct governmental aid. To put it plainly, what is important is that the public are well informed, not that the public buy newspapers.

So it seems possible to predict that direct state aid will play a less important role in financing the press. There is a better argument for prolonging indirect aid—financial advantages, job creation, advertising investment by public bodies, etc., which does not always represent an increase in profits for the press companies, but which helps keep more titles in the market.

Other factors of change in the field of regulation concern market concentration. In this respect, a key criterion is determining whether governments are going to favour the consolidation of the large *national champions*, capable of competing with rivals from other countries, or whether, on the contrary, they would prefer more smaller-scale companies (Collins, 2002). The first option implies a priority on strengthening cultural identity, the second on a diversity of titles in the market.

Different European governments have tackled this dilemma in different ways. For example, in small or medium-sized markets next to larger countries who share the same language, as is the case of Ireland and Austria with their British and German neighbours, there has been no legal obstacle to prevent the leading companies — Independent Newspapers and Mediaprint, respectively — gaining over 50% of the daily newspaper market.

However, the legislation in Great Britain and Germany is more restrictive, faced with the risk that companies such as News Corp. or Springer might gain too much power in their respective markets. In addition, in the last decade these countries have introduced cross ownership rules, so that owners of radio stations or television channels cannot reach the same press market quotas that are available to publishers who are not involved in the audiovisual sector.

All in all, there seems to be a general tendency towards fairly permissive regulations in relation to newspaper ownership. Most countries apply general laws of free competition and do not do anything to block the launching of new titles. As such, they do not oppose systems of *internal* growth: they only prohibit *external* concentration operations — mergers and buy-outs — which imply a clear risk of abuse of a dominant market position.

There also appears to be a weakening of the barriers that have traditionally made it difficult for foreign investment in the sector. This has happened, firstly, because of the EU's own expansion. The increase in the number of member states means a corresponding increase in potential investors in each national market. In addition, the growth of liberal attitudes and proliferation of the information media have led governments to permit the arrival of publishers from countries outside the EU.

These legal changes will affect the European press panorama. While at present almost all national markets are led by domestic companies—with the exception of Denmark and francophone Belgium (Sánchez-

Tabernero and Carvajal, 2002) — in the next few years there will probably be more cases in which the market leader will be a foreign company. This state of affairs has already arisen in the free press in many countries.

Another factor, which may well have as big an influence as government regulation in the transformation of the newspaper market, is technology. In this area, many circumstances have arisen which affect companies' anticipated financial viability. On the positive side, improvements in printing and distribution systems mean lower costs. On the negative side, technological innovations have brought about the emergence of new media which compete with newspapers for both the public's interest and advertising revenues.

National newspapers have been the main beneficiaries of the improvements in printing systems. Sending pages by satellite to various printing centres means the papers arrive more quickly to more points of sale and at a lower cost. Within the old EU-15 countries, circulation of general information *national* newspapers stands at 32.3 million copies (of which 18 million are tabloid or sensationalist titles), representing 40.5% of the market (World Association of Newspapers, 2006). The rest is divided between local and regional newspapers (53.5% of circulation), the sports press (3.2%) and financial press (2.7%). Bearing in mind that the last two groups very rarely include local or regional titles, the national press's total share of the market is close to 50%.

What is more, printing in multiple locations has enabled the national papers to be more flexible. Many papers offer different regional editions, which helps them to overcome one of their competitive disadvantages with respect to local and regional press—the lack of proximity to advertisers and readers.

From a negative point of view, technology means the appearance of more competitors in the market. The new rivals are trying to capture a) the attention time of possible readers, b) their money and c) advertisers' publicity budgets. Any new information and entertainment medium stiffens the competition in at least two of these three areas.

The appearance of newspapers, radio stations, television channels and online services financed entirely by advertising does not create a lessening of the public's spending power, but it does limit the time they have available for reading daily newspapers, and it also affects the investment in advertising in the ordinary daily press.

Other entertainments, like video games, new mobile phone services, and subscription TV channels, do not represent competition for the press in terms of capturing advertising revenue, but they do affect potential readers' spending power and the time they have available for reading papers.

In a way, the traditional press is undergoing a similar phenomenon to record companies. They have lost part of their power—which was based on the ability to distribute records to many shops around the world—because the Internet allows anyone to do this. Similarly, news can be accessed from a wide range of media, in addition to the press; like radio stations, TV channels, the Internet and mobile phones.

The increase in means of information and entertainment has had a hand in the stagnation of the printed press's circulation. This tendency is more marked among the young, who have become used to receiving short, simple—even simplistic—messages, more common in the audiovisual media than in the print media. What is more, younger people are more inclined to change their consumption habits and are therefore more prepared to try and accept new media.

Macro-economic development represents a third external factor which causes changes related to the press sector. Slow but sustained economic growth from a starting point characterised by a high standard of living, leads to the general public dedicating a greater part of their disposable income to leisure and entertainment products and services. Therefore the increase in the range of such products and services on the market has gone hand in hand with an increase in their uptake.

In addition, this economic development has also had a positive effect on the second large source of press income: advertising. According to the Advertising Association (2006), in the last twenty years in the EU-15 countries, advertising investment only dropped in four financial years: 1993, 2001, 2002 and 2003. The recession in the last three of those years was a consequence of the bursting of the technology bubble, which had produced annual increments of over 7% during the previous five years.

From 1985 to 2005 total advertising incomes rose from € 44,000 million to € 80,000 million at steady prices. Although the press's share of the advertising cake went down in this period from 43% to 30%, as the total

investment rose so considerably, newspapers received more advertising income in spite of their decreased share.

In 2004 (Advertising Association, 2006) advertising investment in the daily press per capita was higher in five European countries than in the USA. This ranking was headed by Ireland, with € 191; followed by Switzerland (€ 143), Denmark (€ 132), Finland (€ 130), Great Britain (€ 126) and Norway and the USA, both with € 121 per capita. With the exception of the USA (in 6th place), Canada (12<sup>th</sup>) and Japan (14<sup>th</sup>), the first twenty countries in this ranking were all European. Spain was in 17<sup>th</sup> place, with an investment of € 39 per capita.

The strength of the European press as an advertising medium has enabled it to maintain high profit margins in spite of its circulation stagnating (Steel, 2000): in many countries profit margins over sales of the market leader stood at above 20%, and in various regional markets this figure was 5% higher.

Demography is the last important factor of change in the newspaper market. Here again there were contrasting phenomena. On one hand a low birth rate, greater population mobility—with the consequent geographical rootlessness—and the disintegration of the traditional family model all hindered sales increases. On the other hand, the arrival of immigrants, the raising of the retirement age, the decline of the rural way of life in competition with urban areas, and the aging of the population all worked in favour of the sector's development.

In these respects, the main doubt is whether those young people who nowadays do not read the daily press will start to buy newspapers in a few years time. Nor is there any reliable data on whether the immigrants will generate a significant increase in sales when they are integrated into their new places of residence.

### A New Way of Competing

These external factors influence press companies' way of competing, and have an effect on the mean profitability of the sector and on the number of papers sold. Nevertheless, the press company directors have many devices at hand to confront the opportunities and threats arising in the market. The way they compete depends as much on these external fac-

tors as it does on various internal factors: the companies' own strengths and weaknesses and the decisions made by the owners and directors.

Increasing competition and decreasing sales demand a business response which is based on at least four elements: i) opting for quality, ii) innovative leadership, iii) taking advantage of the value system of the printed media and iv) protection and promotion of prestige titles.

Putting the emphasis on quality means increasing reader satisfaction. Over the last few years, new complaints about the press have joined the traditional ones. Now there are complaints about: too much attention being given by the press to the world of entertainment; the increasing power of advertisers; too much of the press being controlled by too few companies, which can lead to minority voices going unheard; blurring of the dividing line between information and entertainment and between editorial and advertising content (Nieto, 2000).

The most important quality papers have been wise enough to react correctly to recent changes in the market, while retaining their individuality. They provide more analysis and interpretation of current affairs, they make reference to recent history, they go into more depth about things their readers have heard on the radio, seen on TV, or have glanced through on the Internet. In short, they have deepened their mission, which consists of providing their readers with relevant, useful, understandable and interesting information.

The press contributes to social cohesion. It integrates the general public within their communities. It promotes interest in distant issues. It opens people's minds to new perspectives and far-off events. It facilitates the context necessary to make the world we live in more understandable.

The quality papers are trying to both meet their public role and make a profit at the same time. They see no contradiction in these two objectives: a solid economy allows them to face up to external pressures which could well relegate their readers' interests to second priority, and their public-service attitude promotes their titles' prestige and readers' loyalty.

Obviously, there are other ways of competing and succeeding brilliantly: sensationalism, lack of respect, lies, stories about people's private lives, information that is illicitly-gained or is presented with a lack of context

or balance... However, it would be difficult to maintain long-term success with a publication based on such content. This style is too easy for rivals to imitate, it de-motivates the journalists involved, and generates a lack of trust among both readers and advertisers.

The quality press is not blinded by short-term successes achieved by rivals who stray too far from professional and ethical standards. Sloppiness and disrespect are extraordinarily risky strategies for a newspaper to adopt, which sooner or later are punished by the readers.

Certainly, sensationalism may be the easiest—and frequently the fastest—way of gaining a foothold in the market. But by no means is it the best way to ensure long-term survival. For example, during the last few years the emergence of the free press has had a particularly serious effect on circulation figures of the most *popular* papers.

In contrast, the quality press plays the long game. The owners are committed to their publications' futures. The directors know that this future requires them to build excellent professional teams, made up of well-trained, highly-motivated journalists. The heart of a paper is in its newsroom. No effort can be spared in ensuring that it *beats* regularly. The journalists need to be properly treated: this means suitable remuneration, training and professional development schemes, keeping them informed of the company's plans, recognition of success, tolerance of errors and freedom to innovate.

In every page of newsprint, the quality press invests many hours of work, abundant creativity and a good dose of talent, brought to the public by a group of professionals. There are also doubts, a few mistakes and frequent disagreements about what angle to take on a story or how much space should be given over to it. But every decision is based on an urge to inform the public truthfully and honourably.

Quality newspapers are also difficult to disrupt because within their boards of directors there are innovative leaders (Pérez Latre and Sánchez-Tabernero, 2004); they know that to capture readers they need to gather together a great professional team, strengthen their identity, respect professional standards and promote change.

These leaders are motivated to seek and find the support of their colleagues. And without a worthy objective it is impossible to drag others

along. A leader's innate qualities — for example, an ability to persuade — cannot be used to increase employees' commitment if the leader himself does not know where he wants to go. And, on the contrary, a lack of such qualities can be overcome when the employees perceive that the chosen objective is worthwhile.

So a leader never lacks convictions or important projects. As he has a worthwhile objective, he is prepared to wait. He is patient because he knows that great achievements require perseverance, not giving up at the first setback, but rather trying time after time for as long as it takes (Pérez López, 1998).

Press companies, their directors and their employees can all make change difficult in their own way. They tend to be timid and conformist. The leaders are aware that they have to fight against dangers that anyone can fall into: disillusionment, cynicism and desperation. So they direct their efforts at promoting initiative and innovation among their employees. They propose changes that demand communicative abilities, and try to generate confidence and loyalty. They promote liberty rather than control, because forcing change — getting carried away by impatience — can be the best way to frustrate change (Semler, 2000; Abrahamson, 2000).

In their quest to get people involved in worthwhile projects, they work tirelessly at both horizontal and vertical communication. They listen more than they speak. The boss must have a dialogue with employees and readers, because many times real values are established by involving others in the search for ideas and solutions (Magretta, 2002).

Leaders who change things establish in their papers structures which are participative rather than hierarchical. They do not try to make themselves indispensable, so they do not keep the most valuable information to themselves. They look for a degree of equality and they reward cooperation. This tendency to *democratise* means leading without overpowering or dictatorial control. We could call it a strategy of trust, which demands promotion of a solid culture (Couto, 2000). Leading is, to a large degree, providing inspiration and sense, unifying professional desires and hopes. This style of leadership leads to a high level of commitment on the part of journalists, thereby enabling the appearance of many innovative initiatives.

Another way to improve press companies' financial results is by making better use of the value chain. In this sense, large-scale audiovisual producers are a good example to the press. They sell their products via a variety of different sales windows: cinemas, pay per view, DVD and video shops and rental, subscription TV channels and open TV channels (Anderson, 2004). In the same way, newspapers could make better use of their various resources and strong points: ability to develop information, relationships with advertisers, brand integrity, printing works and distribution networks.

Over the last few years newspapers have been giving more attention to this. In fact, many promotions have not been directed at achieving increases in circulation as much as at improving the company's profitability. For example, in 2005 the newspaper *El País* banked € 127.8 million via the sale of promotional products — almost the same quantity as that earned from the sale of copies of the newspaper itself, at € 135 million (*Noticias de la Comunicación*, II.2006).

Some newspapers have also improved their profits by using their printing presses to print for third parties. Others distribute outside publications via their websites, or sell news and photos to other media that are not direct rivals.

Brand expansion is an ever-more common source of income (Collins, 2001). The wide range of different sources of information now available on the market has created confusion and doubt among the public. One reasonable way of overcoming this uncertainty is to look for sources of information that already boast credibility and in which the public can trust.

Increasing competition makes it more and more necessary to protect brand integrity. Sometimes, this priority will imply rejecting easy profit because sales increases gained by unethical means compromise the company's prestige.

Directors have to find an acceptable balance between financial viability (profits gained) and security (high degree of reader satisfaction, which means an almost unbridgeable barrier for current or potential competitors). Only with calmness and strategic vision is it possible to adequately resolve these tensions between short-term and long-term benefit, between the present and the future of press companies.

## **Businessmen and Journalists**

In the first three centuries of professional journalism, it was the journalists, writers, politicians and newspaper owners who decided the contents of the papers. None of them had decisive influence, but all of them made their contribution. Their ideas, opinions and suggestions were listened to, and each of them maintained a certain degree of influence.

But since the middle of the 20<sup>th</sup> Century this literary and political *topsoil* has lost almost all its force, and has been replaced by commercial criteria. In Europe, this trend has become more marked in the last decade, for various reasons: changes of ownership; higher expectations of financial viability; the high levels of investment necessary in order to spread risk and to enter new areas of business such as cable or satellite television; and, finally, the importance of wealth and material comfort in modern society.

In the 19<sup>th</sup> Century not many newspaper owners were as concerned with making a profit as they were with supporting a political party, or hiring an excellent writer or journalist, who would improve their publication's reputation. Nowadays, almost without exception, shareholders reward media directors exclusively in relation to profits made.

In this atmosphere, it becomes possible to regard working in journalism as an almost mechanical task, at the service of the balance sheet. Some journalists rent out their technical skills and put themselves "under the boss's orders" (Postman, 1986). If they have to praise a particularly generous advertiser, they do not stint in their words of flattery. If they receive orders to invent slander about a political party or a public figure, they sharpen their pens and think of hurtful phrases and cutting comments.

Perhaps professional journalists would prefer to write about the world as they see it with honour, accuracy, originality and wit. But the insecurity of their employment obliges them to toe the line. Ideals don't put food on the table (Waldoop and Butler, 2000). This state of affairs is well-known to *cost experts*: there is always a cheap, fairly efficient journalist available who is willing to become a mouthpiece of the paper's directors without stopping to question whether what he is writing is true or not.

What is more, it doesn't require a great deal of imagination to find

excuses for this lack of principles: "Everybody does it"; "If I don't work on this project, they'll just get someone else who will"; "The stuff I'm working on isn't that bad, really"; "There's a lot of worse stuff being printed. When all's said and done, we at least have certain limits"...

This grim panorama, in which mercenary journalists have proliferated, must not hide from our view other, more hopeful, sights. Many journalists have enough courage and talent to not put themselves at the service of ideas and ways of working they do not believe in. Sometimes they suffer for sticking to their guns. But only they achieve the recognition and admiration of colleagues of integrity (Katzenbach, 1998).

There are also communication media businessmen who try to combine their concern with *the bottom line* with an ideal of public service and respect for the opinions and priorities of those who create and develop media content. They know that by doing this, not only are they meeting their ethical obligations, but also they are enhancing their company's prestige, and thereby improving its chances of survival.

Another reason for hope comes from readers, listeners, viewers and internauts. There is always the chance that they will turn their backs on the purely commercial media — who never upset any advertiser, never disturb the political powers-that-be, save as much money as they can on human resources, cut down to the bare bones on innovation costs — and instead turn to the other media, which is better designed to meet the public's needs and demands.

The financial viability of European newspapers will depend over the next few years on their market share. And their vulnerability — the possibility that someone will cut them out of the market — will be in inverse proportion to the efforts they put into hiring good professionals, protecting the prestige of their brands and improving the service they give to their readers.

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## **Press Subsidies in the Context of the Information Society. Historical Perspective, Modalities, Concept and Justification**

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### **Introduction**

New media technologies, the Internet and the deregulation of the audiovisual sector have radically multiplied the number of media services and significantly increased inter-media competition. In most European Union (EU) member states, newspaper circulation has been in steady decline for a number of years. Newspapers have become increasingly dependent on advertising, yet this revenue source has been challenged by rival media. In most countries, the number of titles has also been in long-term decline and press ownership and control has become concentrated. The press sector faces a potentially very serious challenge from the rise of the Internet and the proliferation of rival services offering online news and other staple content including advertising that newspapers have traditionally carried.

At the same time, however, the future of systems of press subsidy is open to question even in those European countries that have operated them. Subsidies have always been attacked by political conservatives for offending against the principle of a free and independent press and by economic liberals for distorting the free market. Critics cast doubt on how effective they have been in actually guaranteeing pluralism. Some argue that they sustain inefficiencies and inhibit the restructuring that is required to meet the challenge of increased inter-media competition. Moreover, some have questioned the justification of press subsidies in the context of the Internet and multiple media (and multimedia) services.

This paper explains the historical development and modes of operation of press subsidy systems in Europe and discusses whether they are still justified in the context of the emerging Information Society. The paper argues that press subsidies may be defensible—and arguably more important than ever in the Information Society—in order to promote plurality of newspapers and diversity of content—including a range of political viewpoints and social commentary—in the extremely competitive and highly commercialised new media environment. The paper also argues that press subsidies can be impor-

tant instruments for safeguarding cultural and linguistic diversity and catering for minority communities.

### **Historical Perspective and Modalities of Press Subsidy Systems**

Systems of press subsidy in Europe have varied considerably according to national political, economic and cultural characteristics. This has been well documented (see for example Todorov, 1990; Sánchez-Tabernero, 1993; Humphreys, 1996: 102-107; Murschetz, 1998). The underlying core rationales for press subsidy systems have tended to be similar. State support has aimed to arrest the decline in the number of newspapers, to promote more competition in newspaper markets, to combat the Europe-wide trend towards press concentration, and—importantly—to help sustain a diversity of opinion in the press. Nonetheless, subsidies have varied according to their function. They may be designed specifically to support the establishment of new newspapers or simply to tide publications over periods of difficulty. They may be more extensive and continuous, to promote competition in markets threatened by monopoly. They may be designed to compensate for production and/or distribution costs, to off-set declining sales and advertising revenues, to encourage the cooperation of newspapers in distribution, promote capital investment and/or restructuring, or to support journalists' training and special projects. Subsidies may be targeted at *minority* newspapers with a special social value or political orientation (for example party papers), and so on.

The modalities of aid have varied. Subsidies can be direct or indirect. Indirect support, given typically to the whole of the sector, has been commonplace in Western Europe. Most EU member states have granted the press sector preferential rates of VAT, preferential postal and rail tariffs for distribution and favourable telecommunications tariffs. Other measures have included tax breaks for investment and other kinds of tax alleviations. Some states have subsidised the price of newsprint, a significant cost of production. Some news agencies, such as Agence France Presse (AFP), have been supported by governments. Generally, indirect aid has been uncontroversial, yet it has often amounted to impressively large sums (Humphreys, 1996: 102-103). Direct support, typically in the shape of a loan or cash transfer by the State, has been limited to qualifying newspapers. As Cavallin (1998, para. 28) has noted, “[i]n international discussions indirect and general subsidies are generally looked on more favourably than direct and selective ones” because the latter “are often judged to be subject to political and other kinds of manipulation”. On

the other hand, “the general subsidies approach normally means that the major share of the money goes to those who are already strong”.

Politicisation has, however, generally been avoided by the stipulation of objective qualification criteria. These have included such factors as the circulation of the newspaper, its financial situation/ability to attract advertising, its competitive position in the market, and its significance in terms of diversity of opinion and social, cultural and political value.

Clearly, differences in national political culture, political incumbency in government, varieties of capitalism and the economic strength or weakness of the sector, go a long way to explaining the incidence, character and extent of subsidy systems. The most developed subsidy systems have been in politically consensual northern European countries with strong Social Democratic and *democratic corporatist* political and economic cultures, namely Austria, Finland, Norway and Sweden, these all being countries which also have a strong social welfare orientation (Humphreys, 1996). Skogerbø (1997: 108) notes that the press subsidies in Norway rose substantially under Labour Party governments and were cut back under non-socialist governments. Similarly, in Austria the subsidy system was cut back when a non-socialist government came into office in 2000 (Trappel, 2004: 11). In Scandinavia, the subsidies were originally in part politically motivated, in order to “strengthen multiparty media in societies where the multiparty system [was] very important” (Breaux, 2004: 59). Other countries that have generously subsidised the press sector are France, Italy, Portugal and Spain (though the latter no longer), which have had interventionist state traditions, with a tradition of public subsidies for industry. Countries with a more liberal political economic orientation, such as Germany, Ireland, Switzerland and the UK, have generally eschewed press subsidies. Undoubtedly, a significant factor for the southern European countries has been the much weaker economic state of their press sectors. Clearly, the circulation per 1000 population affects both the amount of revenue newspapers gain from sales and their ability to attract advertising. France, Italy, Portugal and Spain have been consistently among the lowest in western Europe in terms of circulation of daily papers per 1000 population. By contrast, Britain and Germany had the strongest press companies in Europe (European Commission, 2004: 21-22).

The UK is a good case of a country that has looked at press subsidies but generally rejected them. In 1974, a Labour government, fresh into office, established a Royal Commission on the Press (chaired by Professor Oliver McGre-

gor, later to become the first chairman of the Press Complaints Commission), which duly reported in 1977. As Hutchinson (1999: 176-7) describes, the commission spent “time and money investigating intervention mechanisms utilized in Europe,... but could not see their relevance to Britain.” Although two dissenting members of the Commission did advocate the setting up of a national printing corporation and a launch fund to help new entrants to the sector, the “government however concurred with the majority position”. Yet, the value of VAT exemption — the single subsidy granted the UK press — should not be underestimated. According to one study, the introduction of 6% VAT across the EU (which had been suggested by the European Commission as a possible harmonization measure) would mean the disappearance of most UK regional dailies and a 10% fall in the circulation of the national dailies (De Bens and Østbye, 1998: 13).

State aid was introduced earliest in France, directly after the Second World War by a quite radical government (a “tripartite” coalition that included Socialists and Communists), in reaction to the “dominance of the inter-war pre-war press by capitalist financiers”, with “the avowed objective of fostering pluralism among newspaper titles and encouraging access for readers to different sources of information” (Kuhn, 1995: 40). In France, indirect subsidies have been far more important than direct support (Albert, 1990: 72). The indirect support — which, unlike the direct aid, has been largely general rather than targeted at specific publications — has involved VAT concessions (as generally elsewhere), special tariffs for post, telecommunications and rail transport tariffs, and various tax concessions and considerations on loans (Kuhn, 1995: 41; Sánchez-Tabernero, 1993: 231). By the end of the 1980s the value of total indirect support approached half a billion francs; far more than was spent by the State on direct subsidies. Under the Socialists these subsidies registered strong growth (for detailed break-down of French subsidies, see Albert, 1990: 72). Direct subsidies were allocated to publications with low circulations and limited advertising revenue (Sanchez-Tabernero, 1993: 230). These direct subsidies certainly contributed to pluralism, by allowing publications like the Communist newspaper *L'Humanité*, the Catholic *La Croix* and the liberal-left *Libération* to survive. The fact that by far the most of the state aid was of the general indirect kind meant that the system worked as a kind of industrial policy for the entire sector, favouring “the status quo” (Kuhn, 1995: 42). According to Minc (1993: 61-62), although justified by its contribution to democratic pluralism, the subsidy system may have impeded, through overprotection, the development of a press sector that was capable economically of standing on its own feet. Similarly, Sánchez-Tabernero (1993:

229) is critical of the largely indiscriminate aid that flowed to the press sector in Italy, Spain and Portugal (though this has since ceased largely), on the grounds that, because of the way it was allocated, most support went to the stronger papers, in apparent contradiction of the principal *raison d'être* of subsidies.

The Scandinavian countries (except Denmark) have been widely seen as the model systems. In contrast to southern Europe, the Scandinavians are the most avid newspaper readers in Europe. Finland, Norway and Sweden have nonetheless relied heavily on targeted subsidies—rather than regulation—in order to maintain press pluralism, and they have been comparatively generous in the levels of their direct state support granted to the press. Norway introduced in 1969 a scheme of direct financial support for so-called “second” or “No 2” newspapers, these being the second in circulation in their relevant markets to help maintain competition in newspaper markets and halt the newspaper mortality trend leading towards ever more local newspaper monopolies. The aim was to “ensure a wide variety of editorial viewpoints” (Wolland, 1993: 119). This policy was part designed explicitly to promote party political pluralism. According to Skogerbø (1997: 102), in Norway “...the close relationship between the press and the political parties is one reason why it was possible to muster widespread support in favour of a system that has continuously been criticised for undermining both press freedom and freedom of competition”. The political rationale for the subsidies was to maintain a competitive structure of the local press so that political parties were ensured of adequate representation. This was seen “as a public good for which the responsibility could not be left totally to the market”. Norway also introduced aid for “specific publications” representing social or political interest groups, such as political party papers, newspapers serving immigrant communities and publications for its Sami indigenous ethnic minority community (Murschetz, 1998: 297; Skogerbø, 1997: 107). In 1999, direct subsidies amounted to 159 million kroner (€20 million).

Sweden introduced a similar scheme of direct support for “second newspapers” in 1972, with the same principal aims, namely to stem the trend of newspaper mortality and local monopoly and to promote democratic pluralism. Two large dailies, the Social Democratic *Arbetet* and the conservative *Svenska Dagbladet* have received huge sums without which they would not have been able to survive (Axberger, 1993: 154). In Sweden, state support has been granted to help firms that were unable to obtain capital in the private loan markets. Help has also been given to low-circulation newspapers and papers

with infrequent editions (i.e., only two or three issues a week, or less), the scale of the subsidy depending upon the amount of editorial content (Hulten, 1984: 15-16). In Sweden, the operational subsidies to second newspapers amount to over 450 million kroner (€ 48 million) a year. A distribution subsidy (given to daily papers participating in a common distribution scheme) amounts to a further 73 million kroner (€ 7.8 million) a year (Swedish Press Subsidies Council report at <http://www.presstodsnamnden.se/english.htm>, downloaded 18/05/2006). Furthermore, in 2002 Sweden introduced a temporary (3 year) development subsidy with an annual ceiling of 15 million Swedish kroner (€ 1.6 million) which is intended to help those newspapers that are entitled to a production subsidy to make investments to secure their long-term market position (Swedish Ministry of Culture, 2005).

Finland introduced in the early 1970s a similar system of direct selective subsidies for economically weaker papers, clearly designed to reverse the steady loss of titles since the mid 1950s. Also introduced in Finland was a so-called “parliamentary subsidy” directed specifically at party papers, this reflecting a particularly Scandinavian rationale for state support based on supporting the multi-party system. Together these subsidies provided € 2.5 billion worth of support between 1951 and 2000 (Picard, 2003: 105). In the Scandinavian countries, these subsidies ensured the survival of a Social Democratic press which was the envy of Labour parties the world over (Humphreys, 1996: 107).

Generous subsidies have been a feature of press policy in Austria, another country with strong Social Democrat political influence and a democratic corporatist political culture. Uniquely, in 1975 direct subsidies were introduced for all daily and weekly newspapers. From 1985 on every daily newspaper received a basic amount of the subsidy with the possibility of an additional amount if its circulation size and advertising revenues warranted (Murschetz, 1998: 295). Larger direct subsidies have also been given to certain smaller newspapers that are considered important for the diversity of opinion (Berka, 1993; Murschetz, 1998). At its peak in 1990, the latter subsidy amounted to approximately € 15 million (Trappel, 2004: 11). When a conservative government assumed power in 2000 the subsidies were “drastically” cut back (Trappel, 2004: 11). However, following a review of the subsidy system that had been instigated by the preceding Social Democrat-led coalition in 1998, in 2004 a new Press Subsidies Act was enacted which has actually added new measures to the existing subsidies, which were retained, to include subsidies for the training of journalists, the employment of foreign correspondents and the promotion of newspaper reading in schools (Rundfunk & Telekom Regulierungs-GmbH, 2006).

The Netherlands also has a democratic corporatist political culture though it has a less Social Democratic aspect than Austria and Scandinavia. Accordingly, the subsidies have been less generous and more temporary in nature. Since the 1960s, the Dutch government has intervened to prevent “newspapers with a special character” from going out of business. In 1974, this practice was institutionalised by the establishment of a Press Fund (Bedrijfsfonds voor de Pers) to provide aid for newspapers and magazines in financial difficulties and to support the establishment of new publications (van Lenthe and Boerefijn, 1993: 102). As in Austria and Scandinavia, the direct subsidy system was introduced to counter the loss of pluralism and diversity of the press that many feared would be the consequence of the trend towards newspaper closures, take-overs and mergers that was leading to increasing press concentration. For a period, the system was operated directly by the Ministry of Culture but in 1988 it was established on a statutory basis as an independent authority with the explicit aim “to uphold and promote the diversity of the press where information and opinions are concerned, this being in the public interest”. According to the allocation criteria, newspapers and magazines have only been provided with loans, credit facilities or subsidies for the purpose of their reorganization or restructuring in order to make them profitable again in the near future. To qualify, the papers or magazines must contain a substantial amount of news, analysis, commentary and information, contributing thereby to the formation of political opinion (Bedrijfsfonds voor de Pers, at <http://www.bedrijfsfondspers.nl/english.shtml>, read on 19/05/2006).

Belgium, a country with two principal language communities (Flemish-speaking and Francophone, plus a small German-speaking minority) and a high degree of press concentration in each language community, has also deployed both indirect and — since 1973 — direct subsidies. Over time, the system has become more selective and less generous. The Flemish government has stopped granting direct subsidies, but newspapers in the Francophone community still receive direct subsidies, which — interestingly — are part-financed by a levy on the advertising revenues of the broadcasters (De Bens, 2004: 26-7).

### **The Questioning of the Future of Press Subsidies**

As noted, press subsidies were principally introduced in an attempt to reverse the post-war decline in the number of newspapers and to safeguard press pluralism. How successful have they been? It is very difficult to determine, there

being both a paucity of comparative studies and obvious methodological difficulties in answering such a question scientifically. In his study of Finland, Picard (2003: 118) is sceptical about how successful the subsidies have been in ameliorating newspaper mortality. A fairly recent comprehensive study on media concentration in the European market by Sánchez-Tabernero and Carvajal (2002: 48-49) shows that even in countries with subsidies, markets remain highly concentrated. In Austria, just one single company, Mediaprint, controlled half of newspaper circulation in 2000, and the two largest companies accounted for 63%. In the Netherlands, two companies controlled 60% of circulation. In Norway, the two largest companies controlled half of newspaper circulation. In Finland, 40% was controlled by two companies. In Sweden, the situation was somewhat better with the two largest companies controlling only just over one third of circulation with Bonnier, the largest company, accounting for one quarter of circulation. Nonetheless, the fact remains that the subsidies have almost certainly prevented the press concentration from being still higher. De Bens and Østbye (1998: 14) make the “comparison between the press structure in Denmark (no direct subsidies, relatively few papers) and that in Finland, Norway and Sweden (direct subsidies, many newspapers)”. Østbye (2002) observes, “that the process of monopolisation [in Norway] has been substantially curbed as the result of press subsidies” and furthermore “a number of new newspapers have been issued at places which formerly had no papers at all”. However, the policy has clearly been only partially successful. In Norway, over the period between 1972-97, the number of so called “no 2 newspapers” (second newspapers in the market) halved (Høst, 1999; Skogerø, 1997: 109). Skogerø (1997: 108) judges that “according to the main objective that was identified in the early 1970s, namely that the press subsidies should maintain competition on the local newspaper market, the subsidies have not been more than partly successful”, noting that the “number of places where there [was] a newspaper monopoly increased from 91 in 1972 to 144 in 1995”. Yet, Skogerø (1997: 109) concludes that “analyses of the newspaper economy show equally clearly that the subsidies have contributed to slowing down the process of monopolization, as many of the remaining ‘No 2’ newspapers are kept alive by the subsidies...” Moreover, “the total number of newspapers in Norway, daily and non-daily, increased from 199 in 1972 to 218 in 1995”.

Rather than undermine the need for subsidies, though, this rather *ambiguous* state of affairs could be taken to underline the fundamental justification of the subsidy system. Nonetheless, in recent years, press subsidies have come in for considerable questioning. Subsidies have always been attacked by political conservatives for offending against the principle of a free and independ-

ent press and by economic liberals for distorting the free market. It has also been argued that by generally providing only continual operating aid, subsidies have failed to address the underlying problems affecting newspapers. According to Picard (2003: 107), “most subsidies in Europe have had little effect on the financial situations of newspapers and do not provide a mechanism for real long-term viability of subsidised newspapers... If subsidies are not used to restructure an operation, to expand markets or to acquire cost-saving technology, they cannot solve the difficulties of failing newspapers”. Moreover, Picard (2003: 118) notes too that the decline in readership of the party political press has rendered obsolete this particular rationale for subsidy (though he approves continued subsidisation of “opinion journals”, namely non-newspaper publications devoted to political and social opinion).

Some critics of subsidies now point to their non-sustainability in the new Information Society media environment and argue that subsidies sustain inefficiencies and inhibit the restructuring that is required to meet the challenge of increased inter-media competition. For example, Ots (2006: 8) notes of the Swedish case that while the “press support has maintained ownership diversity in affected cities for some 30 years”, now “the general perception is that the system no longer can keep up with the changing environment... [The] increased competition from other media for both consumers and advertisers eats into [the newspapers’] budgets at a faster pace than the subsidies grow.” Ots (2006: 10) adds that even the proponents of subsidies are critical about the effect they have on the ability to address the underlying problems of the press sector. Some argue that the proliferation of new media outlets and the convergence of media sectors that have accompanied the arrival of digitalisation remove the rationale for media specific regulations and market interventions, the assumption being that choice and diversity in the media has become unprecedentedly abundant. The future of licence-fee funded public service broadcasting, as well as press subsidies, has even come under considerable critical scrutiny. Thus, in Sweden, the Liberals as well as the Conservatives (the Moderate party) now argue that the newspaper market “should be allowed to more freely evolve along with the technological development” and that the best way to do this is “to gradually phase out the subsidies” while at the same time “lifting the restrictions on cross-ownership” and “encouraging, rather than preventing, collaborations between newspaper firms” (Ots, 2006: 13).

Skogerboe (1997: 115) points to a particular problem that the Information Age presents press subsidies: “[their] character ...as a technology-dependent regulation is an obstacle to [their] survival in the long run.” Skogerboe’s basic

argument is that the ‘digital convergence’ of computer, telecommunications, print and broadcasting technologies has opened up many new ways of receiving essentially the same media product. Therefore, it might be argued that to subsidise one type of medium using one particular type of technology (print) and not others “will over time create a legitimacy crisis because the issue eventually boils down to the question of supporting the printed word but not digitized text, or in other words, subsidizing paper but not bytes.”

Finally, not least because of a neo-liberal policy turn in many European countries, press subsidy systems have come under increasing budgetary pressure as governments have become much keener than in the past on reducing public expenditure.

### Justification for Maintaining Subsidies

Since originally introduced, the systems of press subsidy have been reviewed in most countries that have operated them. In Norway, Skogerboe (1997: 104) has noted, “[s]ince 1969, several public commissions have been appointed to review and revise the system, and there have been a number of changes of the criteria for allocating the subsidies... However, the system itself was never really challenged.” In Sweden, a recent report has recommended the maintenance of the subsidy system on the grounds of the public's information needs, which are the same today as before (see *The Local—Sweden's news in English* at <http://www.thelocal.se/article.php?ID=2926&date=20060124>). As already mentioned, in Austria, a recent review actually resulted in the extension of the range of subsidies. Murschetz (1998: 304) notes that, while governments in all four countries in his study—Austria, France, Norway and Sweden—have explored reforms and alternative “cash-neutral” policies for securing a diverse press, they have continued to maintain their subsidy systems and been “wary of unleashing drastic cuts”. Thus, support apparently continues for subsidies in most of the countries that have operated them.

There are a number of reasons why press subsidies continue to be justified. In most EU member states, newspaper circulation has been in steady and seemingly ineluctable — if not dramatic — decline for a number of years. Partly because of new media, partly because of the growth of the entertainment and leisure industries, the young show far less inclination to read newspapers than previous generations have done. Newspapers have become increasingly dependent on advertising, yet this source of revenue has been threatened by

the decline in newspaper readership and competition from other media. Now, online services and new specialised content providers represent a serious competitive challenge to both readership and advertising (European Commission, 2004: 7-9). In some countries, newspapers face the additional competitive challenge presented by the online content services of licence-fee funded (i.e., effectively *subsidised*) public broadcasters. If newspapers — particularly smaller and financially weaker ones — are to meet the competitive challenge, they clearly have to invest in the new technologies and diversify their business strategies. However, despite taking steps in this direction, the evidence so far suggests that most newspapers are finding it difficult to make their web services pay (European Commission, 2004: 7-9). Support for the purpose of investment and restructuring arguably has always had a strong justification, and this is especially so in the Information Society with newspapers facing this major challenge from rival online services.

The need for support for the press to adapt to challenge has been highlighted by a 1997 *Report on the Impact of New Technologies upon the Press in Europe*, presented to the European Parliament by Greek MEP Katerina Daskalaki of the EP's Committee on Culture, Youth, Education and the Media. The report outlined the scale of the challenge presented to European newspapers by the new technologies and expressed considerable concern about the consequences of the new media for democratic information processes in the EU, pointing to the flood of unprocessed information, the commercialisation of content and the marginalisation of certain social groups in terms of information access. The Committee emphasised the important role the press would have in strengthening public debate, controlling political power and providing critical analysis (Van Dusseldorp, 1998: 1). In adopting the report, the EP has plainly acknowledged the very special democratic importance of the press and called upon the Commission to come up with a range of measures that will help it adjust to the Information Society (Daskalaki, 1999). Clearly, subsidies can play a role with regard to at least some of the areas highlighted by Daskalaki, such as the training and education of journalists and investment in the new technologies. A good example is provided by the Netherlands Press Fund which has provided loans, credit securities and direct subsidies for newspaper reorganisation or restructuring (Picard, 1999). In Belgium, the Flemish authorities have switched the emphasis of their subsidies from direct selective support to "financial support for journalist training and the development of digital activities" (De Bens, 2004: 26).

Media concentration is another reason why press subsidies remain justified.

As several recent reports (European Federation of Journalists, 2005; Ward, 2004; and Council of Europe, 2002), have documented, despite the expansion of media outlets, which now include the computer and even the telephone, media pluralism is under increased pressure from the concentration of media ownership and control, and in particular from the domination of global media by internationally-operative, predominantly American, companies. Digital convergence has actually accelerated, not reduced, media concentration tendencies; the rise of global media companies, with cross media operations, has stimulated a whole new degree of concern about media pluralism (see for example Herman and McChesney, 1997; Council of Europe, 2004). In the new EU member states, the dominance of foreign media owners — generally from western Europe — is also striking (European Federation of Journalists, 2004). At the same time, although concern has long been expressed about media concentration by European journalists' organisations and by the European Parliament, powerful private media lobbies — notably the European Publishers Council (EPC) and the European Newspaper Publishers' Association (EPPA) remain strongly opposed to any Europe-wide measures to regulate media concentration. The EC's Draft Directive of 1996 on media pluralism remains buried in the Commission, stalled by oppositional lobbying from Europe's powerful private media lobbies and certain national governments. Meanwhile, national trends have been towards deregulation of ownership rules (see for example Humphreys, 2000). Therefore, subsidies remain an important policy instrument for preventing any further decline in press pluralism. In this connection, a recent Council of Europe report (cited in European Commission, 2004: 65) concluded: "...[i]t is almost standard for a regional newspaper to have a monopoly in a market and it is a rare occurrence, without some form of subsidy scheme, that a truly competitive regional market exists."

Another powerful justification for press subsidies is cultural diversity. The issue has recently achieved a particularly high salience because of the overwhelming international approval — including by all EU member states — given to the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Adopted in October 2005, this Convention underlines the right of countries to formulate and implement cultural policies and measures in favour of the diversity of cultural expressions. In December 2005, the European Commission adopted a proposal for the EU to ratify the Convention. Press subsidies are clearly one possible cultural policy instrument that is available to states — or indeed sub-state national and other identities — that feel that the need for promotion and protection.

As a recent report on media diversity in Europe by the Council of Europe (2002: 8) argues: "The European tradition... is to acknowledge the value of European cultural diversity, and rather than letting majority cultures 'win' over minority cultures, the policy has been to protect and promote minority cultures." Press subsidies are particularly vital for the sustainability of newspapers in minority languages. Thus, a report for the European Commission's Enterprise DG (European Commission, 2004: 71) cites Bojan Brezigar, the President of the European Bureau for Lesser Used Languages: "There are more than 40 daily newspapers in minority languages in Europe and as far as I know only a few of them, less than five, could survive without any financial aid". In Norway, subsidies have flowed to publications for the Sami community of indigenous people (found in the northern parts of Scandinavia and Russia, with the largest density in Finnmark, Norway's northernmost province). Also, subsidies have been allocated to the press office of Norway's minority language movement, Nynorsk Pressekontor (Skogerboe, 1997: 105). According to Skogerboe (1997: 110), in Norway "cultural diversity has taken over from political diversity as the prime justification for maintaining a high number of newspapers." In Spain, whose once generous central state subsidy system for the press sector ended in 1988, it is significant that subsidies have been maintained by the governments of some Autonomous Communities with their own language, notably Catalonia and the Basque Country (De Mateo, 2004: 232-3). In France, too, Occitan-language publications have received financial support from the relevant regional public authorities, in Languedoc-Roussillon and Midi-Pyrénées.

There is also a case for also subsidising publications of immigrant ethnic minority communities, and other minority voices, such as poor or isolated rural communities, which may not have the resources or economies of scale to make a newspaper financially viable in the free market. Community newspapers might be seen as a deserving case, not least as a counterweight to local newspapers owned by newspaper chains.

Sweden provides an exemplary case for maintaining—and where absent, introducing—a further kind of press subsidy. A governmental organisation called the Talking Newspapers Council (Taltidningsnämnden) distributes around 126 million kroner (€ 13.5 million) a year between around 90 daily newspapers which publicise a 'talking newspaper' scheme to improve access to newspapers for the visually impaired, dyslexics and people who cannot hold or turn the pages of newspapers" (see Swedish Press Subsidies Council report at <http://www.presstodsnamnden.se/english.htm>, downloaded 18/05/2006).

Finally, it is worth noting that press subsidies might be justified in order to support the kind of investigative journalism that small media companies have always found so difficult to resource (see Council of Europe, 2002: 9). In this connection, it is noteworthy that in the Netherlands a special fund has been established to channel funds to specific journalistic projects, including grants to individual journalists for "research journalism" that goes beyond the routine news cycle (Brants, 2004: 153). It can be also argued that subsidies can play an important role in "promoting hard news" by supporting non-profit press companies, by supporting the creation of information about public affairs, or the training of journalists in news analysis, and in the supply of new infrastructure (Breaux Symposium, 2004: 14).

## Conclusion

To conclude, support designed to maintain a pluralistic and culturally diverse press sector will arguably be more important than ever in the Information Age. Although the Internet has certainly the positive potential to improve the citizenry's media access and usage, it also brings certain obvious dangers. Above all, there is the danger that citizens may be overwhelmed by the superabundance of unprocessed, poorly edited or downright unreliable information on the Net. There is also the attendant danger of the *digital divide*, whereby certain social categories will be completely marginalized by the new technologies. Therefore, as the aforementioned EP report has stressed, the press will continue to fulfil a key democratic role in the Information Society. If newspapers are to be competitive with other media in the Information Society they need to invest in restructuring and innovation, including in online activities. This places a heavy burden on smaller, financially weaker, or already struggling newspapers. These therefore deserve to receive continued public support.

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## **Press Subventions in Europe in 2006.**

### **Categories, Funding Provided and Assignment Systems**

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Inspired by the socio-political theory of the social responsibility of the media, regulated public press subventions became widespread in Western Europe in the late 1960s and early 1970s, in the context of the severe economic recession of those years, although they had been in existence in France since the aftermath of World War II.

That recession led to a significant increase in the production and distribution costs of newspapers and a drop in the demand for advertising space. The problem was worsened by the need for technological reconversion requiring major investment at a time of extremely high interest rates. Minority interest publications also ran a clear risk of extinction or absorption, as they were the first to feel the cutbacks in advertising expenditure. Faced with this situation, governments justified their intervention on the grounds of ensuring media pluralism (Mateo, 1990).

These press subventions — which are still in use in many western European states — come in many different guises, yet in academic and political terms, we mainly tend to talk of direct and indirect subventions.

In our view, the former are subventions directed at specific publications for clearly defined objectives (for example, subventions for technological reconversion, for international distribution, for the creation of new titles, etc.); whereas indirect subventions are those directed at the industry as a whole, seeking therefore to promote the press in general (measures include VAT reductions, preferential postal and telephone rates and subventions for news agencies, leading to lower service costs).

The starting point for this study then is this twofold categorisation of press subventions, though there are of course other classifications of interest (Murschetz, 1998), such as the distinction between selective and automatic subventions, according to the role played by government in the allocation process. In selective subventions, the department that distributes the funding has a certain leeway for evaluation of applications in terms of the competition

rules; in automatic subventions, this department is limited to application of highly detailed legal provisions, which leave no room for discretionary action. Indirect subventions tend to be automatic whereas direct subventions may be either selective or automatic.

The main features of the models of press subvention currently employed in Western Europe<sup>1</sup> will be presented below, with special attention to the modality of subvention (above all, direct subventions) within each model, to the funding provided and to the allocation systems used. The aim of the paper is essentially descriptive, seeking to provide a basis for further in-depth exploration.

References to each country will be accompanied by a table illustrating a number of economic indicators together with population and press readership data, enabling cross-State comparisons.

Yet, before turning to the specific models, it should be pointed out that there are countries that have not traditionally and still do not employ direct press subventions (for example, the United Kingdom, Ireland,<sup>2</sup> Germany and Switzerland);<sup>3</sup> and one State, Spain, where such aids did exist and were later abolished.<sup>4</sup>

The main argument underlying the decision of some countries not to provide direct press subventions is set out clearly in the report presented by the Royal Commission on the Press to the British Parliament in 1977, the result of three years' work. The report claimed that there is no evidence that the objectives of press pluralism and diversity are best served by means of these subventions, which are, rather, it stated, a threat to press independence with respect to government. In addition, in the Commission's view, aids to periodical publications could serve to alter the normal functioning of the market. For example, it argued, subventions aimed to support the creation of new papers could have a detrimental effect on already existing publications, while other aids, over the course of time, could lead to an excessive dependence on the part of the beneficiaries and a failure to improve competitiveness. The report, which sets out reservations regarding the transparency of allocation processes for selective subventions, recommended maintenance of indirect subventions which are equally beneficial for all publications. (Royal Commission on the Press, 1977).

At present, the United Kingdom, along with Germany and Switzerland, applies a reduced rate of VAT to newspaper sales, 0% in the case of the United Kingdom as opposed to the standard rate of 17.5%,<sup>5</sup> for example, and news-

1. There are three states — Italy, Greece and the Netherlands — which use press subventions but whose press policy bodies have not provided us with the necessary information, despite insistant requests. We cannot therefore yet include these countries in this study.

2. However, the United Kingdom and Ireland do provide certain subventions for publications in minority languages.

3. The issue has been the object of discussion in Switzerland, yet on 4 October 2004 the Council of States rejected the proposal presented by the National Council regarding introduction of direct press subventions. The reason mentioned was that the Swiss press groups themselves were reluctant to accept the measure, which they equated with government interference. (*Bulletin Officiel, Conseil National*, 17 March 2005: [http://www.parlement.ch/ab/frameset/f/n/4707/122884/f\\_n\\_4707\\_122884\\_122885.htm](http://www.parlement.ch/ab/frameset/f/n/4707/122884/f_n_4707_122884_122885.htm), consulted: June 2006).

4. With the exception of a number of autonomous communities which provide aids on linguistic grounds, such as Catalonia, the Basque Country, Galicia, Navarre and Asturias. In addition, the Balearic Islands, by means of an Order by the Minister of Institutional Relations on 12 December 2005, adopted a different model of media aids for the press, radio, television and other audiovisual media with the aim of promoting the creation of new media, the production and publication of special editions and supplements, special promotions and improving circulation and technological innovation, independently of language used.

5. 2.4% (as opposed to the usual 7.6%) in Switzerland, and 7% (compared to 15%) in Germany.

papers also enjoy special postal rates (Service des Études Juridiques du Sénat Français, 2004).

Meanwhile, in Spain, in the 1970s and 1980s the UCD (Unión de Centro Democrático) and PSOE (Partido Socialista Obrero Español) governments, respectively, awarded direct press subventions to support distribution, reading of nationally produced printed press and technological reconversion (Fernández Alonso and Santana Cruz, 2000). However, these aids were abolished by Law 37/1988, on the General State Budget, which partially revoked Law 29/1984 (regulating the award of press and press agency subventions), thereby, also revoking part of the Royal Decree implementing the law (Royal Decree 2089/84).

<sup>6</sup>. Law 31/1990, of 27 December, also on the General State Budget, eliminated the majority of indirect subventions. At present in Spain the only indirect subventions are the reduced postal rates and a VAT rate of 4% on over-the-counter sales.

<sup>7</sup>. The Gross Domestic Product (GDP) or Purchasing Power Parity (PPP) figure seeks to overcome the problems of currency rate fluctuations that beset simple GDP statistics by calculating the figure according to a fictitious rate that makes the price of the typical shopping basket equivalent in each country thus allowing more realistic comparisons of purchasing power in different countries. The data, taken from Various Authors (2005), correspond to 2003.

<sup>8</sup>. The Human Development Index (HDI) is calculated by the United Nations Development Programme to compensate for the fact that the GDP per capita figure, even when calculated in terms of PPP, can prove rather unreliable as a means of determining welfare. The HDI is calculated as a proportion of the unit (0-1). The data, taken from Various Authors (2005), correspond to 2002.

<sup>9</sup>. One hundred copies of general information newspapers sold per thousand inhabitants is the minimum established by UNESCO to classify a country as developed, in terms of press readership. The data are from World Press Trends 2005 (World Association of Newspapers and ZenithOptimedia, 2005).

The European Community had already advised the Spanish government in 1988 that Spain's entry into the Community would require the elimination of subventions for nationally produced newsprint (and also the requirement of Spanish nationality to be eligible for such subventions), since these measures were in breach of community competition law (*El País*, Barcelona edition, 14 September 1988, p. 21). In the event, the above-mentioned Law 37/1988 not only met the community requirements, but went as far as abolishing all direct press subventions. Among the arguments employed by the government to defend this measure were those presented in the Congress of Deputies by the then Minister of the Presidency, Virgilio Zapatero, who provided data on the increased total declared profits of the press sector (a 500% rise between 1984 and 1987), the rise in press advertising expenditure (192.04% between 1982 and 1987), and the climbing circulation figures (a rise of 15.18% between 1982 and 1986) (*Boletín Oficial de las Cortes Generales*, serie D, No. 257, 2 December 1988, pp. 12847 and 12848).<sup>6</sup>

## Austria

### Austria Indicators

Total population (in millions) (2005)	8.19
GDP-PPP <sup>7</sup> (in millions of dollars) / world ranking	31,406 / 11
HDI <sup>8</sup> / world ranking	0.934 / 14
Newspaper Readership Index <sup>9</sup>	372.2

The current system of press subventions in Austria is set out in a federal law on press promotion which came into force on 1 January 2004. This law transferred power in the area of press subventions from the federal government to Kommaustria, the Austrian broadcasting and telecommunications authority.

KommAustria draws on the advice of a Press Promotion Committee which, among other tasks, prepares and issues reports on the level of applicant compliance to the subvention requirements and also makes recommendations regarding the allocation system and the legislation governing the subventions. This committee is made up of six members (and a chairperson), appointed by the Chancellor of the Federal Republic (2), the newspaper association (2) and by the journalists' trade union (2).

The modalities of subvention provided for by this legislation are:

1. Aids for distribution of daily and weekly newspapers (€ 4,525,050).<sup>10</sup> The daily papers receive 54% of the total budget and the weeklies, 46%. These aids are awarded almost automatically (with sizeable deductions when the same publisher is responsible for more than one paper or magazine) to papers meeting the requirements established by article 2.1 of the afore-mentioned 2003 law (i.e., content of general interest, employment of a certain minimum number of journalists, minimum readership figures, etc.).
2. Aids to promote the availability of a diverse range of newspapers in the federal states (€ 6,644,500). These subventions are also aimed at national and interregional papers which include regional supplements and content contributing to the formation of political opinion, provided that they are not leaders of their respective markets (art. 8).
3. Measures aimed at enhancing quality and ensuring the future of the industry (€ 1,668,400) (articles 9, 10 and 11). These subventions are directed at:
  - a) non-profit associations of recognised prestige whose purpose is to train journalists in the Austrian media sector (39% of total budget);
  - b) press clubs (non-profit associations whose main activity comprises organisation or running of press conferences of a certain importance — they receive 3% of the total budget);
  - c) miscellaneous (58% of total budget):<sup>11</sup>
    - publishers, to partially offset the expenses of training courses attended by journalists;
    - publishers, for employment of international correspondents;

<sup>10</sup>.These figures correspond to 2006 and were provided by Brigitte Zauner-Jelemensky (Kommaustria) in May 2006 (personal communication).

<sup>11</sup>.Distribution of this funding among potential beneficiaries is the task of the Press Promotion Committee, which makes the relevant proposal to Kommaustria.

- publishers, to provide free newspapers to schools;
- associations whose exclusive purpose is to promote reading of the press (and which have a significant national profile);
- press sector studies (especially in the area of marketing).

In the area of indirect subventions, Austria applies a VAT rate of 10% to newspaper sales (as opposed to the standard 20% rate). However, the reduced postal rates have been dramatically affected since privatisation of the postal service (with a rise of approximately 200%).

## Belgium

Belgium Indicators	
Total population (in millions) (2005)	10.42
GDP-PPP (in millions of dollars) / world ranking	30,062 / 13
HDI / world ranking	0.942 / 6
Newspaper Readership Index	172.5

12. A law enacted on 19 July 1979, “aiming to maintain the diversity of the daily opinion press”, under whose provisions political party papers benefited especially, until its disappearance at the end of the 1990s; and a second law of 6 February 1987, “regarding radio and television broadcasting of advertising”, which provided for transfer to the press of part of the profits of the Francophone Radio and Television of Belgium (RTBF) and of RTL-TV, in compensation for the losses suffered due to the introduction of commercial advertising on public stations, 10 September 1989 (Fernández Alonso, 2000).

13. In the case of the German-speaking community, a decree of 7 February 1994 reproduced the federal law model of 1979 (see previous note) for this small territory. This community's only paper, *Grenz Echo*, receives € 173,525 per annum (Service des Études Juridiques du Sénat Français, 2004).

Since the constitutional reform of 1970, there have been three official cultural communities in Belgium — Francophone, Flemish and German-speaking — all of which have gradually been assuming more powers in the sphere of the media. A special institutional reform law passed on 8 August 1988 transferred power for direct press subventions from the federal authority to these communities, although all three continued to apply federal law in this area<sup>12</sup> until the reforms of 1998 (Flemish) and 2004 (Francophone).<sup>13</sup> However, indirect subventions (0% VAT for newspapers and 6% VAT for other published media, and preferential post and telephone rates) are still the preserve of the federal government (Service des Études Juridiques du Sénat Français, 2004).

The main features of the direct press subvention models employed in each of the two larger cultural communities in Belgium, the Flemish and Francophone communities, are as follows.

In the case of the Flemish community, the modalities of press subventions employed are defined by a protocol signed between the regional government and the publishers. The first such protocol, signed in 1998 and running for a period of five years, established an annual public subvention of €

900,000 to fund multimedia projects. The present protocol, signed in 2003, increased the total to € 1.4 million and set as priority objectives the improvement of the quality of press writing (€ 900,000) and promotion of reading of the press (€ 500,000).<sup>14</sup>

Following the example of the Flemish community, the government of the Francophone Community signed an agreement with press publishers and television channels on 16 January 2004. This agreement established a figure of € 6.2 million per year (to be increased in line with the consumer price index) for direct press subventions, rising by 1.5% annually until 2010. These aids are to be funded, in principle, by the Community budget and the television channels (RTBF, RTL and YTV), which are to contribute (in a proportion which will decrease over the years) a total of € 8,905,897 between 2004 and 2007, accounted for by unpaid amounts accruing from previous years.<sup>15</sup> After 2008, press subventions will be funded exclusively by funding drawn from the Francophone Community budget (Service des Études Juridiques du Sénat Français, 2004).

The present conditions for award of the subventions are regulated by the decree of 31 March of 2004 “relative to aid assigned to the daily Francophone press and to development of daily Francophone press initiatives for schools”, which reserves the award of subventions to the Centre for Aids to the Written Press, which is answerable to the Broadcasting and Multimedia General Service which, in turn, is associated to the General Secretariat of the Ministry for the French Community.

The subventions are for newspapers published in French, printed and published “on paper with the help of a rotary press, with at least 200 paid editions appearing per year, containing at least 16 pages of information, analysis and comment on political, economic, social, sporting, scientific and cultural matters, at national, international, community or regional level” (art. 1.4). The newspapers must also comply with the sectoral collective agreements, particularly the deontological code, which is annexed to these agreements (art. 7).

The direct subventions (€ 6,412,660 in 2006)<sup>16</sup> are directed at:

- the creation of new titles (maximum 5% of the total);
- the development of programmes to encourage reading of the press and reader education programmes (maximum 5% of the total);

14. Data obtained from Ingrid Kools (Department of Culture, Youth, Sport and Media of the Government of the Flemish Community of Belgium) in May 2006.

15. See note 12.

16. Figure provided by Catherine Bouillet (Centre of /for Aids for the Written Press of the Ministry of the Francophone Community of Belgium) in May 2006 (personal communication).

- the employment of fulltime professional journalists (a minimum of 48% of the total);
- adaptation of new technologies (maximum 2% of the total);
- titles or groups of titles with low advertising revenue (40%) (Chapter V of the Decree of 31 March 2004).

In addition, the government of the Francophone Community of Belgium assigns an annual specific funding package (€ 419,000, rising in line with the consumer price index) for initiatives promoting press circulation in schools (Chapter VI):

- € 240,000 for papers for schools;
- € 14,000 for papers for specialised schools;
- € 100,000 for awareness-raising measures among secondary students;
- € 40,000 to fund visits by journalists to primary schools;
- € 25,000 to fund visits by journalists to secondary and specialised schools.

## Denmark

Denmark Indicators	
Total population (in millions) (2005)	5.43
GDP-PPP (in millions of dollars) / world ranking	33,089 / 7
HDI / world ranking	0.932 / 17
Newspaper Readership Index	302.5

<sup>17</sup>Figure provided by Merete Rønmos Nielsen (Danish Ministry for Finance) in August 2005 (personal communication).

<sup>18</sup>Until 2005, this Institute had received funding from the press sector and the State to provide financial support to papers in difficulties. In contrast, the new Commission will only receive funding from the State, and had its budget recently approved by the Danish parliament.

The Danish press subventions model was reformed in 2005, with the passing of the Law on the Daily Press Board, a body established to maintain and improve pluralism and diversity in the Danish newspaper and periodical market.

The Board, which had a budget of € 1.88 million in its first year of existence,<sup>17</sup> replaced the earlier system which had been managed by the Institute for the Funding of the Daily Press.<sup>18</sup>

The Daily Press Board comprises five members, without links to newspaper interests, who are appointed for four-year periods. The Board chairperson is directly appointed by the Danish Prime Minister and must be a jurist of recognised prestige with no links to the state Administration. The other four members are also appointed by the Prime Minister, but in this case, he or she must attend the proposals made by a number of other bodies. Two of the members must be approved by the Trade and Industry Council and the Research Council for Culture and Communication, respectively, (both organisms being advisory bodies to the Ministry of Innovation and Technology). The other two members are proposed by the National Union of Journalists and the Association of Danish Newspapers, respectively.

The Board may provide funding to newspapers in the following cases:

1. Creation of new titles.
2. Restructuring of newspapers encountering financial difficulties.
3. Support for publications going bankrupt.

In addition to this system, the Danish Ministry of Culture also launched a programme of distribution subventions in June 2004, aimed at papers with cultural, educational, sporting, religious or environment-linked content which are published by non-profit bodies. The total funding allocated in 2005 was 28 million Danish crowns, approximately € 3.76 million.

Moreover, in June 2006 the Danish Parliament approved a new subsidy scheme for the distribution of daily newspapers. It is estimated that the overall subsidy will amount to a total 323 million Danish crowns every year, equivalent to € 43.29 million. The law has been sent to the EU Commission for approval in accordance with state aid regulations. It is foreseen that the new scheme will be in place by 1 January 2007.<sup>19</sup>

Indirect subventions are also significant in Denmark. This includes reduced postal rates, although since 2006 only papers appearing at least five days per week can avail of these.<sup>20</sup> In addition, general information papers and magazines—as opposed to weeklies or specialised magazines—are exempt from VAT (the standard VAT rate in Denmark being 25%), which represents an annual saving of € 135 million, shared between some 60 dailies and between 15 and 20 magazines.

<sup>19</sup>Lotte Kristoffersen, Danish Ministry for Culture, in June 2006 (personal communication).

<sup>20</sup>See “We'll do it our way, newspaper says”, in *The Copenhagen Post*, 24 February 2006. <http://www.cphpost.dk/get/94081.html> (consulted: March 2006).

## Finland

### Finland Indicators

Total population (in millions) (2005)	5.25
GDP-PPP (in millions of dollars) / world ranking	29,305 / 16
HDI / world ranking	0.935 / 13
Newspaper Readership Index	522.1

With high circulation figures — in fact the third highest in the world after Norway and Japan — Finland follows the same pattern as the other Nordic countries, in which newspaper reading is deeply rooted and in which papers are mainly sold by subscription. Finland's Ministry of Transport and Communications also sees public subventions as a means of ensuring press diversity and, in particular, the survival of papers representing different political views. Over the last three years — 2004, 2005 and 2006 — Finland has contributed €13,614,000 per annum through the two main direct press subvention mechanisms established by the governmental Decree on Press Subventions, passed on 27 December 2001: selective subventions and parliamentary subventions.<sup>21</sup>

<sup>21</sup>Press subsidies have as such been granted since 1971. Source: Aleksandra Partanen, Media Policy Unit of the Ministry of Transport and Communications, Finland, in March 2006 (personal communication).

In addition, the Finnish system reserves € 800,000 (5.5% of the total budget for press subsidies) for subventions for periodicals of cultural content, awarded by the Ministry of Education. The total budget was more than €14.5 million in 2004. Source: "Statistics Finland: Finnish Mass Media 2004" (2005), in *Culture and the Media 2004*, vol. 2. Helsinki.

<sup>22</sup>This province, comprising 6,500 islands, has a higher degree of autonomy than the other five Finnish provinces. For example, the official language there is Swedish.

Finland has recently reformed its press subvention system, by means of a governmental decree on the modification of the Decree on Press Subventions, passed on 14 April 2005. This created the Press Subsidies Committee. The commission members are appointed for three years and comprise a chairperson, appointed by the government, and a maximum of 12 members, all of whom have press or media experience or knowledge and who represent various social and linguistic groups. Once applications have been assessed, the Committee makes a non-binding recommendation to the government regarding assignment of the selective subventions. The Committee also collaborates with the Ministry of Transport and Communications in drawing up the subvention and awarding criteria.

In the area of indirect subventions, Finland has eliminated VAT payments for daily newspapers (and only daily newspapers) sold by subscription. VAT on direct daily newspapers sales is charged at the standard 22% rate (Turku School of Economics and Business Administration and Rightscom Ltd, 2004).

## France

### France Indicators

Total population (in millions) (2005)	60.50
GDP-PPP (in millions of dollars) / world ranking	27,913 / 23
HDI / world ranking	0.932 / 16
Newspaper Readership Index	160.3

France has the oldest and probably most complex system of press subventions in Western Europe.

According to the Directorate for Media Development, a dependent body of the Ministry of Culture and Communication, the three main objectives of France's press subvention policy in 2006 are: promotion of circulation, defence of pluralism and modernisation and diversification of media companies to incorporate a multimedia dimension.<sup>23</sup> On the basis of these objectives, the direct press subventions currently employed (the system having been largely reformed in November 2004) are as follows:

#### 1. Circulation subventions (€ 21,696,067 in 2005):

- reduced National Rail Service fares;<sup>24</sup>

<sup>23</sup>[http://www.ddm.gouv.fr/rubrique.php?id\\_rubrique=27](http://www.ddm.gouv.fr/rubrique.php?id_rubrique=27) (consulted: May 2006)

<sup>24</sup>We have followed the classification used by the Media Development Directorate, although this modality of subventions complies more accurately with the defining features of indirect subventions.

- subvention for decentralised newspaper printing;
- subvention for modernisation;
- subvention for distribution and promotion of French press abroad;
- subvention for *portage* (delivery to subscribers' homes of daily general and political information press by means other than post);
- subvention for regional and local weekly publications;
- subvention for distribution of daily general and political information press at national level.

## **2. Subventions to promote pluralism (€8,055,895 in 2005):**

- aid fund for national daily general and political information press with low income from sale of advertising space;
- aid fund for regional, departmental and local general and political information press with low income from sale of advertising space.

## **3. Subventions for modernisation and diversification of media companies for incorporation of a multimedia dimension (€47,700,000 in 2005):<sup>25</sup>**

- aid fund for development of online services in newspapers;
- subvention for modernisation of daily general and political information press and distribution of national daily general and political information newspapers.

Of all these categories, the subventions which are most truly selective in nature and which have the largest total budget are those in the third category, which are regulated by Decree no. 99-79, of 5 February. These are genuine project subventions, the total funding of which rose considerably in 2005. An advisory committee, made up of six government representatives and another six on behalf of media companies, also plays a role in assignation of these funds. Another important issue in management of these funds is the control committee — made up of one member of the Audit Office, another representing the Ministry of Culture and Communication and a third from the

Ministry of Economics and Finance, whose role is to ensure that the funding is used for the purpose for which it was assigned.

The French model also includes a wide variety of indirect subventions: preferential postal rates, a VAT rate of 2.1%, tax-relief, the waiving of professional taxes for publishers, reduced Social Security rates and subventions to promote reading of the press.

This latter subvention (to promote reading of the press) is now going through what could be described as an experimental phase with presentation, in October 2004, of the report entitled *Young people and the reading of daily general and political information newspapers*, written by the counsellor of State Bernard Spitz for the Minister of Culture and Communication.

In the aftermath of the *Spitz Report*, a number of projects were approved in July 2005 addressed to promoting newspaper reading among young people. Among them was a project entailing the sending of newspapers to the documentation and information centres of some 1,000 secondary schools and another, aimed at promoting development of online interactive blog-type content, allowing students to express their views on current issues, with the undertaking that the best contributions would be printed in the paper editions.<sup>26</sup>

Finally, the French government — like its Spanish counterpart with EFE — has an annual service contract with Agence France-Presse, to a total value in excess of €100 million in 2003<sup>27</sup> and which could be considered to be a form of indirect press subvention, in that it supposes a reduction of the cost of services provided by this agency to the general media.

## **Luxembourg**

### **Luxembourg Indicators**

Total population (2005)	465,000
GDP-PPP (in millions of dollars) / world ranking	63,609 / 1
HDI / world ranking	0.933 / 15
Newspaper Readership Index	303.0

Newspaper subventions in the Grand Duchy of Luxembourg are automatic in nature. In other words, they are awarded to all publications meeting the requirements set out by the law of 3 August 1998 on promotion of the printed

<sup>25</sup>Verte budgetaire pour 2005:  
[http://alize.finances.gouv.fr/budget/plf2005/somme\\_r05.htm](http://alize.finances.gouv.fr/budget/plf2005/somme_r05.htm) (consulted: May 2006).

<sup>26</sup>[http://www.ddm.gouv.fr/article.php?3?id\\_article=970](http://www.ddm.gouv.fr/article.php?3?id_article=970) (consulted: May 2006).

<sup>27</sup>[http://www.ddm.gouv.fr/article.php?3?id\\_article=213](http://www.ddm.gouv.fr/article.php?3?id_article=213) (consulted: June 2006).

press. These include appearing at least once per week, having a fulltime staff of at least 5 journalists, inclusion of general interest content and that advertising account for less than 50% of the total edition (art. 2).

The total funding provided by these subventions is made up of a fixed fundamental component, determined for each year by means of a regulation, together with an additional sum which depends on the number of written content pages. In 2005, total funding amounted to €6,631,058, shared between 11 publications.

Indirect subventions include a VAT rate of 3%, preferential postal rates and a ceiling on radio and television advertising revenues, for example, RTL Télé Lëtzebuerg was not permitted advertising revenue of more than €6,282,000 in 2005.<sup>28</sup>

## Norway

Norway Indicators	
Total population (in millions) (2005)	4.62
GDP-PPP (in millions of dollars) / world ranking	40,005 / 2
HDI / world ranking	0.956 / 1
Newspaper Readership Index	650.7

The Norwegian press subvention system, one of Europe's oldest, is presently managed by the Ministry of Culture and Church Affairs, through the Media Authority.

The total volume of direct press subventions is high in Norway at almost €35 million. Especially significant are the production grants with funding of €30.62 million in 2006.<sup>29</sup> These are the successors to the subventions for consumption of printed press (Skogerboe, 1997: 106), and are awarded in proportion to circulation, the applicant's market position and company stability and accounts. These grants are especially beneficial for secondary rank circulation periodicals and local publications. In fact, the production grants include a special item aimed at compensating non-leading papers for the loss of income arising from not publishing state advertising.

Another direct subvention is addressed to newspapers in Sami,<sup>30</sup> which are concentrated in the Finnmark region (whose population is recognised as a

<sup>28</sup>Data provided by Pierre Goerens, Government Media and Communication Service (Ministry of State of the Grand Duchy of Luxembourg) in personal communication (April 2006).

<sup>29</sup>See Norwegian Media Authority: "Regulations concerning production grants for daily newspapers". <http://kringkast.medieetlyset.no/sw263.asp> (consulted: May 2006).

<sup>30</sup>Sami is one of the three official languages of Norway. There are a number of dialects spoken in the north of Norway, Sweden, Finland and Russia.

nation with its own identity within the Norwegian State). These subventions totalled €1.61 million in 2006. Support for Finnmark's publications is completed by distribution subventions totalling €194,000.

The Norwegian State also awards subventions (totalling €133,514 in 2006) to publications in other minority languages and assigns €1.49 million to promotion of media research and training of journalists and media technical staff and managers.

Finally, as a result of the survival of the political press, Norway still pays subventions to the information activities of the political parties (€1.02 million in 2006).

According to the Norwegian Media Authority, in addition to these regulated grants, there are also other small discretionary subventions (which the same source estimates at some €606,000). These are paid by various ministries to publications whose subject matter is relevant to the brief in question).

In the sphere of indirect subventions, Norwegian dailies (and not weeklies) are exempt from VAT payments at 24%, and the Norwegian Parliament has recently approved a subvention of €1.74 million to compensate papers for the rise in postal charges. The mechanism regulating distribution of this funding has not yet been put in place.<sup>31</sup>

## Portugal

Portugal Indicators	
Total population (in millions) (2005)	10.50
GDP-PPP (in millions of dollars) / world ranking	19,038 / 42
HDI / world ranking	0.897 / 26
Newspaper Readership Index	68.6

The legal framework of the Portuguese press subvention system was modified in 2005, with a view to "favouring prevalence of a business model as opposed to the protectionist model which characterised much of the Portuguese national and regional media sector". The specific objectives of the new legislation were "to convert proximity media into a genuine agent of local and regional development; to promote multimedia in the media; to foster the reading of proximity press as an authentic vehicle for culture; to develop strategic accords between media bodies without prejudice to company inde-

<sup>31</sup>Bjorn Tore Østeraas, Press Section, Norwegian Media Authority, February 2005-May 2006 (personal communications).

pendence, and to incentivize practical training and employment of media professionals” (preamble to the Decree-Law 7/2005, of 6 January).

In this the Portuguese government is especially concerned to promote local and regional media: press (printed and online) and radio. This is reflected by the fact that these are the only media (now and before the afore-mentioned reform) to receive the public media subventions awarded each year.

At present, there are four categories of direct media subventions in Portugal in general:

- for entrepreneurial initiative and multimedia development;
- for human resources qualification and development;
- for media research and publication of studies;
- other specific subventions.

Of these categories, the last two are addressed to funding congresses, conferences, studies and publications and cannot therefore be considered as press subventions as such. Of the other two, of most interest for our present purposes is the first—subventions for entrepreneurial initiative and multimedia development. Total funding for these subventions for the press in 2005 amounted to €336,366,89.<sup>32</sup>

For accurate interpretation of this figure, it must be borne in mind that the total budget for direct media subventions in Portugal in 2005 totalled € 563,678,56 (€186,906,67 for entrepreneurial initiative and radio multimedia development).

Portugal also has indirect press subventions: some of which are widespread in Europe (reduced postal charges and VAT), whereas others are specific to Portugal (subventions aiming to ensure the same prices for books, magazines and papers in continental Portugal and the autonomous island regions of the Azores and Madeira).<sup>33</sup>

All these subventions are awarded by the Social Communication Institute, a public institute which is independent of government but whose directors are nominated by the minister with responsibility for media policy.<sup>34</sup>

<sup>32</sup>These aids underwent changes due to Decree-Law 43/2006. The reform arose due to the excessive rise in the budget required for transport of products sold or provided free with periodicals. A drastic reduction in these subventions is foreseen, possibly from €2,464,278,64 in 2005 to €720,000 in 2006.

<sup>33</sup>All these data have been obtained from the Social Communication Institute website (<http://www.ics.pt>) and from personal communication with Rui Mouta.

## Sweden

### Sweden Indicators

Total population (in millions) (2005)	9.04
GDP-PPP (in millions of dollars) / world ranking	28,205 / 21
HDI / world ranking	0.946 / 2
Newspaper Readership Index	489.4

Sweden is one of the countries with the longest tradition in this area and its press subventions are regulated by the Statute of Annual Subventions to the Press of 31 May 1990, which has been amended twice since its enactment (in 1996 and 1999). The body with responsibility for awarding the subventions is the Press Subsidies Council, which reports to the Ministry of Culture. The Council's total funding in 2003 totalled 509 million Swedish crowns, some €57 million.<sup>34</sup>

The main direct subventions are the following:

- *operating subventions*: with total funding of around € 45 million, they are directed at what are known as secondary dailies, i.e., papers with a lower circulation which attract less advertising. Electronic publications, publications in Finnish or publications aimed at other minority language groups in Sweden, are also eligible for these grants.
- *distribution subventions*: with total funds of 9.2 million, these subventions are awarded to publications whose distribution is outsourced to an external company, for at least two papers). Again the priority is for secondary papers, since the price for joint distribution depends on the importance of the publication, and the awards tend to go to papers with lower circulation figures.
- *development subventions*: with total funds of around € 2.8 million, these aids cover the costs of modernisation of computer and technical equipment.

In the area of indirect subventions, Sweden applies a VAT rate of 6% to the sale of newspapers (as opposed to the standard 25%). In addition, the 1970s saw introduction of a tax on printed advertising. This measure aimed to contribute to the funding of direct press subventions and benefited newspaper publishers with a number of advantages, for example, they were only liable to payment of the tax when advertising revenues exceeded 60,000 crowns, as

<sup>34</sup>Sara Gunnarsson, Swedish Press Subsidies Council, February 2005 (personal communication).

<sup>35</sup>In Sweden, the Talking Newspapers Council also grants government subsidies to daily papers with a spoken version addressed to the visually impaired.

opposed to the usual threshold level of 20,000 (Service des Études Juridiques du Sénat Français, 2004).<sup>35</sup>

## Conclusions

From the above, it can be concluded that four main modalities of direct press subventions are employed in Western Europe:

### *1. Aids addressed to non-leading publications, papers with relatively low advertising revenues or papers experiencing economic difficulties.*

These subventions (usually, selective in nature) are, undoubtedly, the most widespread, although they tend to be afforded most priority in countries where the media function within what is referred to as the democratic corporatist model.<sup>36</sup> They exist in Austria (aids to promote the availability of a diverse range of newspapers); in the Francophone community of Belgium (aids for new titles and groups of titles with low advertising revenue); in Denmark (aids for restructuring newspapers experiencing financial difficulties and support for publications at risk of bankruptcy); in Finland (selective subventions); in France (aids for national political and general information dailies with low advertising revenue; and aids for regional, departmental and local political and general information newspapers with low advertising revenue); in Norway (production grants), and in Sweden (operating and distribution grants).<sup>37</sup>

### *2. Subventions to improve the quality of press writing.*

These subventions (also selective in nature) are clearly to the fore in Belgium. For example, in the Flemish-speaking community, improving the quality of press writing is the priority objective underlying the protocol signed by the government and publishers' associations for distribution of press subvention funds from 2003 on, and in the Francophone region almost 50% of direct subventions are for the purpose of employment of fulltime professional journalists.

These subventions also exist in Austria (measures aimed at enhancing quality and ensuring the future of the industry); in Norway (for training of journalists, media technicians and managers), and in Portugal (for human resources qualification and development).

### *3. Circulation subventions.*

Usually of an automatic nature, these subventions are especially significant in France (subventions for decentralised printing of newspapers, for modernisation, for distribution and promotion of the French press abroad, for newspaper delivery, for weekly, regional and local publications and for distribution of national daily political and general information press). They also exist in Austria (aids for the distribution of daily and weekly papers) and the subventions awarded by the Grand Duchy of Luxembourg could also be included in this category (a fixed proportion and an additional amount subject to the number of written pages published).

### *4-Subventions for technological reconversion.*

Very widespread in previous decades, these subventions (also selective in nature) constitute a priority area in France (funds for modernisation and diversification of media companies to incorporate a multimedia dimension) and Portugal (subventions for entrepreneurial initiative and multimedia development). They are also awarded, though on a lesser level, in Sweden (development subventions) and in the Francophone Community of Belgium (subventions for adaptation to new technologies).

In addition to these major modalities, there are also direct subventions for the creation of new titles (in the Francophone Community of Belgium and in Denmark); for the publications of non-profit bodies (Denmark), and for political party press (in Norway and, especially, in Finland).

In the sphere of indirect subventions, the most widespread measures are reduced VAT and preferential postal rates, although the privatisation of postal services in several states (i.e., Austria and the Netherlands) has reduced the impact of the latter.

Especially noteworthy is the variety of indirect subventions in existence in France where, together with the modalities outlined above, a range of tax relief measures are applied to newspaper publishers, who are also exempt from the professional tax, and enjoy specific terms for Social Security payments. France has also seen application of subventions aimed at fostering readership of the press, a category which, although some countries include it among the direct subventions, the authors feel would be more accurately classified as an indirect subvention.

<sup>36</sup>The main feature of this model, prevalent in northern and central European countries, is the coexistence of three main factors: a high circulation commercial media, which coexists with media with links to political and civil groups; a highly politicised media, which does not prevent them from achieving a high level of professionalism; and a strongly rooted tradition of free press, despite the high level of state intervention (Hallin and Mancini, 2004).

<sup>37</sup>We can also classify as press subsidies to non-leading publications — newspapers with relatively low advertising revenues or newspapers experiencing economic difficulties — those granted for linguistic reasons to periodicals published in minority or minoritised languages, which, generally, are not leading publications in the market. We have detected press subsidies based on linguistic criteria in the following Autonomous Communities in Spain: Galicia, Asturias, the Basque Country, Navarre and Catalonia. They also exist for Swedish language publications in the Finnish province of Åland, and for those in the Sami language in the Norwegian region of Finnmark. Similarly, the United Kingdom and Ireland also provide language-based subventions.

Initiatives to foster newspaper reading also exist in Austria and the Flemish and Francophone Communities of Belgium.

Turning to the actual amounts allocated by the various governments to newspaper subventions, it can be seen that the states investing most in this area are those within the above-mentioned democratic corporatist model (all characterised by high press readership indices and high standards of living, as can be seen from the GDP-PPP and HDI indices) and France. For example, Austria spends €12.8 million on press subventions; Finland, €14.5; Norway, €35; Sweden, €57, and France some €78 million (although France's press market is much larger than that of the others).

Regarding the systems employed for assignation of subventions, three main modalities emerge:

*1. The most widespread system is that a governmental department, normally linked to the general area of Culture, is responsible for management and control of the entire subvention assignation process.* This is the case of Belgium (Department of Culture, Youth and Media of the Flemish Community, and the Centre for Aids to the Written Press of the Ministry of the Francophone Community), Finland (Ministry of Transport and Communications and the Ministry of Education), France (Directorate for Media Development of the Department of Culture and Communication), Luxembourg (Media and Communications Services of the Ministry of State), Norway (Media Authority of the Ministry of Culture and Church Affairs) and Sweden (Press Subsidies Council of the Ministry of Culture).

However, it should be pointed out that in a number of countries the government also may draw on the advice of a committee, which means that alternative voices may at least be heard in the process, even though their views may not be binding. France, for example, has a guiding committee made up of six government and six press representatives, which only plays a role in assignation of subventions for modernisation and diversification of the press to incorporate a multimedia dimension, and a Press Subvention Committee has just been established in Finland, comprising a maximum of 12 representatives of different social and political groups, which will make proposals regarding the selective subventions to the Ministry of Transport and Communications.

*2. At the opposite extreme of the system described above, we find Austria, where it is the independent Broadcasting and Telecommunications Authority (KommAustria) that allocates press subventions.*

*3. A third system is where subvention system management is in the hands of a body enjoying a certain degree of independence from government, i.e., it is not structurally part of the Ministry although its members are normally government-designated.* Examples are Denmark's Daily Press Board and Portugal's Social Communication Institute. In the case of Denmark, two of the Committee members are nominated by the National Union of Journalists and by the Association of Danish Journalists, respectively.

Finally, it must be stated that the situation regarding modalities, total funding and assignation systems for the 2005-2006 period must be seen in the context of the ongoing reform of the system of press subventions in Western Europe. The relevant legislation has been amended in Austria, the Francophone Community of Belgium, Denmark, Finland, France and Portugal over the last two years, and that of Sweden is to be amended shortly too.

Nor must we forget the case of Catalonia. Indeed, this study would not have been carried out if not in the context of the reform of press subventions undertaken by the new Catalan government elected in November 2003.

In any case, it is our hope that this symposium will serve to clarify the purpose underlying this reform process and to evaluate its first results. We also hope that the outline map we have provided, together with the contributions of others with in-depth knowledge of the individual countries and the underlying sociocultural factors, will serve as a basis enabling us to outline possible future developments in the area of press subventions.

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# **Press Subsidy Policy Models in the European States**



## Press Subsidies in Norway<sup>1</sup>

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Thank you very much for inviting me to give this presentation on the press subsidy system in Norway. It's a great honour to be invited to do so. And also I'd like to thank the hosts for taking the initiative with this symposium. I believe it's the first of its kind in Europe, at least in recent history. It's a good opportunity to learn more, of course, but also to establish a dialogue between the people who are dealing with press subsidies in various European countries.

Norway is one of those countries that experienced a decline in the number of newspaper titles in the 1950s. This led to a lot of concern, primarily regarding the democratic effect and the cultural effect, and subsequently and ultimately led to the establishment of the press subsidy system, a few years later. But before I go into the details of the press subsidy system, I will tell you a bit about Norway and the press structure in Norway.

This is the country. There are 4.6 million people living in Norway; most of them live down here, but there are vibrant local communities scattered all over the country. In fact, there are 431 of them; almost half of them have their own newspaper. There are 1.9 million households, and the daily reach of the newspapers is 74%, meaning that 1.5 million households will receive a newspaper on a daily basis. The Norwegians are great newspaper consumers: they are the second greatest newspaper buyers in the world, second to Japan, and the average Norwegian reads newspapers for 39 minutes each day.

The press structure is the following: there are 220 paid-for titles. There are also quite a few free titles, but I don't have the exact number; I believe there are something like 20 or 30 free titles each day, these days. Of the 220 paid-for titles, 190 are local or community papers. This number has been stable for the last few years, but each year some new newspapers are established and some newspapers go out of business. I believe that last year three new newspapers were established in Norway. The new newspapers tend to be local.

The circulation of Norwegian newspapers has been in a state of decline, as was mentioned earlier, and in 2005 the total circulation was 2.5 million copies on

a daily basis. Of those newspapers, 75% were delivered to people's homes, either by mail or by the papers' own distribution companies, and 25% were single copies that people picked up in the stores or the gas station, and so on.

One third of the newspapers are dailies, published five times or more a week; one third are weeklies, all local newspapers; and one third are published two to four times a week. In approximately 20 cities and local communities there are two or more newspapers.

The total revenues of the press in Norway in 2005 were € 1.7 billion and the total profits were € 185 million. So, as you can see, the press seems to be a rather healthy part of the Norwegian economy, and I believe it is, but 2005 was a very good year for the Norwegian press. If you go a few years back in time, the situation was quite different from what you can see here.

There are 9,000 journalists employed in the Norwegian papers — that includes part-time journalists — and three media houses control 60% of the circulation; they control 73 titles, and 17 of the largest titles. However, quite a number of the newspapers are still independently owned: approximately two-thirds of the newspapers that receive direct subsidies are independently owned.

Now I'll go into the press policies. The bottom line on Norwegian press policy is that a diversified press is a democratic and cultural asset, and the way to achieve that goal, or to sustain a diversified press, is to secure the economic foundation for the continued publication of a large variety of newspapers catering to all groups in society, and also to secure national, regional and local alternatives to the leading daily newspapers.

The subsidies have, ever since they were established, been directed specifically towards newspapers which are in a difficult market position, and a difficult market position can mean two things — I will get back to that a little later on.

Another principle of press policy is that a press subsidy should not infringe upon the independence and the freedom of the press. It doesn't make any difference what you print in your newspaper; you will receive the subsidy if you qualify according to the criteria, no matter what you print. A current example is a newspaper that printed a rather infamous cartoon of Muhammad last year; it has applied for a so-called production subsidy this year, and there is no way that you can exclude that newspaper from the production scheme, and believe

me, we've turned every stone, because this was a very controversial thing that happened. It's fair to say that the press subsidy scheme as it is today is widely accepted throughout society, within the press itself, in public opinion — and I believe that this is so because there are a large number of titles available to the population — and among the political parties. There is only one political party represented in parliament that is against the press subsidies, it is sort of wishy-washy these days — it used to be in favour of it when it was in government last year, but now it hasn't really made up its mind, I guess — and the rest of the political parties are in favour of the press subsidy schemes.

As in most other European countries, the press subsidies are divided in two. First we have the indirect subsidies: in Norway they are in the form of exemption from VAT on sale, and this is something that all the newspapers can get. The total value of this was € 160 million in 2005.

Second we also have direct subsidies. I'm going to concentrate on these. There are 157 newspapers that will share € 36 million in 2006. This subsidy equals less than 2% of the total revenue of the press, which means that the subsidy does not constitute a very large part of the total economy of the press, but of course it amounts to a large part of the economy of the individual newspapers that receive the subsidy. The budget for the subsidy is granted yearly by the parliament. The rates that are used to calculate the grant that each newspaper receives are set by the Ministry of Culture and Church, and the regulations that all newspapers have to adhere to are also set by the Ministry. The Norwegian Media Authority administers the subsidies, and as was mentioned earlier by Professor Humphreys, cooperation between press organisations and government agencies constitutes an important part of developing press policies and press subsidy schemes. This is sort of the way that you do political business in Norway; it's not something special about press policies.

By far, the largest and most important of the press subsidy schemes in Norway is called the *production subsidy*. It's aimed at what you could call general or regular newspapers, and I will first give you the general criteria that you have to fulfil to qualify to receive a grant. First you have to have a general news profile. This means that your scope has to be general. It's not sufficient to write, for instance, only about financial news, or news about the fisheries, or news about the lives of Norwegian movie stars; you have to have a general news profile to qualify. But your public can be small. You can cater to a very narrow segment of the market.

The editor has to adhere to the editors' code, set by the editors' and publishers' association. You can't pay dividends to your owners, and the profits of the newspaper can't exceed € 220,000 each year. If you violate any of these criteria, you are immediately ineligible for the subsidy; the money stream is cut off.

There are no subsidies for establishing new newspapers. You have to fulfil the criteria for one year before you can get a grant. There aren't any subsidies for free printed papers either, and there aren't any subsidies for papers published on the Internet, even though newspapers printed on paper can receive a subsidy and have a presence on the Internet.

The production subsidy scheme was established in 1969 by a centre-conservative government. That's a bit unusual, because they were of course more pro-liberal than other governments, but at that time the newspapers that were in trouble were the conservative newspapers, so I guess that's proof that pragmatism is quite alive and well in politics. The way that the production subsidy scheme is regulated has been amended several times, but currently the budget for the subsidy is € 32.5 million. In 2006, 139 newspapers qualify and the grants are allocated between the newspapers according to objective criteria: circulation, frequency, place of publishing.

There are, so to speak, two chapters in the production subsidy. One is for the non-competitive newspapers, or the No. 2 newspapers; they receive 77% of the subsidy (€ 25 million). The other is for local newspapers, and they receive 23% of the subsidy, that is, € 7.5 million.

Now we'll go a little bit more into the non-competitive papers. These newspapers have in common that they are the second paper at the publishing location — or the third paper, for that matter, or the fourth, even. They are all in a very precarious economic situation; it's fair to say that if they don't receive the production subsidy they will close down within days or months. They have a combined pre-grant deficit of € 26 million; the subsidy amounts to € 25 million. So these newspapers fulfil the aim of securing national, regional and local alternatives to the major papers.

To qualify, they furthermore have to have a circulation of between 2,000 and 80,000 copies, and they must be published three times or more each week.

There are some special treatments with this chapter of the production subsidy, and I will mention one. One was mentioned earlier, but the one that I am

going to mention is that five newspapers are deemed particularly valuable national alternatives. The other 14 are local and regional alternatives — mostly local — but five are national alternatives, and they have in common that they have quite a small circulation, but they have readers all over the country. This means that they have a very expensive distribution, and they're not very attractive to advertisers, so they are in need of special subsidies, and consequently €766,000 are earmarked for those newspapers, on top of what they will get in line with the other 14 non-competitive titles.

Then we have the local newspapers. There are 120 local newspapers that receive a production subsidy. There are approximately 80 local newspapers that don't receive a production subsidy, and that is because they are too large; they have a circulation of more than 6,000. The ones that receive a production subsidy have in common that they are published in the smaller local communities, and they have a combined pre-grant profit of €645,000. That leads, of course, to the question whether it's worthwhile to spend another seven and a half million euros to subsidise these newspapers that already run with a profit; but then, of course, one has to take into consideration that 2005 was a very good year, and furthermore that there is a large variety of different newspapers in question here. As a general rule we can say that the smaller the circulation — and that has to do with the size of the community that they cater to — the weaker the economy of the newspaper. However, it's a fact that these newspapers are quite well-off today, or this year, and that the subsidy will make them even better-off. So they'll have a chance to build up some capital to meet some future challenges.

Now I will say a few words about the other press subsidy schemes that there are in Norway. First there is the *subsidy scheme for Sami newspapers*. Sami is an indigenous language; there are approximately 30,000 Sami people in Norway, and maybe half of them speak Sami, and the other half don't: I'm a Sami, and I don't speak Sami. The press subsidy scheme was established in 1987. There are five newspapers or publications that share €1.7 million in 2006. Only three of them are regular newspapers — the other two are more like special cases — and those three papers, one printed in Norwegian and two printed in Sami, receive 98% of the combined subsidy.

There is also a small scheme for supporting minority language newspapers. These are publications in the languages of immigrant groups. The scheme was established in 1980, and in 2005 there were seven publications that shared €152,000. The languages represented in 2005 were Urdu (that's a Pakistani language), Serbo-Croatian and Chinese.

And finally we have some other schemes as well. One is a scheme that has recently been passed in parliament, I think it was on Friday: *compensation for increasing mail postage*. The Norwegian newspapers have experienced a dramatic hike in the tariffs from the Norwegian mail company during the last three years, and a compensation scheme has been put in place, or is in the process of being put in place, to compensate at least some of those newspapers. The budget is, I believe, €1.8 million — at least that's what was proposed. There isn't much to say about how the money will be distributed among the newspapers yet, because it's too early in the process. But that'll become clear in the autumn.

Then there's something called *certain publications*. These are newspapers and publications that don't really qualify for a press subsidy, but they get it anyway, and to put it a bit informally, it's more like the pet papers of the members of parliament that get a bit of money here. They share €1 million.

Then there is a *scheme for support for distribution* for newspapers in the county of Finnmark. Finnmark is the northernmost county in Norway, and they have the most scattered population. The nine newspapers published there share €205,000.

And lastly there is also a *budget for media research*: €1.6 million. It's shared between secondary education for journalism and gathering of statistics about media consumption, etc.

Finally I will relate some of the challenges that the Norwegian press are facing, according to the press organisations. One is the Internet, as was mentioned earlier. The special challenge in Norway is the challenge that the local newspapers have; how will they get a presence on the Internet so that they can tap into the advertising money? Nobody has the answer to that yet, but so far at least, this is something that the press itself has to deal with. There aren't, as far as I know, any political proposals in the pipeline to introduce subsidies for facilitating establishment of Internet papers in Norway.

Then there is the question of decreasing circulation. This is actually something that is mostly experienced by the major national newspapers. The local newspapers have had an increasing circulation for the last 14 years, and it's mostly the largest national newspapers, especially the tabloids, that have a decreasing circulation. What they say is that they are losing the young readers; the young readers want to read newspapers — or news — on the Internet, not

on paper. So their challenge is to get the young readers to read news on paper. I don't know how they will do it, but that's their challenge, anyway.

Then there is the challenge that comes from the free newspapers. Each year several new free newspapers are established, and the challenge to the paid-for newspapers is of course that the free newspapers tap into the advertisement budgets of the other newspapers. For the media houses the answer is to establish free newspapers themselves, but the independently owned newspapers don't have the resources to do that, mostly, so they have a choice between continuing to be paid-for newspapers and being free themselves, but then they would lose the production subsidy. So that's the situation.

And then finally, the local newspapers experience a special challenge when it comes to centralised or de-centralised purchase of advertisements. This comes from the proliferation of chain stores in Norway. There are fewer local advertisers now than there used to be, and how the local newspapers will get a part of the advertising from the big chain stores is a major question.

## Press Subsidies in Austria

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### Historical Background

The first Act on Press Subsidy in Austria came into force in 1975. It was meant as a means of financial compensation for the new value added tax system, which imposed additional costs on newspapers, which had to face economic and financial problems causing an ongoing decline in the number of daily newspapers at the end of the 60s and the beginning of the 70s.

With the amendment of the 1978 bill, the Press Clubs and non-profit organisations which promote training of young journalists were welcome to apply for subsidies.

While according to the above-mentioned idea of compensation, the total funds were distributed among all publishers depending on their payments for value added tax and cost of distribution and telephone in equal proportion. In the first half of 1980 a constitutional commission reported the need for splitting the bill into a general section — of subsidization, representing the regulations of the previous bill — and a new section -selective subsidies, the so-called *special subsidy for the maintenance of variety*. Daily newspapers in an economically weaker position — as regards number of distributed/sold copies and volume of advertising space (by pages), which met a number of additional conditions provided for in the 1985 Amendment, could apply for it.

The above mentioned press subsidy bill was under review, when the Prime minister commissioned a study on press subsidies in 1998. One of the shortcomings of the old subsidy system was that newspapers which were developing successfully with growing advertising space could lose all their subsidies from one year to the next, thus creating a barrier to growth. Therefore, in 1999 the Act on Press Subsidy was amended in this regard to allow for a more gradual approach for growing newspapers.

## **Current System of Direct Subsidy**

After several years of discussion the new Act on Press Subsidy was decided upon by the National Parliament in December 2003 and came into effect in January 2004.

### **1. The role of the Austrian Communications Authority and the Press Subsidy Commission**

Since then, the Austrian Communications Authority (KommAustria) has been responsible for the federal press subsidies. Previously, the power of decision on the granting of press subsidies lay with the Federal government. Similar to the Federal government until 2003, the Austrian Communications Authority must consult an advisory commission before every decision upon an application for press subsidy. It takes all decisions on the basis of the Press Subsidy Commission's evaluation report on each applicant's fulfilment of the grant requirements. The commission must be consulted also before the publication of guidelines on press subsidies every year.

It consists of seven persons: two members are appointed by the Prime Minister, two members are appointed by the Austrian Newspaper Association and another two members are appointed by the trade union for journalists working in daily and weekly papers. These six persons elect a chairperson.

The report of the experts is not binding, nevertheless the Austrian Communications Authority and formerly the Federal government followed the advisory opinion of the commission in nearly all cases.

### **2. Different possibilities of direct subsidy**

In addition to distribution subsidies for daily and weekly newspapers (according to Section II) and special subsidies for the preservation of diversity in regional daily newspapers (according to Section III), the Press Subsidies Act of 2004 also provides for a number of measures to promote quality and to contribute to securing the future of the press (Section IV).

Under the heading "Promotion of Journalist Education", publishers of daily and weekly newspapers can now receive subsidies for the costs of training new journalists.

Another new development is the subsidy for employing foreign correspondents.

For the purpose of promoting the reading of daily and weekly newspapers especially at schools, associations having defined the promotion of reading as their sole objective can also receive subsidies. Publishers providing schools with daily and weekly newspapers free of charge can be reimbursed for up to 10% of the regular selling price.

The promotion of research projects in the newspaper field is also funded. Press Clubs can also receive subsidies.

### **3. Premises for daily and weekly papers**

The criteria for daily and weekly papers are the following:

- Political, economic and cultural information.
- Predominantly consisting of articles by the paper's own editorial staff.
- Not mere advertising vehicles, press organs of interest groups (not meaning political parties) or free papers.
- Not only local interest and circulation and importance in at least one province of Austria.
- Eligible papers must have been in regular production for half a year at the time of application.
- The selling price must not differ widely from that of comparable newspapers—and must be a fair market price, thus excluding newspapers practising price dumping.

Additional premises for daily papers are:

- Minimum of 240 issues per year.
- Proven minimum of at least 6,000 sold copies per issue in one province or 10,000 in Austria as a whole.

- At least six full-time journalists.

Additional premises for weekly papers:

- Minimum of 41 issues per year.
- Proven minimum of 5,000 sold copies per issue.
- At least two full-time journalists.

Newspapers of non-German-speaking national minorities (autochthonous ethnic groups) do not have to meet these additional conditions: Croatian minority, Slovenian minority, Hungarian minority, Czech minority, Slovak minority. No dailies are issued in a minority language but several weeklies do exist in Croatian and Slovenian.

#### **4. General subsidy for daily and weekly newspapers (according to Section II)**

All daily papers which meet the conditions of section 1 receive the same amount of money with one exception: the subsidy is cut in cases in which more than one daily of a publisher or publishing house is eligible. The subsidy for weekly papers is calculated according to the number of copies sold by subscription up to 15,000 and the number of issues per year.

#### **5. Special subsidy for daily newspapers for the maintenance of the variety of daily papers (according to Section III)—selective subsidy**

This kind of subsidy is granted to daily papers not in a leading market position — either in terms of readers or advertising.

The number of copies sold throughout the entire country must not exceed 100,000 per issue. The annual volume of pages dedicated to advertising must not exceed 50 percent.

Excluded from the special subsidy are newspapers which, in terms of sales, are national market-leaders or market leader in one of the provinces or in second position after the national market-leader in one of the provinces.

The amount of subsidy for each newspaper is calculated as follows:

- Each eligible newspaper receives € 500,000.
- The rest of the money provided for is calculated according to the number of copies sold in the main area of distribution (province) and the number of issues per year.

#### **6. Measures to promote quality and to contribute to securing the future of the press (Section IV)**

In addition to distribution subsidies for daily and weekly newspapers and special subsidies for the preservation of diversity in regional daily newspapers, the Press Subsidy Act of 2004 also provides for a number of additional measures. Two of them have existed since the end of the 1970s: the subsidy for non-profit associations for journalistic training and for press clubs which organise press conferences. Amongst them you find The Presseclub Concordia, founded back in 1859, the oldest press club in the world.

- *Journalistic training and employment.* Since 2004 — in addition to the above-mentioned training associations — publishers of eligible daily and weekly newspapers may receive a reimbursement for the costs of the employment and training of young full-time journalists (up to 1/3; maximum: € 20,000 per year). A similar reimbursement is possible for the costs of the employment of foreign correspondents (up to 1/2 of the cost, maximum: € 40,000).
- *Promotion of reading.* For the purpose of promoting the reading of daily and weekly papers especially at schools, associations having defined the promotion of reading as their sole objective can receive subsidies up to 50% of their costs. Publishers providing schools with daily and weekly newspapers free of charge may be reimbursed for up to 10% of the regular selling price.
- *Promotion of research projects.* For research projects contributing to the development of the press, a subsidy up to 50% of the total cost may be granted. Studies on self regulation, copyright and electronic archives, media-markets in Middle and Eastern Europe, changes in journalistic working conditions and some other areas have been granted subsidies since 2004.

### **Annual budget according to the Federal Financial Act 2006 (in Euro)**

Distribution subsidies according to <b>section II</b> of the Act on Press Subsidy 2004 for daily newspapers: 54 % for weekly newspapers: 46 %	4.525.050 2.443.527 2.081.523
Special subsidy for the preservation of diversity in regional daily newspapers according to <b>section III</b> of the Act on Press Subsidy 2004	6.644.500
Measures to promote quality and secure the future according to <b>section IV</b> of the Act on Press Subsidy 2004	1.668.400
Total funds	12.837.950

## **Further information**

Since 2004 the Austrian Communications Authority is obliged to publish all results of the subsidy. Therefore more detailed information (on the number of applications, the names of the applicants, the amount of money they are granted or the reason for rejection) can be found on the Internet under the following address:

[http://www.rtr.at/web.nsf/deutsch/Foerderungen\\_Pressefoerderung\\_Foerderungsergebnisse](http://www.rtr.at/web.nsf/deutsch/Foerderungen_Pressefoerderung_Foerderungsergebnisse).

The Communications Report 2005 provides detailed information on the Austrian Media Landscape. It has also been published on the Internet:  
[http://www.rtr.at/web.nsf/englisch/Portfolio\\_Berichte\\_nach+Kategorie\\_Berichte\\_KBericht2005?OpenDocument](http://www.rtr.at/web.nsf/englisch/Portfolio_Berichte_nach+Kategorie_Berichte_KBericht2005?OpenDocument).

### **Subsidy for Periodicals**

Periodicals published at least four times per year can be granted a subsidy by the Austrian Communications Authority according to Section II of the Act on Political Education. Every year, approximately 130 periodicals apply for this subsidy. The total funds provided for in the Federal Financial Act 2006 are € 361,000.

## Aid to the Written Press in the French Community of Belgium

Jean Louis Blanchart

*Director, Centre for Aid to the Printed Press, Ministry for the Francophone Community of Belgium*

### Aid to the Written Press between 1989 and 2004

Belgium is a federal State whose somewhat complex structure consists of a federal body and several federated bodies termed communities and regions, with exclusive powers. We may sum this up roughly by saying that the regions have competence in the area of the economy, while the communities have competence in the areas of culture and education.

Up until 1988, only the Federal Authority had competence for aid to the press. The constitutional reform of 1988, however, transferred this competence to the communities on 1 January 1989.

The communities thus inherited a system of federal aid organised around two laws:

• **Law of 19 July 1979 to maintain diversity in the daily opinion press**, which followed the 1974 law under the same name on the organisation of “direct aid to the opinion press”. The intention of the legislator was to counterbalance indirect aid (preferential rates for postal charges, telegrams, telephone costs, reduced prices and free choice of routes for rail transport, preferential treatment regarding VAT, and aid from the Ministry of Economic Affairs), which was especially beneficial to the large press companies. Through the organisation of special support for newspapers with small circulation lists, direct aid was pursuing the cultural objectives of maintaining pluralism of opinions. The law laid down criteria for the approval of press bodies for the purposes of receiving aid and stipulated that the related funds should be shared selectively among daily press bodies in line with the procedures laid down in the decrees. The Royal Decree of 20 July 1979 that brought the law into force stipulated that direct aid is attributed as a priority to the newspapers in the form of selective aid, and the remainder as compensation. The royal decree set out the conditions for access to selective aid on the basis of daily sales and limited advertising revenue. It set out a method of calculation to determine and distribute the total amount of selected aid. The compensatory aid was distributed on the basis of criteria that limit the

share attributed to the different newspapers on the basis of the importance of any economic ties between them.

• **Law of 6 February 1987 concerning radio and television distribution networks and commercial advertising on radio and television**, which stipulated, in article 17 §1<sup>er</sup>, that the King determine by decree deliberated in the Council of Ministers the procedures for attributing a part of the gross revenue from commercial advertising to the written press as fixed compensation for the loss of revenue due to the introduction of commercial advertising to radio and television. The intention of the legislator was to provide for an economic compensation mechanism for the impact that the introduction of advertising onto radio and television would have on the advertising revenue of the written press. However, this law has not been implemented by the Federal Authority; the French community implemented it within its jurisdiction as far back as November 1989, upon the introduction of commercial advertising on television programmes broadcast by the public service, RTBF.

Without going into details, we may note that the mechanism consisted essentially of injecting a part of the advertising revenue collected by RTBF and the private body RTL-TV (an injection of 1% of advertising revenue). These sums were paid into a special fund organised by the French community, which redistributed them to the press bodies in line with a formula related to the number of newspapers printed, their distribution and their readership. Unlike the Law of 19 July 1979, which favoured aid to newspapers with low circulation figures and low income from advertising, this mechanism favoured the bigger newspapers, as it was considered that these would suffer most from the introduction of commercial advertising to television.

These two systems, whose ultimate objectives were fundamentally different, coexisted until 2004, when the legislator of the French community decided to merge and rationalise aid mechanisms into one single decree. It was also decided to progressively abandon the system of supplying resources for aid to the written press from part of the advertising revenue of television bodies, so that aid might be totally financed by the budget of the French community from 2008 onwards. Conventions were therefore signed with the contributing television bodies for a progressive reduction in their contributions up until 2008.

## **Decree of 31 March 2004 Concerning Aid Attributed to the French-language Daily Written Press and the Development of Initiatives by the Daily Press in Education**

This decree creates a Centre for Aid to the Written Press in the form of a separately managed administrative department. This centre receives funding from the French community and from the payments made by television in accordance with the conventions mentioned earlier. The total resources of the centre may not be lower than € 6.2 million (price indexed from 2004 onwards).

According to this decree, the distribution of the sums allocated for aid to the media is on the basis of amounts attributed to different categories of aid:

- A first category of aid makes it possible to support the creation of daily newspapers or groups of newspapers during their first three years of existence. The request that is to be introduced should be written, justified, and should contain a financial plan that, while bearing in mind the elementary principles of prudence, evaluates the anticipated income and expenditure of the company from the moment it is formed. This is to serve as proof that company capital and the incoming revenue that could reasonably be expected are sufficient to cover all the company's expenses during a period of at least three years from the moment it is formed. The budget for this aid may not exceed 5% of the centre's budget.
- A second category aims to encourage the commitment of employed professional journalists, the development of citizenship training programmes for readers, and the adaptation of the written press to modern communication technologies. The criterion of the absolute relative number of employed professional journalists is extremely important in the method used to calculate aid, and this contributes to the editorial quality of the newspapers. The budget for training programmes may not exceed 5% of the centre's budget; the budget for encouraging the commitment of professional journalists may not be less than 48% of the centre's budget, excluding aid for educational initiatives; and the budget for modernisation may not exceed 2% of the centre's budget.
- A third category aims to ensure the greatest possible diversity within the daily press, basing aid on the economic results of each newspaper in line with a calculation method that benefits the newspapers or groups of news-

papers that are least profitable. The amount allocated to this category is equal to 40% of the centre's budget.

- A fourth category aims to develop initiatives to distribute daily newspapers in educational institutions, in particular through the operation *Open My Daily Paper* in infant and primary education and through the campaigns in secondary schools to generate press awareness among pupils. This category also stipulates that the French community should attribute a specific budget to the centre on an annual basis in order to support the participation of an association of professional journalists, the association representing editors of the daily press, and the resource centres for education in the media that are recognised by the French community. The amount allocated to this category has been specifically set at € 354,000 for the first stage and € 65,000 indexed for the second. We should also note that the allocation of this aid is under the direct control of the ministers in charge of education.

In order to handle the subject thoroughly, it is also necessary to mention that the aid not allocated to the creation of newspapers or groups of newspapers, the development of programmes to train the reader in citizenship, and the adaptation of the written press to modern communication technology, is allocated to encourage the commitment of employed professional journalists, confirming the importance of this criterion.

The granting of aid is conditional on fulfilment of certain eligibility criteria. In this regard, the legislator has considered that the quality and the editorial independence of journalists is a fundamental factor in a democratic and diverse press. This is why the decree makes the granting of aid conditional on the effective application by the daily press companies of the Code of Principles of Journalism, compliance by press companies with the collective sector agreements in force and, finally, compliance with copyright legislation. The newspaper company should also recognise any internal journalists' society that acts as a representative voice and consult it, in particular on issues that may, by their very nature, bring about fundamental changes to the editorial line, on issues concerning editorial organisation and on the appointment of the editor-in-chief.

The decree also states specifically that the centre may only grant aid upon written, justified request, after consultation with the association representing the editors of daily newspapers, Les Journaux Francophones Belges

(JFB), and the First Instance Approvals Committee created through article 2 of the Law of 30 December 1963 on the recognition and protection of the occupation of professional journalist. This consultation concerns the obligation of press companies requesting aid to respect the conditions laid down by the decree currently proposed in order to be allocated aid.

The financing of initiatives to circulate daily newspapers in educational institutions by the centre is subject to prior approval by the Educational Media Advisory Committee. This committee is organised by the Government of the French community and is made up of persons representing the media and the world of education. Its mission is, in particular, to express opinions to the Government on all questions regarding media education and to stimulate educational experiments likely to promote and evaluate media education, in particular through resource centres, actions and research.

### **Conclusions**

It is still too early to draw any significant lessons on the functioning of the new system of aid to the press in the French community. In addition, while this system is more rational than the aid mechanisms that existed previously, it remains quite complicated to apply.

So, during the whole 1989-2006 period we have seen a significant reduction in the number of daily newspaper titles in the French community, as well as a greater emphasis on the good conduct of the press companies. From this point of view, it should be stated that aid to the press has not been very effective in combating these marked trends which, it must be said, are also manifest in many other states. At the very most, we may say that aid to the press may have slowed these trends.

Another element that should be taken into consideration is the impact of new technologies on press circulation and the overall economy of the industry. The systems for aid should perhaps take these developments more into consideration. In any case, it may be stated that the provisional budget of the French community for the adaptation of the written press to modern communication technologies has not been used, through lack of requests.

### **Press Subsidies in Sweden**

**Åsa-Britt Karlsson, Director**

*Press Subsidies Council of Sweden (Presstödsnämnden)*

I should like to begin by thanking you for the invitation to this conference and the opportunity to take part and talk about the Swedish press subsidies.

My name is Åsa-Britt Karlsson and I am the head (director) of the Swedish agency distributing government subsidies to the daily press.

I am going to describe the Swedish press subsidies, how they originated, the rules that apply and what is going to happen in the future when the Swedish press subsidies are renewed and modernised. I would like to begin by telling you a little about the Swedish daily press market. Swedes are among the nations in the world that read most newspapers. Sweden is in fourth place as regards the average consumption of daily newspapers per person. On weekdays, 87% of the adult population in Sweden read a daily paper. Most of them say that they read a local morning paper.

In Sweden we have had press subsidies to daily papers in their present form for 30 years. The subsidies were introduced to safeguard diversity in the daily newspaper market.

The Press Subsidies Council is a government agency with a board appointed by the Swedish government. This board consists of 10 members, 7 of whom are nominated by the political parties in the Swedish parliament, the Riksdag. It is to be chaired by a senior legal official, and our chairperson is a Justice of the Supreme Court. It is not possible to appeal against the decisions of the Press Subsidies Council. The Press Subsidies Council also has a secretariat which I head and I have also been appointed by the government. Other staff members are appointed in the usual way. The secretariat of the Press Subsidies Council is also the secretariat of the Talking Newspapers Council, which has a board of 8 members, who are also appointed by the government. The Talking Newspapers Council distributes government subsidies to daily papers publishing a spoken version intended for the visually impaired, persons with aphasia and those who, for various reasons, are unable to hold or turn the pages of a newspaper. A talking newspaper can be recorded by a radio newspaper journalist or consist of synthetic speech

which the visually impaired can read either through a special receiver or a mobile phone provided by the Talking Newspapers Council. This subsidy amounts to approximately 126 million Swedish kroner per year (€14 million). This Swedish system is rather unique.

The government press subsidies amount to around 500 million Swedish kroner per year (€56 million). There are two forms of subsidy, *an operational subsidy* and a *distribution subsidy*. The operational subsidy amounts to around 420 million Swedish kroner per year (€47 million). In 2005, 74 out of a total of about 168 daily papers in Sweden received operational support. It is probably true to say that very few of these daily papers would exist if there were no press subsidies. The size of the operational subsidy varies depending on how often the newspaper is published. The paper must be published at least once a week to be entitled to operational support. In 2005, there were 50 daily papers that were published 1-2 times per week and 24 which were published 3-7 days per week. For a paper published 1-2 days per week, the support is 2,035,000 Swedish kroner per year (€226,000) and for a paper which is published 3-7 times per week, the maximum subsidy is 15,328,000 Swedish kroner per year (€1,703,000). For newspapers in the metropolitan areas, the maximum amount per year is 65,408,000 Swedish kroner per year (€7,267,500). At present, there are two newspapers in metropolitan areas that receive this subsidy, one in Stockholm and one in Malmö.

In Sweden, the great majority of people subscribe to their daily paper, which is then delivered to their letter box every morning. A large distribution organisation is required for this. This is taken care of by five large companies which are jointly owned by the newspaper companies in the various locations. One of the companies is owned by Posten AB, the state-owned company that distributes mail in Sweden. The distribution subsidy is paid when daily newspapers collaborate, and distribute newspapers together to subscribers in the morning. The subsidy is intended to avoid parallel morning distribution by several companies and also to ensure that small newspapers in various locations can reach their subscribers. The distribution subsidy is paid to all daily papers, which are largely paid for. Newspaper companies apply to the Press Subsidies Council for the distribution subsidy and undertake not to distribute their paper in any other way than together with the other newspapers in the location. In 2005, the subsidy amounted to 74 million Swedish kroner (€8 million), distributed to 141 daily papers with 900 million copies.

I am now going to move on to describe the rules that apply for a newspaper to receive an operational subsidy. The operational subsidy is paid to daily papers that comply with the demands made in the Press Subsidies Ordinance. The newspaper is to be published at least once a week and have a subscriber stock of at least 2,000 copies. The newspapers shall mainly be subscription papers. This means that free newspapers cannot receive the operational subsidy. They must have the character of a *daily paper*. The meaning of this is not so easy to explain but I will attempt to do so. Having the character of a daily paper means including general news content or general-political opinion building. Papers must not limit themselves to special areas such as sport or religion. They must be published in their own name, and more than half of the material must be their own editorial material. Newspapers that are published 1-2 times a week receive an operational subsidy of 2,035,000 Swedish kroner (€226,000). For the papers published 3-7 times per week, the subsidy is calculated as a formula based on the number of copies and how many days per week the newspaper is published.

What does the future of the Swedish government press subsidies look like? During 2005, a government commission reviewed the rules for press subsidies. Their mandate was to make proposals as to how press subsidies could be modernised and further stimulate diversity in the daily press market. They submitted their report to the government in January 2006. The recommendations were considered in the spring and the government has submitted proposals to the Riksdag for changes in the operational subsidy. The government is going to consider the other parts of the Commission's recommendations in the autumn. The proposals that the government has made to the Riksdag mean that the newspapers that are published once or twice a week will be stimulated to publish more frequently and to increase the number of subscribers by providing increased support for this. The lowest threshold is being reduced from 2,000 to 1,500 subscribers to stimulate new newspapers to start up to increase diversity. It is also proposed that the subsidy to all subsidised newspapers be adjusted upwards by 10% except to the two newspapers in the metropolitan areas. The government estimates that this will cost 50 to 60 million Swedish kroner (€5.5 million to €6.6 million). Other areas on which the Press Subsidies Commission made proposals are subsidies for minority media and subsidies for web newspapers. As regards minority media, the Commission has made a number of proposals intended to make it easier for minority media to obtain an operational subsidy. One proposal is that the proportion of material written in other languages is to be increased as well as the ability of the paper to be published in

other countries besides Sweden. It is possible to obtain a government subsidy for web papers under the existing rules. However, there have been no applications and so no case has been considered by the Press Subsidies Council. The main difficulty is the requirement that papers have 2,000 subscribers. If the limit is reduced to 1,500 copies, this will naturally make it easier for web newspapers to obtain the operational subsidy. The Commission proposes that the subsidy should be reduced by 45% compared with a paper newspaper. The reason for this is that it is considerably cheaper to produce a web newspaper than a paper newspaper where the cost of paper is naturally a large part. The Riksdag made a decision on the future operational subsidy on 13 June. The Riksdag largely adopted the government's proposals. The proposal must be considered by the EU Commission before it comes into effect since it entails such large changes in public subsidy to industry. This will mean that the timetable will be rather tight if the rules are to come into effect on 1 January 2007.

The Press Subsidies Council has also been given a number of other tasks by the government, such as monitoring and reporting on the finances of the Swedish daily press. We review, compile and analyse the annual accounts of the daily papers. This work is in progress although it can already be noted that 2005 was a good year for the Swedish daily press market. This trend has continued from 2003 and 2004. There is nothing yet in 2006 to indicate that the trend will not continue, although there is still a long period to the end of the year. The newspapers' circulations are decreasing, although this decrease has slowed down. It is above all competition from free papers that has had an impact. In only a few years, the free papers have increased their circulation sharply in Sweden and almost every large city now has a free paper.

## Press Subsidies in Spain

**Alfonso Morales**

*Advisor to the Bureau of the Spanish Government Secretary of State for Communication*

Years ago the Spanish government decided not to subsidise the written media. This is not the case with other media, especially the audiovisual media, which — because of their public service role — have had occasional access to state aid in the form of subsidies or authorised debt.

We should distinguish between two very different eras with regard to state aid to the press:

- The first began during Spain's transition from the Franco dictatorship to a democracy. Under the Unión de Centro Democrático government, which came to power in 1977, economic aid was awarded discretionally from a special fund. Around 4,000 million pesetas were given out (€ 25 million).
- The second stage began around 1983. The above aid was challenged by new legislation (Law 29/84 on Aid to Press Companies and News Agencies).

This state aid was needed because of a series of factors that are included in the list of motives of the aforementioned Law 29/84. In essence it described an economic crisis which had begun in the 1970s, accompanied by low newspaper sales and readership rates, high production and distribution costs, press publishers' need to take on a programme of renovation of technical equipment, over-large workforces combined with inadequate business direction, and to round it all off, a backlog of debt to the State (unpaid social security contributions, tax debts, etc.)

If, in 1982, the newspapers' debts to the State had been called in, it is probable that more than one would have gone to the wall, given their parlous financial situation. So the *raison d'être* for state aid to the press was to save the entire sector.

Law 29/84 proposed two kinds of aid, direct and indirect. Direct aid was awarded according to each paper's circulation, use of nationally pro-

duced press paper, or in compensation for investment in technological renovation. The total amount of aid given out in the period 1984-1989 was around 25,000 million pesetas (€ 150 million)

In general, these aids were given in direct proportion to each company's debts to the State. It would appear that only two newspapers, *Egin* and *El Alcázar*, did not receive this aid, because they refused to pay tax for ideological reasons.

Indirect aid took the form of tax deductions, reduced VAT, or concessions of soft loans by the national bank.

In whichever form this aid was given, it was reported annually to parliament in a paper which contained a balance sheet featuring all the aid awarded, and describing to whom it was given and why. This was a clear attempt to bring a certain degree of transparency to the aid system, which brought it good advertising.

As from 1986, the panorama began to change: the EEC began to urge the Spanish government to stop subsidising the consumption of press paper produced in Spain. At this time a review was made of the development of the sector.

This showed that the principal indicators had improved substantially over the period of state aid, facilitating to a large degree the necessary restructuring of the sector and achieving the objectives of economic and management reorganisation by use of a system that was clearly more objective than the previous one. As a result, both the social and the economic contexts that gave rise to the aid system being set up were seen to have experienced a substantial change.

To be specific, the number of copies of newspapers distributed nationally had moved from just over 2.6 million in 1982 to almost 3.8 million in the year when state aid was abolished. It is even more interesting to examine the development of advertising investment in the sector over a longer period of time. This changed from almost € 300 million in 1982, to practically € 1,150 million in 1994. Consumption of press paper had also increased markedly, from 233,000 tonnes in 1982 to 410,000 tonnes in 1990.

From the state's point of view, 1991<sup>1</sup> marked the complete disappearance of the aid that the written media had until then been receiving, except for a special low rate of VAT and reduced postal tariffs, which continued. In any case, this abolition had been coming since 1986, when Spain became a member of what was then called the European Economic Community, or EEC.

From then on, Brussels repeatedly ordered the Spanish government to begin to phase out its incentives to consumption of nationally produced press paper, as they were in direct breach of EEC rules of free market competition.<sup>2</sup> In light of this, the Socialist government, given the favourable development of the press sector in the 1980s, decided to abolish firstly all direct aid to the sector (Law 37/1988) and finally, in 1991, all indirect aid.

The current situation is that the national budget does not consider any aid at all to either newspaper companies or press agencies. The current policy is at least in accordance with the organisation of the State as envisaged by the Spanish Constitution (1978), with aid to printed media only being awarded by the governments of Spain's autonomous regions. These organisations have the power to do this because it allows them to promote the knowledge and use of their own languages.

To channel the participation of the autonomous governments in this process, an accord was made in 1990 within the framework of the sector's conference on affairs related to European communities.

There always remains the risk that state aid to the press, depending on under which criteria it is awarded, may be interpreted as an attempt to control the media. However, it cannot be denied that this aid has a positive effect, in that it helps to promote the independence and plurality of the press.

This is why the office of the Secretary of State for Communication regards it as especially necessary that systems are set up in this field that respect the principle of transparency with regard to the kinds of aid that is given. Concurrence on transparency in everything related to the awarding of state aid—especially when the aid comes from public administrations—must be translated into guarantees designed to ensure it.

1.After the approval of Law 31/1990, 27 December 1990, on the National Budget for 1991.

2.Spanish Royal Decree 1775/87, 23 December 1987, regulated procedures of communication to the EEC of any government aid programmes. This communication was coordinated via a special commission, the Grupo de Trabajo de Ayudas (aid work team), made up of experts from all sectors, which is linked to the Spanish Inter-Ministerial Commission of European Affairs.

The future lies in accepting that a system like the former one described in this document is practically impossible in today's climate, both economically and in terms of the market. In any case, it is worth exploring avenues that may well benefit the sector in a transparent way.

To that end, and in light of the current tax regulations, the possibility of taking alternative fiscal measures should not be discounted. Their effect might well be positive. For example, reducing VAT<sup>3</sup> rates could be a useful tool for this kind of policy. Institutional advertising should also be mentioned in this context.<sup>4</sup> This has traditionally been used to finance the communication media in a more or less under-the counter way. However, the new legal framework that is currently on the point of being developed will set up more transparent and efficient rules for dealing with institutional advertising that comes from the state administration.

<sup>3</sup>Countries like the UK, Ireland and Norway have lower VAT rates for books and newspapers than Spain (4%). In most countries the rate is higher. This policy of special rates cannot be extended to other EC countries without an unanimous agreement of all the member states. The EC Directive that regulates this tax allows member states to apply reduced rates to two kinds of services from a list in an appendix of the Directive itself, appendix K, which will apply until 2010.

These services are all labour-intensive. Spain has chosen the services of repairs and hairdressing.

<sup>4</sup>It is recognised that institutional advertising can be intended to give aid to the press. The Spanish government recently approved Law 29/2005 on Advertising and Institutional Communication. Under this legislation, transparency is a principle, and also a requirement.

## State Aid to the Press in International Perspective: the Dutch Case

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### Introduction

In my contribution I should like to show you some dilemmas for governments when coping with problems in the press. Do we leave it completely to the market to correct possible failures in the information supply or do we need to take action to prevent those failures and to maintain or enhance press diversity? And if action is preferred what kind of measures are allowed considering press freedom? Those dilemmas are often very disputable. The kinds of choices made in each country are influenced by historically established traditions of public policy in that country, as I will show in this paper. I will present these dilemmas in relation to the characteristics and background of the Dutch system of state support to the press. And I will conclude with some remarks on the basic lines of future policy in the Netherlands.

### Problems of Print

From present-day figures on the printed press a good and a bad story may be told. In general there are still newspapers which are showing some progress. In some countries, especially in young democracies, the numbers of newspapers and their circulation are growing. Nevertheless, mature markets have to face more and more problems: general indications prove that print in those markets has to deal with stagnation of a more structural kind. The circulation-figures of newspapers and magazines in many European countries show stability or decline; the average time spent on reading shows a downward tendency. Advertisers seem to be less interested in printed products than they used to be. At the same time newspapers and magazines face more competition, especially from other suppliers of information, such as websites, audiovisual media and free papers. Commercials on television, direct marketing and online advertising and online selling are growing in popularity. These developments have stimulated cost-saving activities, formation of groups and press concentration. In some cases newspapers and magazines just disappear while no real alternatives in the information supply are being offered to media consumers. In these cases

the distribution of amusement information may develop at the expense of information that consumers need to shape their opinions as citizens, to encourage political discourse. Information is becoming more and more important as an economic value, sometimes exceeding its political and cultural value. This may endanger the *free market place of ideas*.

In several countries government communication policy tends to remove barriers to effective competition, which also benefits effective information competition. However, some people fear that this purely economic approach to the information supply may have drawbacks and try to draw more attention to these effects in governmental policy.

In the Netherlands, press policy at first looked like a perfect inactive press model: press freedom came first and the prohibition of censorship was the only cornerstone of press policy. The government was considered to be the natural enemy of the press, the press industry was strongly against any governmental interference.

### Towards an Active Press Policy

Especially after the Second World War a growing consciousness emerged in the Netherlands and other countries that such an inactive press policy, based solely on the prohibition of censorship, could not guarantee real freedom of speech and press. It was felt that the government should take a more active role, as in other policy areas such as health care, education and so on, creating the conditions for real freedom, committing to a policy aiming to uphold and enhance media diversity. A duty of care was being promoted as an element of press policy, on the basis of a more active freedom to receive and impart information as set out in Article 10 of the European Convention. This duty of care has been increasingly accepted by constitutional courts, by the European Court of Human Rights and by governmental memoranda in several Council of Europe member states. Acknowledging this duty of care, states have developed certain instruments for intervention, such as limits to horizontal concentration and/or vertical concentration, favouring effective competition, restricting media ownership, favouring internal pluralism, favouring content-related diversity, and enabling transparency in respect of media concentration. A modern care duty includes a policy aiming at upholding and enhancing the diversity of the public area on the Internet.

Among other activities, this duty of care may find its implementation in the creation of several financial facilities. In the Netherlands of the 50s and 60s some *general support measures* were presented for the press in general, to uphold and enhance press diversity and independence. These measures such as special reduced rates for postal services, telex and taxes, aimed at promoting the general financial and economic climate of the press as a whole, without considering the specific situation of individual newspapers or magazines.

At the end of the 60s there was a general fear for the loss of press diversity, due to the growing number of mergers and groups, especially in the daily press. Some newspapers were closed or integrated into bigger ones, others lost their editorial independence. These included some famous old newspapers. This stimulated a long-lasting discussion in our country on the relationship between press freedom, diversity of press and the task of the government. Journalists, editors and publishers pleaded both separately and together for a more active governmental policy. First of all, this led to extension of a measure which had been introduced to provide economic compensation for the introduction of commercials on radio and television in 1967. This temporary support measure was especially created for those newspapers which were unable to adjust to the new situation. In 1971 the government also decided to establish a Press Fund as a form of *direct financial support* for individual newspapers and magazines. On the basis of the 1987 Media Act, the Press Fund was continued as an independent governmental agency.

### The Press Fund

The Netherlands Press Fund is run by a board whose members are appointed and dismissed by Royal Decree on the recommendation of the Minister for Culture. Board membership is incompatible with employment in a Ministry or board membership or employment with a newspaper, magazine or publishing company. The board of the Press Fund decides on applications for financial help. Board resolutions may be overturned by Royal Decree on the grounds of incompatibility with the law. The Press Fund is financed out of the advertising revenues of the Radio and Television Advertising Foundation and commercial broadcasting establishments. Each year the Minister for Culture may decide whether the Press Fund requires further funding, given available resources.

Newspapers or magazines have to meet a number of criteria to receive financial support. It is only possible to provide dailies, non dailies or magazines with temporary loans, credit facilities or subsidies—the latter only in special circumstances—for reorganisation or restructuring required to make them profitable again in the near future. Financial support may only be provided for press products meeting the following criteria:

- to a significant extent they must provide news, commentaries and background information covering the diverse aspects of present-day society, with a view to political opinion-forming;
- they must be edited by an independent editing team on the basis of a statute expressing the editorial identity of that press product;
- they must be generally available for a purchase price;
- the press product's continued existence is threatened or rendered impossible and the requisite support cannot be obtained elsewhere.

### **Additional Financial Support**

From the beginning of the 80s it has also been possible for the Press Fund to support *research projects* for the press industry in general and *joint projects* aimed at improving the position of newspapers or magazines. On the basis of that support measure, the Press Fund has participated in financing research and joint projects in the following areas: the functions of journalism, the functions of dailies, the improvement of the position of dailies as advertising sources, the functions of dailies for youth and minorities in our country, ethics and the Internet, the functions of the Internet for information supply and formation of opinion, the improvement of distribution of daily newspapers, the creation of a code for mergers, the financial position and functions of local newspapers, the position of evening dailies in the bigger cities, and a regional newspaper's experiment in "civic journalism".

In July 2002 on the advice of the Press Fund, *two new experimental support measures* were added to the direct financial support measures. First, an experimental support measure for *minority group* newspapers and magazines was introduced, aimed especially at new or existing papers with pub-

lication frequencies of less than once a month. Each minority project can receive support at a yearly maximum of € 115,000, with a maximum of € 700,000 for all projects each year. And secondly, an experimental stimulation measure was introduced for the benefit of *Internet information products* with innovative plans. No project may receive support in excess of 40% of total project costs, with a maximum of € 180,000 for each project and € 2.26 million for all projects each year. These two new experimental direct support measures are becoming rather popular and the supported projects include very interesting and promising innovations.

Until now, the Press Fund has financed approximately 100 newspaper, magazine and Internet information projects to a total of almost € 25 million and more than 60 research projects to a total of nearly € 5 million, as shown in Figure 1.

### **Temporary Compensation Measure for Dailies**

In 1981 a special temporary additional support measure was introduced for loss-making newspapers. This *general-specific measure* was meant for all dailies in comparable circumstances: having a relatively unsecured competitive position on the market, both limited circulation and wide geographical distribution. It was an experimental compensation support that operated in the 80s for six years and was drawn from a specific fund of nearly € 6.5 million a year. The level of compensation for each newspaper was calculated according to a formula, in which the amount of space in the newspaper devoted to news and opinion, the range of distribution and the level of circulation were taken into account. Over the six-year period this measure provided subventions to 16 dailies to a total of almost € 41 million.

From 1990 on, this compensation decree ceased for evaluation of whether or not it should be continued. On the basis of this evaluation the Board of the Press Fund concluded that the measure had been an adequate instrument for maintenance of daily press diversity in the 80s, but that such a measure was no longer appropriate in policies to stimulate innovation. Therefore, this temporary support measure was not continued. Since the ending of the measure, press concentration has increased. The most loss-making newspapers disappeared, merged with other papers or continued within press groups. In 1990 the biggest

three groups together had a share of 45% in total circulation of dailies. That share has risen to almost 90% nowadays. These developments also served as an argument against re-introduction of the compensation decree: since most of the dailies had disappeared or became part of a group there was no longer any need for a general selective government aid measure alongside the individual direct support provided by the Press Fund.

### **Policy Reconsiderations**

In the Netherlands it had been decided that for survival, publishing companies needed to do more to renew their ties with readers and advertisers and to innovate. According to this view, real innovation is only possible through media convergence. The publishing companies had to realise that their information product could be published in other formats apart from printed paper. Their product could be seen as a branded identity for content published through old and new media. So innovation was very important for their survival, to find new positions in present and future media developments, but it was also very important for society as a whole. The publishing companies could also take advantage of the fact that several functions of printed media can be fulfilled easier, faster and perhaps even better by electronic means. Stimulating the production and use of new electronic services is also essential for the information supply of specific groups in society. Considering these developments, the printed newspaper, given the decline in its circulation and advertising revenue, will increasingly prove to be too small a basis for a publishing company. It may then be necessary to find new ways of presenting the information function of their products on new information carriers.

As profits and readership of printed newspapers continue to shrink, entrepreneurs are developing technical and other solutions that could bring a new newspaper format to the electronic age. First of all they sometimes invest in projects aiming to improve the printed edition. Smaller formats, more images, more infographics, new techniques such as computer to plate for more printing on demand. Newspaper companies are also trying to find new markets for printed products in combination with audio, video and the Internet. For example combinations of printed newspapers together with job, real estate and other specialised websites. Search, referral and profiling capabilities, together with inventory management tools,

revolutionise the concept of media commerce. Other entrepreneurs present complete new electronic information products. At present, three models of such electronic products may be distinguished. First the audio-video models, like audiotex, teletext, cable TV information services, video-on-demand, video news podcasts. Secondly Internet-information products such as internet-based news services, online versions of printed newspapers or newly designed real interactive web-only news sites. Certain of these Internet information products, called intelligent papers, look like electronic newspapers on demand or are opening pages of portals with personalised news headlines from online papers like Googlenews. And thirdly the mobile models like TabletPC, eBooks, ePaper, iRex/Iliad, Sony Reader, Microsoft's ultra mobile PC, PDA newspapers and Samsungs' flexible ePaper. Publishers and journalists are experimenting with several of these new product models for their contents. Arguing for a well functioning information supply in society it may in some cases be concluded that there is also a role for the government: a duty of care based on the freedom of speech and the right to information, a policy which aims to uphold and enhance the diversity of the media. Several views on this role are currently being debated in public arenas.

### **Future Press-Media Policy**

Such a care function should not be implemented so much as an element of a welfare State, as a policy instrument of a State based on the concept of civil society, a State formed by social contract, in which people operate as *citoyen* instead of being primarily addressed as customers or consumers. A State in which governments acknowledge that society may do what society can do and where public and general resources are used primarily to take care of vulnerable groups, to help them to soon reach a situation in which self-help dominates.

In this electronic age, this means that the emphasis of present day media policy, including press policy, has to be transposed from an exclusively restrictive and media conservative policy (a policy with do's and don'ts, financial contributions, setting-off of losses) to a policy comprising instruments of a more stimulating and innovative character; to stimulate publishers and editors to find the necessarily new ways of presenting the information function of their products on new information carriers, for example.

In general, larger companies have enough time and money to experiment with these new services through printed or electronic news carriers. But smaller companies may not be in a position to do so. Of course, the problems of entrepreneurs and the possible effects of the ways in which they try to solve those problems are primarily their own business. However, in the case of the media there may also be considerations of more general interest. Their role in ensuring a well functioning information supply in society and their news services are so important that leaving their problems completely to them may be too risky. In this sense, their problems may also be partly the problems of society as a whole. In these cases, given the duty of care function of governments in a civil society, it may be advisable to help them to reach a position in which self-help may be possible in future. The Netherlands Press Fund is currently preparing a new press media policy memorandum and an international meeting with experts from all over the world for the purpose of exchanging data on policy and research. More information will be published on the websites: [www.bedrijfsfondspers.nl](http://www.bedrijfsfondspers.nl) and [www.presssupport.org](http://www.presssupport.org).

Figure 1

<b>Financial aid from The Netherlands Press Fund to the press in total 1972-2005 (€)</b>			
	Total	Subsidy	Loan
<b>Individual press organs</b>			
Dailies (16 projects for 10 papers)	11,712,445	3,399,192	8,313,253
Non-dailies (7 projects for 7 papers)	959,605	763,118	196,487
Magazines (64 projects for 41 magazines)	10,785,053	5,282,852	5,502,201
Total individual press organs	23,457,103	9,445,162	14,011,941
<b>Internet-information products (9 projects for 9 products)</b>			
Internet-information products (9 projects for 9 products)	903,761	763,761	140,000
<b>Research (62 projects for 29 organisations)</b>			
Research (62 projects of 29 organisations)	4,627,299	4,381,779	245,520
<b>Compensation Decree for dailies</b>			
6 years (1981-1989) (72 projects for 16 dailies)	40,838,865	40,838,865	0
<b>TOTAL</b>			
<b>TOTAL Financial Aid</b>	<b>69,827,028</b>	<b>55,429,567</b>	<b>14,397,461</b>

# **The View and Experiences of Press Companies**

**3**

## **Communication Policy for Daily Newspapers in Minority and Regional Languages**

**Günther Rautz, Secretary**

*Secretary General, European Association of Daily Newspapers in Minority and Regional Languages (MIDAS)*

### **Introduction**

The European Association of Daily Newspapers in Minority and Regional Languages (MIDAS) was formed five years ago (20-21 April 2001 in Palma de Mallorca) following the proposal by editors-in-chief from more than 10 language communities throughout Europe. Thirty newspapers from Spain to Finland and Northern Ireland to Romania have already joined MIDAS. The MIDAS member newspapers reach approximately 3 million readers (printed circulation: 739,663 copies; distributed circulation: 731,434 copies; sales circulation: 655,350 copies) and the organisation continues to grow.

One goal of the association is to coordinate their strategies and to stimulate cooperation in the areas of information exchange, printing and marketing; to organize campaigns to promote its member publications and to obtain support from European Union (EU) institutions for minority languages and their print media.

The existence of daily newspapers in minority and regional languages is crucial. They provide the vital daily services that national newspapers offer in majority languages, but this is not their only function. They also often protect and promote marginalized cultures, which in turn help to maintain and extend the scope of their written languages. These publications make minorities visible to the majority, which often remains ignorant of them.

Over 45 million people in the EU speak a language other than the official language of their country. The European dimension opens up opportunities for cooperation between minority daily newspapers throughout the continent. National states still violate minority rights and the freedom of the press. MIDAS, as a network, intervenes to avoid all kinds of violence in solving minority issues. To serve these functions properly, MIDAS provides opportunities such as study visit programmes for journalists in order to

develop knowledge through exchange of information and report on minority protection and cultural diversity in Europe.

In order to maintain quality standards, information pluralism and to guarantee cultural and linguistic diversity, newspapers in minority and regional languages need subsidies as much as most of the mainstream media in Europe. In most of the European countries different models of direct and indirect press subsidies are significant and extensive. The press subsidies for newspapers in minority and regional languages support publications that find it difficult to survive on the market or to develop at the same level as official language publications do.

The European Union considers the press subsidy policy as a strictly state level issue. Nevertheless, the EU makes contributions towards preservation and promotion of cultural diversity. Public subsidies granted to the local and regional press could be an important instrument for protecting and fostering Europe's cultural and linguistic diversity.

In February 2006 the European Commission published a "Whitepaper on a European Communication Policy" ([http://ec.europa.eu/communication\\_white\\_paper/](http://ec.europa.eu/communication_white_paper/), 01-02-2006) and invited — in addition to the EU institutions — European citizens and stakeholders to seek views and offer suggestions for a more effective communication policy at European level.

During this consultation period MIDAS elaborated its own proposals for a more effective communication policy at local, regional, national and European level. The main concern of MIDAS was, and is, to improve the recognition of topics, needs and interests of language minorities on all levels.

### **European Public Sphere**

The EU is in need of a public sphere with both a vertical and horizontal dimension. Vertical public communication serves as a forum for the emergence of European public opinion and participation. Horizontal public communication refers to trans-border and trans-national interaction, in which local, regional and minority media play a double key role. The development of a public sphere at EU level cannot be brought about from national public spheres. Moreover, the European public sphere can only be developed in parallel with national public spheres or may even spring from

them. The EU is on the right track to initiate deliberation and to engage ever more European citizens in European daily life and decision-making process with its White Paper on European Communication Policy (2006). Summed up, the EU is in need of this political community that fosters the establishment of a public sphere with common norms, principles and procedures for rational deliberation and decision-making. In the White Paper one finds a suggestion that common principles and norms be defined, which should be summarised in a framework document. MIDAS emphasizes that the elaboration of such a Charter would only make sense if specific rules and principles of this EU communication policy are unambiguously defined. This means that certain standards with regard to putting this policy into practice not only at European but also at national, regional and local levels should be clearly delineated. Equally important is the elaboration of a specialised Manual to be used by public servants responsible for implementing the policy that would make it easier for them to help the citizens to better understand how the EU functions.

A successful EU communication policy must centre on citizens' needs. The improvement of civic education, connections between citizens and between citizens and the public institutions would help to achieve this goal.

In each EU State, the standard of English-language teaching as well as that of teaching of minority language(s) and/or of the languages of neighbouring countries/regions has to be raised, in that the knowledge of languages promotes a better understanding between people. Therefore, the following measures should be implemented:

- Restructuring of national curricula and appropriate teacher-training: annual European teachers' meeting to interchange ideas and to find together new approaches for an innovative European teaching style.
- Teaching certain subjects not in the mother tongue, but rather in English or in the languages of the neighbouring countries or in minority languages should be considered.
- A course on the functioning of the EU should be included in the curricula of all EU states with direct involvement of the pupils in topics of EU-wide importance and direct use of Internet-forums as exchange media. Inter-school projects on EU-related topics should be incorporated into the national curricula as well.

- Specialised training for teachers on Europe-related topics.
  - Enhanced cooperation between national schools and the EU for unified teaching manuals on these topics for all EU states in all the official and minority or regional languages.
  - Improvement of academic exchange programs: such programmes as Leonardo or Erasmus should include not only university students but also pupils of secondary schools.
  - Digitally connected European libraries—as proposed in the White Paper—and the introduction of a European Library Card.
  - Emphasizing European Language Policy including lesser used languages under the Culture programme for the 2007–2013 period.
- The communication process between European citizens and the EU has to be improved. Therefore, the following measures could be considered:
- Development of a European association culture.
  - Introduction of European symbols: EU wide Holiday (9<sup>th</sup> May).
  - Celebration of the Year of Inter-Cultural Dialogue in 2007 with a range of events.
  - Engagement of media for the promotion of such initiatives.
  - Higher level of financial support for town-twinning projects.
  - Higher level of support for citizens' projects and support measures: projects involving vast groups of citizenry that cut across different professional and cultural segments of society have to be implemented at European level.

The communication process between European citizens and EU institutions must be improved. As mentioned in the White Paper, bridging the gap between Europe and its citizens means creating and maintaining links between citizens and public authorities all the way from local to European level. The following measures should be considered in order to enhance communication between citizens and EU institutions:

- Implementation of a regular EU Online Chat between EU politicians and citizens on the EU homepage(s).
- Periodical critical comments/statements of EU politicians in regional/local/national and especially minority media published in national and lesser used languages on current issues.
- Revision of the EU-Homepages: use should be more simplified and target-groups-oriented.
- Establishment of *European Goodwill Ambassadors* as proposed in the White Paper,
- Reaching out to citizens by going local: the EU should improve its involvement with minority-related topics and make its presence felt in regional and local mass media outlets (announcements with information on EU activities, comments on EU-related topics specifically in local and regional media, answers to letters on EU-related topics received from concerned citizens and responded to by qualified EU personnel).

#### **Media as Stakeholders and Information Carriers**

Media are key-players in any European communication policy: they do not just inform; they also represent the main link between institutions and citizens. Therefore, cooperation between regional and national media and European institutions must be improved. Regional and national media should respond to this challenge and increase their coverage of EU politics.

Giving the faceless EU a human face by editing articles and reports in such a way that citizens understand why this information is relevant to them personally should become a new challenge for the media. The re-launch of the EU communication policy regarding its contact with the media should put the main emphasis on minority groups, because they are an important part of the EU, as underlined by the EU slogan *Unity in diversity*.

Publications of EU supplements in all regional/local/national newspapers in official and lesser used languages should include topical discussions on the current state of affairs in the EU; comments/statements/opinions of EU politicians, including the *Letters to the Editor* column. The Lifestyle-Page

should also be included in these supplements, as should announcements/results of trans-national projects. Another component could be articles on the cultural traditions of different EU regions.

On the other hand, regional and national media should place more emphasis on EU-related topics. Every regional and national newspaper should include a column devoted to the EU with comments/articles by EU politicians and civil servants, but also including critiques by journalists of ongoing European developments. To achieve this goal, the EU should offer special training courses for journalists and civil servants.

Since there is no detectable European public sphere today and no European public opinion either the EU should consider establishing its own Press Agency (such as national press agencies or more specific, such as *Eurolang*). Up to now public opinion on the EU has been complex and diverse and has reflected different national perspectives. Understanding these different positions therefore poses a particular challenge. In the White Paper, media monitoring and opinion polls are conceptualised as instruments to be used to analyse public opinion. The importance of these tools has increased in parallel with the citizens' tendency to withdraw from traditional politics. Therefore, the White Paper proposes the establishment of a European Public Opinion Institute (EPOI) specialised in monitoring public opinion vis-à-vis the European projects and EU institutions. It is however assumed here that such a measure would not be cost-efficient, since the same result could be achieved by a more intensive use of the already existing opinion poll monitoring instruments (such as the *Euro barometer survey*), which would not require such massive investment. Such intensification would necessitate stronger cooperation between EU institutions and EU states and greater cross-border collaboration.

To gauge Europeans' opinion the EU should also go local through reinforcing and establishing new local, regional, national contact points in the EU member states. They should report public opinion on different EU topics in different states to the EU. These info points should also be used as citizen contact centres, where citizens can obtain information on the EU. EU info points located in minority areas should be able to communicate in minority and regional languages. Furthermore, these tasks should be exercised by media experts.

Official representatives of Commission Personnel should be engaged not only at national, but also at local and regional levels. Furthermore a new net-

work of national experts in public opinion research is needed in order to help exchange best practices and develop synergies among researchers at all levels. They should also constantly evaluate the performance of different EU member states in respect to communication on EU topics and analyze the *Letter to the Editor* column in local newspapers.

### **Challenge for Local and Regional Authorities and Media**

*Together* is the keyword in the on-going process of development of an efficient communication policy at EU level. Only deep interest in the EU by its citizens will allow development of a public sphere at EU level. Therefore, it is not only the responsibility of the EU itself, but also of national institutions, independent civil society and organisations, think tanks and particularly regional and local authorities as well as the media. They know the interests and needs of each citizen; they have the closest contact with citizens and play an important role in raising public awareness on European issues and in encouraging people to take an active part in EU debates.

Local and minority associations and media do not only represent specific regional interests, but can also play an important role in making the citizens aware of the importance of European topics by showing in which ways Europe has a positive impact on their daily lives. Therefore, these organisations must deepen their contact with citizens, encourage local and regional discussions on European issues involving the citizenry and act as a link between the latter and the EU. At the same time, cross-border cooperation between civil society organisations dealing with the same issues in different countries must be improved, especially between those representing ethnic and linguistic minorities.

On the one hand, minorities must deepen their contact with the EU, and on the other, the EU must become aware of its diversity and actively promote minority issues as a common value and advantage at local, regional and national level. This can, for example, be done through EU info-campaigns published as advertisements in minority newspapers or the involvement of minorities and their associations in as many projects as possible on relevant EU topics. MIDAS, as the first Europe-wide network of newspapers in minority and regional languages, not only raises awareness of positive values all across Europe, but also serves as an example of best practice for projects at EU level and in the member states.

In order to make EU Politicians at local, regional and national level more visible, active dialogue is needed between regional, national and EU politicians (public discussions, round tables and other events). This dialogue—including the media—should be extended to already existing think tanks, and civil society organisations in addition to minority associations focusing on EU-related topics and initiating different projects on current EU issues. These organisations should cooperate and set up cross-border projects and networks which should be seen as a new incentive for creating a common European identity and achieving a broader echo in the society.

### **Actions Speak Louder than Words**

The EU has to act as fast as possible in order to put into practice efficient measures aimed at bridging the gap between the EU institutions and European citizens. EU communication can only start with and through Europeans citizens. Therefore, the following steps involving the media as a voice of the European citizens should be taken:

- Constructive work aimed at promoting the European spirit among EU citizens at local, regional and national level has to be intensified.
- More interaction between EU institutions and EU citizens.
- Deeper cooperation between EU institutions, civil society organisations and minority associations is required to reach out to all different societal groups and their needs.
- The promotion of cross-border projects using the *bridgefunction* of minority groups.
- The legal framework of the anti-discrimination policy of the EU should focus also on more efficient policies regarding minority groups, as set out in the Ebner Activity Report (Ebner 2004, p.7, *EU-Verfassungsvertrag als Basis zur Förderung der sprachlichen Vielfalt Europas?*).
- Deeper cooperation between the EU institutions and local, regional and national media and the establishment of a stronger European media network is needed.

- Europe has to speak with one voice, overcome national interests in topics of international relevance and must demonstrate unity, loyalty and commitment to European values and beliefs. Europe must take decisive steps towards formulating an efficient foreign policy and a unified point of view on topics of major global importance. The longer representatives of the EU institutions display a lack of belief in EU values, the longer European citizens will take to develop their faith in the European project.

### **MIDAS as an European Media Network and its Actions**

MIDAS, supporting high quality journalism, organises training, exchange programmes and awareness raising campaigns for journalists. The existence of quality independent journalism is a fundamental principle of the daily work of MIDAS as a voice for minorities in Europe. In acknowledgement of these journalists, who set journalistic standards and make personal contributions to cultural diversity and the protection of minority languages in addition to raising awareness of the importance of cultural diversity and minority protection in Europe, MIDAS awards the “Otto von Habsburg Prize”: [http://www.midas-press.org/OttovonHabsburgPrizeforJournalism\\_de.htm](http://www.midas-press.org/OttovonHabsburgPrizeforJournalism_de.htm) and the “MIDAS Prize for Journalism”: [http://www.midas-press.org/MidasPrizeforJournalism\\_de.htm](http://www.midas-press.org/MidasPrizeforJournalism_de.htm).

The annual study visit programme for journalists [http://www.midas-press.org/Study-Visit-Programme\\_de](http://www.midas-press.org/Study-Visit-Programme_de)) aims to develop knowledge through information exchange, to report on minority protection and cultural diversity in Europe and to provide insight into journalistic work and technical processes in newspaper newsrooms. This training programme also encourages the participation of mainstream media journalists in order to establish direct links between minorities and the media of the majority.

### **The View and Experience of Press Companies. European Newspaper Publishers' Association<sup>1</sup>**

**Valtteri Niiranen**

*Director, European Newspaper Publishers' Association (ENPA)*

#### **Background – about ENPA and its Members**

The European Newspaper Publishers' Association represents approximately 5,100 regional, local and national newspapers. I'm working at ENPA as its director. We have a staff of five and hence we are a typical Brussels-based trade association which is working with lobby issues and legislation in many policy areas.

My focus will today be on legislation in the context of European legislation and European policies. Firstly I will explain in more detail what ENPA is, who the members are and also something about the activities of the Association. I'm going to touch upon some market developments as well as some recent case-law, however I will not go into very much detail of individual cases and the deliberations in these cases. After that, I will set out to convince you regarding the justified positions that we take in the area of press subsidies. I will then say something about what the future could bring. I will finish with some concluding remarks.

ENPA is an association of national newspaper publishers' associations. We have 25 member associations including Norway and Switzerland and Bulgaria. The ones that we don't yet have from the 25 European Union member states are newspaper publishers' associations from Malta, Cyprus, Latvia and Lithuania. We are a non-profit association which is very transparent in many ways. We receive all our revenues directly from the publishers' associations. The publishers' association in each country is in turn financed by the newspapers.

ENPA represents local, regional, national, weekly and Sunday titles. So quite a lot of these newspapers that we have talked about here during this symposium, and those discussed by the previous speaker are members of the national associations and thus members of ENPA.

Tens of millions of copies of newspapers are sold every day with hundreds of millions of daily readers. In addition, free newspapers are distributed and

<sup>1</sup>.Transcribed from the presentation of Mr Valtteri Niiranen during the Symposium.

read in millions of copies. Very recently I participated in a conference of the World Association of Newspapers (WAN) in Moscow; WAN had calculated that in Europe nowadays 28 million copies of free daily newspapers are distributed. That's quite a significant amount. One has to remember that there are quite a lot of differences between different national markets; for example in Spain approximately 45% of the total circulation (number of copies) corresponds to free newspapers. In Denmark I've understood that the figure is something in the range of 22%. Then there are countries where approximately 5% of the total circulation is free newspapers. There are big differences between different countries and their newspaper markets.

And of course newspapers are well present on the Internet. I don't have a figure with me today of how many European newspapers are online but there are certainly tens of millions of visitors on a weekly basis on these sites.

### **What is the Role of ENPA – Some Areas of Legislation**

So what does ENPA actually do? We concentrate on three main areas, the first one being lobby work in different areas of EU legislation and policy. There are lots of different types of legislation which are being drafted or already pending in which newspaper publishers' interests are at stake. For example, there is a lot of activism in the areas of media concentration and media pluralism. ENPA monitors, influences and tries to convince with valid arguments that a certain piece of legislation might be good for the industry or might not be good for the industry. Quite often we recommend improvements for certain proposals.

Certain areas of legislation are very important for everyone, not only for the publishers: freedom of expression and freedom of the press for example. One only needs to think of the recent developments in different parts of Europe. There have been terrorist acts and attacks in certain countries in Europe, and obviously one easy measure to prevent terrorism and terrorist acts could be to pass some new piece of legislation which would restrict freedom of the press. For example, to newspapers from writing something about recent terrorist acts in order to avoid future incidents. Both at EU and at national level there are certain tendencies to restrict freedom of expression. Of course any attempts to pass restrictions through legislation would be very detrimental to the industry. Publishers advocate and constantly remind politicians that freedom of expression is the most important human right

and the cornerstone of democracy and thus needs to be safeguarded in every situation.

VAT — Value Added Tax — is very important for ENPA and its members. All of the 25 European Union member states have reduced VAT rates for the sales of printed newspapers. Currently a major question is whether online newspapers — webpapers, epapers or similar electronic services — should and could also be covered by reduced VAT rates. There aren't yet reduced rates for online; but this is an area where we are developing a new strategy and thinking whether lobby actions should be taken in the future.

The issue of media pluralism including cross-media ownership is important for media companies. Many European parliamentarians (MEPs) are interested in this issue and they wish that the EU Commission would initiate pan-European legislation in this field.

Then there are some tendencies to restrict advertising of certain products or services. Someone mentioned alcohol products yesterday. In my contribution yesterday I raised the issue of advertising products with nutritional claims, fast food, extreme sports, fast cars or any other item which may not be so beneficial for the consumer. There are certain tendencies in the Commission to restrict advertising of these types of products or services. The justification is consumer protection.

So those are some of the areas of legislation where we are active. In addition, ENPA serves its members for example by collecting and filtering information to them on both a daily and weekly basis. ENPA also provides information, views as well as facts and figures, to the decision-makers in Brussels — i.e., mainly to the European Commission and to the Parliament. In this type of association it is very important to have discussion forums, i.e., different meetings where the members who work in the national associations or in the publishing companies can exchange views and best practices with each other. We have several committees and working groups: one of them deals with copyright, one with media pluralism while another deals with general legal and social affairs.

## **On Market Developments and Legislation – Newspapers Operate in National Markets**

What about the markets? Newspapers operate in their national markets. There are studies which indicate that only 0.1% of newspapers cross borders — i.e., are sold somewhere else other than their home markets. Of course there are some exceptions to this rule but each newspaper is working more or less in its own national market. When one follows this line of thinking, the conclusion is that national laws and regulations are the most important legislation for newspaper publishers. And this rule applies specifically to press subsidies. When a publisher operates at national market, the national rules and regulations are best equipped to meet the demands of the national markets. There is no need for harmonised legislation in those fields where there are neither internal markets nor internal market effects. The internal (EU) market is extremely important in certain fields of legislation — copyright legislation is one of them — and in some cases it is important to have these regulations and rules in place.

## **On Press Subsidies – no Harmonised Legislation is Needed**

When one delves into the details of press subsidy legislation or state aid legislation, one notices that the European Commission has an important role to play. The Commission monitors national governments to ensure that they don't use state aid illegally to support their national industries or services. In the field of press subsidies and state aid there is no European-level legislation as yet. The Commission still has a role to play: to ensure that national governments apply state aid and subsidy rules correctly.

One of the main positions of ENPA members is that there should not be any European-level legislation in the field of press subsidies. We are happy with the existing situation. National legislators are well equipped to meet the demands of the markets and of their industries. National level is where legislation should be made, if needed.

Press subsidies are quite important for many publishers in a number of countries. When one takes a look at our members one notices that 90% of the publishing companies are SMEs (small and medium-sized companies). Press subsidies are important for many SMEs. Even though ENPA's message to the EU institutions is that there shouldn't be harmonised legislation in

the field, nevertheless we wholeheartedly support our national associations when they explain for example to the Swedish government that press subsidy rules and regulations should be maintained and developed. Therefore ENPA has a clear position: we support all press subsidies and similar schemes at national level.

## **On Recent Cases – Aid Compatible with Treaties**

As regards the European Treaties, Article 87(3) declares certain aid to be compatible with the EC Treaties. This article deals with promoting culture and heritage conservation. There has been a very recent case in Denmark: certain publications received support for covering their distribution costs. The Danish government gave 10 million Danish kroner (€ 1.3 million) to certain publications as a direct grant to support their distribution. The European Commission, which monitors what is happening in this field, took the beneficial effects of the aid in promoting media pluralism and propagation of socio-political news into account in its decision. The conclusion from the justifications was that this direct aid would not distort competition or affect trade under the said article, and therefore the European Commission approved the aid scheme for the Danish press.

In another case — an Italian case from 2004 — certain state aid to the Italian publishing industry (not only for newspaper publishers but also for book, magazine and periodical publishers) — was given in the form of an interest subsidy and tax credits. In its decision, the Commission stated that this type of aid is not compatible with the cultural derogation clause of the above-mentioned article. However, the overall conclusion of the Commission was that because of the limited effect on trade and competition, the state aid given to Italian publishers was compatible with Article 87(3). I'm not going to go through the detailed arguments and justifications because you probably know them much better than I do.

I have some information on different subsidies in different countries. I have received this information through my national associations. I possess a list of those countries which have indicated to us that there are direct state aid or press subsidy schemes for newspaper publishers. We collected this information very recently: one reason being that there is a reform of the postal directive, leading to reconsideration of the postal directive in a couple of years' time. So through collection of data such as this we have learned that

direct aid is provided to publishers to cover distribution costs in quite a few countries.

We also know that in certain countries there are no direct state aid or press subsidies for newspaper publishers. Either the tradition is that the government does not provide these subsidies, or the publishers themselves are unwilling to engage in subsidy schemes because of the possibility of coming under government influence. I regret that I don't have information on all EU countries—especially those countries whose publishers are not yet members of ENPA.

### **Concluding Remarks**

The main points in a nutshell: The European Union should not interfere by means of harmonised legislation in the field of press subsidies or aid to the press; there is neither justification nor need for harmonised legislation in this field.

Press subsidies will certainly play an important role in the future. No EU-level legislation is planned or envisaged in this field. ENPA will monitor developments in this area very closely. In certain other fields where state subsidies are given to certain parts of industry and play an important role, the European Commission might well compare the subsidies there with press subsidies in our sector, and eventually come up with the idea that there should also be harmonised legislation in the field of state aid for the press. That is why ENPA, together with its members, must monitor the situation very closely.

### **The View and Experience of Spanish Press Companies**

**Antoni Cambredó**

*President, Spanish Newspaper Publishers' Association (AEDE)*

We, the newspaper publishers, are very conscious of both the business and social side of our work. We cannot limit ourselves simply to applying and accepting the market laws, because we also represent social values that are just as important as democratic pluralism, freedom of expression and dialogue. Newspapers have been inextricably linked to democratic organisation for over two hundred years and, even today, the future of the written press and democracy remain just as intertwined as on the first day newspapers were printed.

I would like to draw your attention to an upcoming event that illustrates this symbiosis. Freedom of publication was recognised as far back as the Spanish Constitution of 1812 in one of the articles of chapter nine, which, significantly, is entitled "On Public Instruction". For the first time, the press was associated with the civil and social training of citizens, and these values are as valid today as they were nearly two hundred years ago. "All Spaniards have freedom to write, print and publish their political ideas without the need for a licence or for the publication to be subject to revision or prior approval", said article 371 of the Cádiz Constitution. Since 1812, this has been the basis for the development of the press and of freedoms in Spain, and has guided formation of public opinion and democratic society there.

At the AEDE, we understand that the state aid defended in this symposium must serve to support and promote these values of pluralism and public participation. As the Cádiz constitution outlined, state aid must protect this "public instruction" in order to promote a culture of humanism, democracy and dialogue, values that have always been driven through the press.

At the AEDE, we also understand that this aid must stem from collaboration and participation between the different social operators and administrative bodies. The aid must be proactive; it should be the fruit of collaboration between everyone; and it should cover as many aspects as there are sides to humanistic and democratic culture.

I would like to highlight two such initiatives that were born as a result of collaboration between AEDE and the different state administrative bodies.

These are the Plan for the Promotion of Newspaper Reading in Schools and the framework agreement signed between the AEDE and the State Secretariat for Telecommunications and the Information Society.

Reading habits in Spain seem to have stabilised, and even seems to be slowly increasing year on year. But we believe that public and private institutions, including ourselves, should be contributing to accelerating growth in reading. At the AEDE, we believe that coordinated and long-term fostering of reading can, and must, be achieved, provided that sufficient funding is invested and that reading is considered to be an essential aspect of the State's policy.

In Spain, just over 50% of people over 14 years of age read magazines and 38.2% read newspapers, according to data from the General Study of the Media in the most recent edition of the White Paper on the Daily Press, published by AEDE last December. These figures put us in last position in Europe. As for the ratio normally used by UNESCO, we buy 104 newspapers per 1000 people. Though this is four more than the development threshold, this puts Spain ahead of only Portugal and Greece in Europe.

The situation is particularly urgent among young people. Both the 2004 Pisa Report and a later study by the European Commission on "School Failure" warn of the poor state of education in Spain. We are behind everyone else in Europe. Some 21.1% of Spanish 15-year-olds have reading comprehension difficulties.

As I regularly say, in all modesty, we believe that newspapers can play an important role in familiarising young people with reading, and we want to continue working with all the institutions to achieve this. Working alongside the Ministry, we are currently in the process of extending the agreement for promoting the reading of newspapers in schools, and we are prepared to extend it as far as possible.

Another important area in which we are cooperating with state administrative bodies is in new technologies, taking us further into the information society and closing Spain's digital gap with the rest of Europe. In this area, the AEDE has just signed an agreement with the Secretariat of State for Telecommunications and the Information Society for extension of another agreement as part of the Ministry of Industry's "Plan Avanza".

Collaboration with the Government has made it possible to launch the canal-si.com website. The site, which has already become well known, can be reached via a banner placed on the websites of 82 associate newspapers. The information society website has a section of news and information from the Ministry and administrative bodies. The purpose of this information is to broadcast the digital options offered by administrative bodies and to facilitate access to the different services. There is also specific information from the different media and information on various promotional activities.

The ultimate objective of this initiative is to reduce the digital gap and boost the incorporation of the Internet into the lives of the Spanish public. It is a pleasure for AEDE to contribute to this initiative, and we are definitely willing to continue and strengthen our support.

In our opinion, state aid to the press should encourage initiatives like those I have mentioned. I would even dare to go a step further and ask the authorities and administrative bodies to give authentic institutional support to the press. We publishers are sure that an overall policy of support to the press is the most important and eventually most effective measure in the long term.

I am referring, for example, to the bill on intellectual property that is about to be passed by the Spanish Congress. In its current form, it will not help the press much, since it allows firms providing newspaper cuttings to benefit from reproducing newspaper content of which they are not the legitimate owners. This is in clear contrast to the situation for television and cinema, as well as to the European directive on this area, which protects the legitimate intellectual rights of newspaper publishers.

I would also like to mention some of the problems we often face in distributing our newspapers in order to sell them. The facilities given to other commercial and advertising activities have not yet reached the newspaper stands and other sale points in many locations, since they are subject to increasingly restrictive and severe regulations that only apply to our sector.

There are so many local byelaws that make it difficult to open new newspaper stands, and as others close, the extent of the distribution network decreases in size virtually throughout Spain. According to our criteria, authentic support would be that which is able to invert the trend and make it easier for people to get hold of their daily newspaper, support which is able to ensure that all paid-for newspapers become much closer to the readers than they currently are.

I would like to close by reminding you of yet another demand which newspaper publishers have been pursuing for many years: the proposal to reduce further, or cancel, VAT on newspapers. The objective would be to support the circulation of newspapers by providing fiscal reductions, since the tax on paid-for newspapers in Spain is 4%, whereas the European average is just 2%.

It therefore seems to make sense to move forward in this direction, reducing the current extra-reduced rate to a zero rate. Even the European Union seems to have recognised this legitimate goal, and is working on a directive to unify criteria across different countries, since in five member states newspapers are VAT-free. The AEDE has often suggested that the tax saved could be used to enlarge development programmes, such as the two mentioned above. Our future depends on these; the future of newspapers as we generally perceive them, and the future of all of us as citizens. This future is in our hands.

## **Support for Regional Media. The Portuguese Experience**

**Paulo Faustino**

*Consultant and Former President of the Portuguese Association Press (APImprensa)*

### **Methodology and Planning**

This paper is based on primary and secondary documentary sources, particularly books and articles by foreign and national authors, government reports, press interviews and articles by specialists and by politicians with responsibilities in the media sector, both past and present. Moreover, it is important to stress that the author's duties — as Assistant to the Secretary of State and to the Minister of the Presidency of the XV and XVI Constitutional governments — enabled him to access privileged information sources. These helped him later to write reports and articles, both internally and externally. This text also reflects the personal experience of the author both within the political sphere and the associative and professional context of the sector.<sup>1</sup>

This article is divided into four main parts: 1) *Theoretical Framework: Between Protectionism and Liberalism*; 2) *Overview of Support to the Press in Europe*; 3) *The Portuguese Situation – Brief Analysis*; and 4) *Conclusions and Recommendations*. The paper begins with a theoretical overview of where major ideas currently stand, focused on the liberal and protectionist points of view regarding state support to the media. Then we proceed with a general view of the models used in Europe and identify some development trends. The Portuguese situation comes next, with the reform — and its underlying logic — undertaken by the XV and XVI Constitutional governments for support of regional and local<sup>2</sup> media. Finally, some findings and recommendations are presented regarding public policies for the sector derived from the Portuguese experience.

### **Theoretical Framework: between Protectionism and Liberalism**

It is of the utmost importance to discuss state support to the press. On the one hand, fostering a broadly-based press can translate into a larger participation of citizens in public life, and peaceful coexistence of several projects and currents of opinion. On the other hand, it can hinder the application of social

1. Before collaborating with the XV and XVI Constitutional Government, the author was Vice-President of the Portuguese Press Association (*Associação Portuguesa de Imprensa*) (representing Lusomundo Media/Portugal Telecom group, integrated in August 2005 in Controlinveste group) and President of *Observatório da Comunicação* (Communications Observatory). When performing those duties he was able to study this subject and to share his knowledge with scholars and with professionals in companies in receipt of state support.

2. The head of the implementation of this model was the Secretary of State Assistant to the Ministry of Presidency Feliciano Barreiras Duarte of the XV and XVI Constitutional Government. The XV Constitutional Government was headed by the now President of the European Commission, José Manuel Durão Barroso. When he left office to prepare for the European Commission job he caused a crisis in the internal policy and opened the way for a change of Government, headed in 2006 by José Sócrates, of the Socialist Party.

freedoms. Doctrine on this matter can be seen from two major perspectives: *laissez faire* and *protectionism*. In practical terms, these two differ dramatically, are constrained by social, economic and political demands, and inspire contrasting approaches to state support. Moreover, supranational guidelines, particularly from the European Union, tend to standardise criteria on this matter, which can be a source of difficulty.

From a liberal standpoint, the press should not expect state support but rather should work towards a legal framework permitting its own development. State support often condones stagnation and defective corporate management. Like any other company, the press company must be subject to the law of supply and demand, without any protection from the State. Good or bad corporate management will determine the company's survival in a free information market. From a protectionist standpoint, the State is obliged to support press companies and, in certain cases, it is widely accepted that some press companies are permanently in deficit, thus justifying continuous state support. RTP, the Portuguese State TV channel, is a good example of this standpoint. The situation is similar in other public television stations across Europe. However, in the United States there is no tradition of state support to the media.

The foundations of state support to the media, and in this case to press companies, have political roots. Public opinion needs to believe that there is pluralism of information, that several currents of thought are available, that different opinions on the same general interest subject can be received, and that there exists a choice among various press products allowing the individual to choose the one most in line with his or her values and information needs. Those defending state support to press companies may come forward with two propositions: 1) to assure freedom of expression and to maintain diversity in press companies; and 2) to help media bereft of a future due to market conditions, but which make an important contribution to pluralism of information.

There are many and various possibilities for state support to press companies. Nevertheless, they all depend on political and economic circumstances and on the type and size of the press company. State support may be direct or indirect. In the case of direct support, there is a presumption that the State makes a free cash contribution directly to the company. This support can be grouped in four clusters: 1) investments or company financing; 2) support to the press product itself; 3) to press product merchantability; and 4) other support not

included in these situations. Indirect support, on the other hand, includes: 1) tax cuts; 2) low-interest loans; 3) professional tax cuts; 4) low price services; 5) preferential postal fees; 6) telecommunication rate cuts; 7) advertising limited to some media, above all state-owned.

Therefore, in the liberal model the law of supply and demand is key to the survival of press companies. State protection can provide an artificial life for companies which are not genuinely sustainable in the market. This current considers that neither bad corporate management nor a protectionist approach fostering the stagnation of media companies should be allowed. Protectionism can still favour media control, whether carried out directly or indirectly. Liberalism — easier to implement in prosperous countries — attaches priority to market production. However, in countries where the press endures almost eternal economic crises, the implementation of a liberal model per se will not bring any advantages to the citizens. Symptoms of a crisis include: 1) a growing increase in production costs; 2) a low increase in information broadcasting and consumption; 3) the aggressive competition of other media; 4) inadequate corporate management strategies and bad practice; 5) a lack of balance between costs and revenue.

From the standpoint of those who defend state intervention, the major reasons for public support are political. These include favouring the existence of newspapers that represent several currents of opinion and that allow for participation in public life. If the object of support is the dissemination of ideas through newspapers, the final beneficiary will be the reader. The reader will indirectly benefit insofar as that support makes it possible to buy newspapers at a price lower than its production cost, or allows for improvement in content. The purpose of state support should not be to compensate for corporate management deficiencies, but rather to guarantee access to information for all, as well as freedom of expression for all citizens. Support must comply with the following requirements: 1) to guarantee freedom of expression and to maintain media diversity; and 2) to provide material means and the application of good practices in all spheres: newsroom, administration, production, distribution and management.

### Overview of Support to the Press in Europe

According to Murschetz (1999), European countries have several ways of supporting the press articulating a sole axiom: support is no different for national

press or regional press. Countries having specific support distribute it similarly among all the press. As opposed to the Anglo-Saxon and German viewpoint regarding state support to the press, the governments of Austria, France, the Netherlands, Norway and Sweden actually subsidise the press. Thus they ensure that citizens have access to information and take an active part in the political process. In these countries, support to daily newspapers translates as input to the economic competitiveness of press companies, as well as in ensuring a diversity of titles and opinions. There is also selective direct support to new media entering the marketplace, in order to minimise possible hindrances, to encourage competition and to strengthen the market system.

In some European countries there is both direct and indirect support to the press, regardless of whether national or regional. Eight European countries, Belgium, Finland, France, Italy, Luxembourg, the Netherlands, Austria and Sweden directly support their press. In Portugal, support is not exclusive to the regional and local press. The means of indirect support to the press, sole common denominator in most countries, especially European ones, takes the form of tax benefits for publishers: VAT — equivalent to the Portuguese IVA (*Imposto sobre o Valor Acrecentado*). Table 1, which contains a comparative analysis of VAT in several European countries, shows that the discounts are primarily for newspaper sales. France applies the highest discounts.

The total annual funding to the European press is hard to quantify, insofar as the great majority of countries provide indirect subsidies, and these elude calculation. Following are five major conclusions from the analysis of various subsidies to the press found in several European countries:<sup>3</sup> 1) countries from Central Europe, England and Germany, for example, are rather liberal, whereas Northern European countries tend to be protectionist; 2) Scandinavian countries provide more support but, at the same time, read more newspapers; 3) there is a generalised trend, including Scandinavian countries, to rethink the usefulness of support and to dispense wisely in subsidising press companies; 4) support is increasingly focused and granted according to the presentation of projects by press companies, rewarding innovation and managerial success; 5) another trend is to give precedence to projects which foresee the use of new technologies or whose press products are distributed via soft copy media.

<sup>3</sup>See article by Ana Cruz regarding a study by Paulo Faustino (2004: 28-30): *Como a Europa apoia a Imprensa*, published in Meios, July/August, Portuguese Press Association.

Table 1

Countries	Comparative analysis of VAT in Europe					
	Sales	Newspaper	Composition	Advertising	Print	VAT Standard
England	0	17.5%	17.5%	17.5%	17.5%	17.5%
Spain	4%	16%	16%	16%	16%	16%
Ireland	12.5%	21%	21%	21%	21%	21%
Greece	4%	18%	4%	18%	18%	18%
France	2.1%	19.6%	5.5%	19.6%	19.6%	19.6%
Hungary	12%	25%	12%	25%	25%	12%/25%
Belgium	0	21%	21%	21%	21%	21%
Italy	4%	4%	4%	20%	20%	20%
Switzerland	2.4%	7.6%	7.6%	7.6%	7.6%	7.6%
Sweden	6%	25%	25%	25%	25%	25%
Portugal	5%	5%	19%	19%	19%	19%

Source: WAN, 2005

One of the major reasons for the tendency of European governments to streamline and cut subsidies to the press stems from a less positive evaluation of their impact on society. There is a widespread idea that the subsidy models were conceived to respond to isolated situations and did not contribute to the sustained development of press companies. According to some specialists,<sup>4</sup> broadly speaking, press companies have not used support to restructure their working procedures. Therefore, this support neither translated into positive impact on business growth, nor promoted the use of technologies.

Nowadays, there are two main claims made to justify greater caution when granting support to the press: the first is political in nature — the democracies are consolidated; and the second is more economic — the support provided has been ill-used. This caution also manifests itself in Portugal. As for comparing the national system with the models implemented in other European countries, we may conclude that the new model of support to regional media foreseen by the XV and XVI Constitutional government is rooted in European trends. From a political (liberal *versus* protectionist) and diversity of support standpoint (intervention areas), this model lies at an intermediate level within the European context and is proportional and more adjusted to the level of economic and social development in Portugal.<sup>5</sup>

<sup>4</sup>For example, Robert Picard, 1999.

<sup>5</sup>Compared to Europe and the world at large, Portugal is still in medium-term development and has limited resources. Therefore, public policies that promote a better use of those resources must be a priority for government.

## Portuguese Situation – Brief Analysis

After April 25th 1974, there was a general consensus to enhance the social and cultural relevance of regional and local newspapers. Nevertheless, the truth is that no government has developed a basic policy—structured and structuring—for this media sector. Broadly speaking, the political measures have been incidental and dissociated from a strategic overall sector viewpoint. In Portugal, regional and local press have an atypical geographic diversity, similar to the situation in France until the late 60s: a large diversity of titles built on weak managerial structures. It is necessary to acknowledge this reality and to conceive structural measures, in order for this sub-sector to become a veritable information and culture media, not merely for the regions involved, but also as a corporate activity that translates into wealth and employment for the community.

State support to the media is presently ruled by Decree-Law No. 56/2001, dated February 19th. These subsidies are basically aimed at local and regional media. This system has both direct and indirect modes of subsidy. Direct subsidies to support project funding aim to intervene in the following areas: 1) technological update; 2) content design for the Internet; 3) innovation and corporate development; 4) training and upgrading courses for human resources; 5) publishing of books about the media and other initiatives of major interest in the media, such as conventions and workshops, awarding of prizes for journalism, cooperation with Portuguese-speaking countries and others.<sup>6</sup>

This reform is absolutely necessary to foster a radical change in the organisation and management of regional and local media companies. From the standpoint of corporate structures, except in some successful instances, a certain level of underdevelopment in regional and local media companies is connected with the number of full-time collaborators. We draw three major conclusions from the analysis of the values shown in table 2: a) the majority of the regional and local newspapers have only one or two freelance journalists; b) the large majority of regional and local newspapers have no staff in the sales and marketing area; and c) the administrative staff seems to be in excess as compared to other major areas of the core business (journalists and sales/marketing staff).

<sup>6</sup>In 2002 both the XV and XVI Constitutional Government began a new reform under Decree-Law, No. 7/2005, of 6 January.

Table 2

	Number of individuals employed in the regional press				
	Note	1-2 Individuals	3-5 Individuals	6-10 Individuals	11 or more Individuals
Journalists	23.4%	38.3%	18.2%	15.0%	5.1%
Administrative Staff	20.7%	61.8%	13.8%	3.3%	0.4%
Commercial /Marketing	62.5%	32.4%	4.0%	0.7%	0.4%
Graphic Designers	62.5%	27.9%	6.6%	1.5%	1.5%
Other	48.4%	8.4%	13.9%	14.3%	15.0%

Source: Study AIND/IPOM, 2000

In spite of the aforementioned difficulties, we should believe in the development potential of regional and local media. The regional and local media are part of the increasingly valued development known as proximity journalism. Briefly, we may stress eight factors (economic, political, social, educational and technological in nature), which may contribute to an increase in importance of the regional and local press as advertising and information media in Portugal: 1) the development of the regional and local economy; 2) an increasing need for more sharply focused advertising; 3) the informative and advertising saturation of national media; 4) the leveraging of a preference for the local due to globalisation; 5) the effect of the Internet in helping information production and distribution processes; 6) increased decentralisation of knowledge and education outside larger urban centres; 7) the development of political and administrative decentralisation processes; and 8) the need for greater community integration and identification with regional and local economic and social dynamics. Table 3 shows some aspects which may act as development factors for regional and local press in the economic, social, technological, educational and political spheres.

Table 3

<b>Potential leveraging factors of regional and local media</b>				
Economic	Social	Technological	Educational	Political
Development of the regional and local economy and of communication infrastructures.	The global is harnessing the emergence of the local. The local is a reflection of the global. They are both part of the same process.	The Internet: enables the expansion of the product's market and interaction with present and potential publics.  Democratisation of access to new technologies.	Knowledge decentralisation: creation of local schools particularly aimed at higher education.	Political and administrative decentralisation processes. Trend towards regionalisation.
Increasing need for focused advertising communication for the public.	Greater need for proximity - information related to daily practices and experiences.	The Internet: allows access to information (training) and communication at lower cost. The difference between national and regional newspapers fades away.	Need for communication of knowledge at national, regional and local levels.	Greater strictness and selectiveness in criteria for state support to regional and local press.
Saturation of national markets in search of new consumers. Increased purchasing power of regional consumers.	Need for participation, interaction with and belonging to regional and local projects. Increasing importance of a return to the origins.	The Internet helps management processes and distribution of information outside the traditional market. Possibility of minimising physical distance.	Improved education and potential increase in new generations of readers both in printed and electronic media.	Demand for powers and decision capacities at local level. Greater mediatisation of the regional and local media institutions.

Source: Faustino, Paulo (2004: 218).

The total amount of direct and indirect subsidies (postage paid, for example) granted to the regional press in the last 12 years exceeds € 200 million.

Although part of these subsidies have led to some qualitative improvements in regional press companies — compared to where they stood 10 years ago, the truth is that the positive impact was relatively slight and of little structuring value. Support and public policies implemented for this segment did not allow for the creation of adequately consolidated press companies. The most part of the aforementioned € 200 million was spent on postage (circa € 150 million). Although the importance of this kind of support is acknowledged — it must be conceptually perceived as a subsidy to the reader — the present model of postage paid should be improved. That would be possible with the introduction of more selective criteria which would reward the employers' role and the willingness to invest in the development of regional press companies. Full support (100%) should be avoided, insofar as it is positive to create co-responsibility in the use of resources and in obtaining results from support.

Although postal charges support is a positive measure, it is clear that the regional press has been too dependent on that support. This has hindered the development of more aggressive distribution policies. In countries like Portugal, where reading habits are amongst the lowest in the EU, more subsidies and initiatives stimulating the creation of readership habits should be created. This does not necessarily presuppose more investment but better coordination between different support measures and ministries/secretaries of State (culture, education, mass media, economy, and others). There has been a lack of creativity and sense of mission in public organisms with regard to innovation and creation of structuring measures for the various economic sectors, especially in the domain of regional and local media.

Therefore, what really should be questioned is whether the media support policies which have been implemented end up inducing greater managerial fragility among press companies since they are used to responding to isolated situations instead of developing medium and long term strategies and insofar as the measures have not favoured concentration of the available resources and consequently the emergence of a critical mass and corporate synergies. The resources granted by the Portuguese State to the regional and local mass media have been scattered and have done little to foster improved dynamism in these companies.

As for comparing Portugal with models existing in other European countries, it can be concluded that, over the last eight years, some convergence of public policies towards a more selective approach to support has taken place. One of the main differences between the Portuguese model and some European

models is that in Portugal the State also includes local radios as beneficiaries along with regional and local press. It was within this context that at the beginning of 2002, the XV and XVI Constitutional governments started to prepare a new model to restructure regional and local media which would fit European trends at an intermediate level of state intervention—i.e., striking a middle ground between liberalism and protectionism.

The main purpose of the regional and local media support system begun in 2002 is: 1) to prioritise the responsibility of beneficiary press companies in the use of support resources; and 2) to reward risk and entrepreneurial merit. In 2005 the new model called *Incentivo à Iniciativa Empresarial e Multimédia* — IIEM (Incentive to Entrepreneurial Initiative and Multimedia) came into effect. All existing support was integrated into this measure in order to facilitate management.<sup>7</sup> The core proposition of the new support system was to prioritise the responsibility of the beneficiary press companies in the use of support resources, and to reward risk and entrepreneurial merit of those responsible for the mass media. IIEM aims to promote the development and consolidation of regional and local press and radio companies, by professionalizing their organisational structures and improving the qualifications of their human resources. This support comprises six domains of intervention: Strategic Partnerships, Requalification of Infrastructures, Technological Development and Multimedia, Qualification of Work, Dissemination of the Press Product, Cultural and Press Expansion in the Portuguese Communities.<sup>8</sup>

The Portuguese State also grants other support to mass media-related activities, for example: Incentive for Qualification and the Development of Human Resources (*Incentivo à Qualificação e ao Desenvolvimento dos Recursos Humanos*); Incentive for Research and for the Publishing of Books on Mass Media (*Incentivo à Investigação e à Edição de Obras sobre Comunicação Social*); Support for Postal Delivery—Postage Paid (*Apoio à Expedição Postal - Porte Pago*). Regarding this last support (Postage Paid), there has been a strong tendency to reduce the level of state contribution. Nevertheless, such support is still considered an important tool to facilitate access to reading. For that reason, the XV and XVI Constitutional governments kept the postage paid contribution considering, however, that this must be based on an attitude of joint responsibility between State and readers, by means of a staggered cost-sharing regime.<sup>9</sup> Within this understanding, the XVII Constitutional government, which came into office in March 2005, intends to continue the logic of postage paid contribution devised by the previous government. As Sousa suggests (in Amaral, 2005:

7. Although some incentives have been eliminated, others were created—in some cases ideas for support that were scattered over several measures were recovered—in a market-oriented spirit and rigour complying with economic and social criteria.

8. For a more detailed analysis of this model see <http://www.ics.pt>. The site also provides information on support already being granted by the Portuguese State to the Regional and Local Mass Media.

9. By the end of the transition period (between 2005 and 2007), the maximum state contribution is 60% for the newspapers which comply with the legal requirements. Arons Carvalho in the XIII and XIV Constitutional Governments had already initiated this trend of reduction of the postage paid. The basis of some of the presumptions of the support model for the regional media anticipated by the XV and XVI Constitutional governments were also included in the Socialist government bill. One major merit of the XV and XVI governments was to perfect some of the mechanisms and adapt them to the current situation and introduce significant innovations revealing an integrated and strategic view of the sector based on the following triptych: Responsible State; Responsible Company; Free Market.

183): “Broadly speaking, the most relevant structural reforms in the communication sector were introduced during the Social-Democrat governments. The Socialist governments continued this policy trying not to deviate from the measures adopted by the European Union”.

## Findings and Recommendations

The importance of regional and local media is increasing, partly due to the fact that society is moving towards a customisation of communications, which in turn paves the way for numerous clusters, smaller and geographically scattered groups. Social and economic trends (national and international) seem to create an environment favouring the emergence of new opportunities for regional and local mass media. However, it will no longer be feasible to benefit from such opportunities if the majority of these companies continue having a wilful approach to business, as happened until now. Strong engagement and a wilful spirit can translate into a competitive advantage, when complemented by greater rationality in project management and development. In an increasingly competitive market, one must add to the wilfulness a higher level of professional training of editors and collaborators, from management to the newsroom.

The Portuguese experience towards rethinking the philosophy and the actual support system employed for regional and local media is likely to integrate the international trend of applying public policies which have a more structuring effect on the beneficiary companies. The following basic presumptions underlay the changes to the Portuguese model:

- 1) The impacts arising from regional and local media support measures have not been sufficient to render this subsector more competitive.
- 2) The support has been granted in an almost undifferentiated way without taking project quality and ambition into account.
- 3) The support has contributed to unify the structures and resources of the regional media.
- 4) It was necessary to undertake a reform which would have a more structuring effect on the regional and local press companies and encourage managerial consolidation and market orientation.

<sup>10</sup>Although the XVII Constitutional government has continued with the majority of the measures approved by the previous government, it is also true that, until now, it has not implemented the *Training Plan and the Reading Incentive Plan*.

Within this context, the reform which became effective in 2005 was carried out from an integrated perspective and includes five intervention axes:<sup>10</sup>

- Managerial Initiative and Multimedia Development.
- Professional Upgrading Training Plan for the Regional and Local Media.
- Employment Programme for the Regional and Local Media.
- New Support Model for Mailing (Postage Paid).
- National Plan to Incentivate Reading.

This presupposes that development of regional and local media in Portugal cannot avoid two major issues: 1) Recognition, by the State, of the importance of this subsector as a development agent and as a medium for decentralisation of knowledge and information; 2) Recognition, by the companies, that they cannot compete without a market-oriented strategy, and cannot be exclusively dependent on state support for dynamicisation of their activity. In practical terms, these two aspects bring us to an agreement between the government and the regional and local media companies, in which each part must be committed to fulfilling its obligations: on the one hand the government assumes the obligation to create a support and regulation mechanism which encourages sector development; on the other hand, the companies accept the obligation to develop strategies and management practices, encouraged by state subsidies, but which depend to a great extent on their own initiative, engagement and efficiency.

In short, considering the Portuguese experience, media support makes sense and should continue, but rewarding those companies that invest more, take risks, create wealth and adopt better management and social responsibility practices.<sup>11</sup> It is recommended that there should be a deeper reflection within the EU in order to define and create new press support models. It should also be stressed that the media support granted by the European Commission and the European Parliament has concentrated excessively in the audiovisual sector. The press continues and will continue to have a major role in fostering European cohesion, mainly at regional level. For this reason, EU support should include the press segment. The EU should also provide support to newspapers or magazines (or other media) that produce content and extend knowledge in the areas of culture, communication, the information society and education.

<sup>11</sup>These principles are not incompatible with the simultaneous recognition of the existence of more economically and socially depressed regions. The XV and XVI Constitutional governments created some situations of positive discrimination foreshadowing the supplements for companies from weaker inland regions.

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## The View and Experience of Catalan Magazine Publishers

Francesc Dalmases i Thió

President, Catalan Association of Periodic Press (APPEC)

Firstly, we would like to thank the organisers — InCom-UAB, Patronat Català Pro Europa and the Government of Catalonia — for their desire to let the voice of the Catalan press associations be heard in this symposium. We would also like to thank you all for being here this morning.

As you know, I am speaking as president of APPEC, an association going back 23 years that today represents 139 magazines, covering culture, sport, travel, gastronomy, history, thought, current affairs, cinema, music, and other areas. Covering everything you can imagine and everything you can't imagine. Today, these 139 publications have an average total circulation of 750,000 copies a month, and an average monthly readership of 2.5 million.

The periodical publications (i.e. magazines) that belong to our association represent the Catalan industry with the highest level of growth over the past 20 years. When the current Catalan Minister of Culture, Ferran Mascarell, was named as the first president of our association, only 14 magazines were affiliated.

The magazines represented by our association are paid-for magazines, published anything between once a week and once a term and distributed around the Catalan Countries — the areas where Catalan is spoken, i.e., Catalonia, Valencia, the Balearic Islands, and French Catalonia (most of the Pyrénées Orientales *département*) — excluding therefore free publications (represented by the ACPG) and the local press (represented by the ACPC).

One of APPEC's main strengths is that practically all magazines that meet these characteristics are part of the association. We are therefore the most representative group in our sector. In a country with two of everything, our association is unique.

A few moments ago I mentioned some quantifiable data that define our sector. I would like to add that we have also seen an increase in the quality of our sector. This has occurred since we changed our discourse around 10

years ago. We have moved on from having the language as the main value of our publications ("Read in Catalan" or "Buy magazines in Catalan"), and we have made this into an added quality.

We produce magazines, good-quality magazines, that are all products that fit into the magazine market — Catalan, French, Italian — and are, of course, written in the language of the place where they are published.

This presentation may convey a certain pride or feeling of security and strength in our sector, but this is not true, or at least, not completely true. Professor Noam Chomsky differentiates between cultures with a past, present and future, and cultures with only a past and a present, referring to their capacity to construct their own space for communication. Today, as professor Chomsky rightly points out, the construction of a space for communication is a fundamental guarantee for European cultures that want to project themselves towards the future.

As you well know, however, the modern political construction of Europe has been based on Nation-states. What has traditionally formed the backbones of these Nation States is their link to a language, a culture, a tradition, and of course, a single reference nation. This means that all societies and cultures that, like ours, do not have a State, not only have not had a State for them, but have also had a State against them.

In the case of Catalan society, while I won't bore you with an exhaustive look back at the political, economic, cultural and linguistic persecution we have suffered over the past 300 years, I would like to look back with you at the adverse political climate we have had to suffer during most of the 20th century.

During this time, any cultural, linguistic, social or media expression in Catalan was simply forbidden or persecuted. The transformation from a dictatorship to a democratic system in line with modern Europe is still in process. You only have to look at how Spain still lives with the anachronism of having active politicians who were part of Franco's military dictatorship and of having a leading Spanish right-wing party with principles very close to that of the dictatorship.

I have decided to take this look back to show you that this cultural industry that we are trying to build throughout our nation has been playing

catch-up since it began. Our culture was generally in a very precarious position less than twenty years ago. The longest-established magazines, *Serra d'Or*, *L'Avenç* and *Cavall Fort*, to name but three with a very significant past and a very solid present, were not so much publishing firms as semi-clandestine platforms for defending and promoting the Catalan language, culture and nation. In fact, it was not until many years later that leading Catalan publishing firms (such as Encyclopédia Catalana and Grup 62) and other foreign firms (such as France's Bayard) began to recognise Catalan magazines as a platform for business and expansion. During this time, small and medium publishing firms (such as Grup Enderrock and Medi-Grup) have gradually established themselves as media groups that form the backbone of our sector.

But even today, publishers of Catalan magazines still don't operate under the same conditions as their counterparts in other countries. They have the same difficulties as any European publisher, such as publishing on paper and the lack of readers in society, but they also have additional hurdles simply because they publish in Catalan.

The two main difficulties are distribution and advertising. There is a simple explanation for the distribution problem. We do not have infrastructure corresponding to our reference market: the Catalan Countries. If a music magazine is published in Catalan in Barcelona and targets all the Catalan Countries, it may need up to 14 different distributors. If the same magazine is produced in Barcelona, but in Spanish, then one distributor, or two at the most, is enough.

And as far as advertising is concerned, we do not exist, because the agencies and purchasing organisations see a map that covers either the entire State or a small local area. Going back to the music magazine, if it is published in Barcelona in Catalan and distributed throughout the Catalan Countries, it does not have access to advertising campaigns for clothing, telephone products and drinks for young people that another music magazine published in Madrid and in Spanish can access, even though—and this is the real scandal—the latter sells less not only proportionally, but also in real figures.

What role do we believe the public administration should play in such a situation? We propose three fast-track measures—automatic aid, aid to projects, and promotion of infrastructure—and a fourth, indirect measure—which we will call public guidance, or pedagogy:

**a) Automatic aid.** This must be non-essential direct aid for publications in recognition of the inequality from which publishers in Catalan suffer. Non-essential (aid to books), but significant. It must be enough to tip the scales that, based purely on market criteria, are not clear enough for a publishing firm weighing up whether to publish in Catalan or Spanish).

**b) Aid to projects.** Whether individually, in groups or collectively, the sector must be capable of generating projects that are ambitious enough to overturn the unbalanced situation I have outlined, a situation that cannot fall exclusively on the shoulders of the publishers, but that requires the analysis and support of the government (Secretary of Communication and the Catalan Institute for the Cultural Industries or ICIC).

**c) Promotion of infrastructure.** In the same way that it is the role of the government to make sure its citizens are able to move from one place to another within its territory, it is also the role of the government to make sure that cultural goods can also do so, as is the case for cultural goods that have not been written in the native language of Catalonia. It would be ridiculous for our language to be a handicap to our moving from one town or city to another, but this is what happens with magazines in Catalan.

Try producing a magazine in Catalan and distributing it through a medium or large firm. This not only creates an unfair situation, where one is unable to put forward one's opinion on the market, but it also prevents citizens from completing their information universe, and it is therefore the responsibility of government to prevent this kind of unjust situation.

**d) Public guidance or pedagogy.** How does the government go about providing this public guidance or pedagogy? Firstly—and this is a far cry from the current situation—by adding a fundamental condition for access to automatic or project aid: that the publication be written in Catalan. We cannot put additional money into the bank balance of media groups who are already in a privileged situation owing to regulations that should actually aim at eliminating what are advantages to some and handicaps to others.

Secondly, the government and the public administration in general are generators of a large amount of advertising. Its prescription for advertising should take into account both the effectiveness of the advertising platforms and the political and strategic orientation of these media. We can demonstrate just how effective our titles are if public institutions act as a

launch pad and show that one can be imaginative, valiant and fair when planning institutional advertising.

This is not the case right now. For example, of the 139 magazines represented by APPEC, just five were chosen to be used in the Catalan government's advertising campaign for the referendum on the Statute of Autonomy of Catalonia. All these figures and all the readers of our publications were of no interest to those that chose which media would be used and which would not. "They'll read *La Vanguardia* or *El Periódico* — the two leading daily newspapers published in Barcelona — anyway, won't they?" You'll maybe think that such a campaign in APPEC magazines would have a high cost. Not at all. A full-page ad in all the magazines represented by APPEC costs the same as a full-page ad in the two newspapers I just mentioned.

It is scandalous that nearly a whole sector of the press is marginalised based on something that, apparently, was at the top of our government's agenda. The media are marginalised, and the knock-on effect is that its readers are also marginalised. They are being bribed: "The government speaks through those media, but doesn't speak through these." And this campaign is no exception. This is the same perverse dynamic that has recently become entrenched in the advertising planning of the Catalan government.

You might be thinking we are here to talk about aid, not advertising. Well, let's have a look at the government's budgets and add up what is specifically aid and what is institutional advertising in the written press. Given the choice, I can assure you that the large media firms choose the latter. There must be some reason why.

It is a grave strategic mistake, and not politically prudent, not to take our publications into account when broadcasting institutional messages. A mistake that may lead to the impoverishment of our media. We have had a proposal on the table for some time now to address this issue: no institutional message can do without our publications. All our readers have the right to read, at least once, the message the government wants to put across through its general campaigns.

I will close with a brief reflection. APPEC is not limited to defending specific business interests and conducting corporatist and lobbying action sim-

ply to increase our readership and generate higher profits. This is an aim, but not our only aim. We understand that today, when the media is all about immediateness, our magazines are fundamental in completing our information universe as citizens. APPEC's magazines, more than 90% of which are specialised, speak from experience about music, culture, food and drink, politics, travel, countryside, family, art, theatre, cinema, etc. And they are not rush jobs. The readers take the time to read, and to think.

A society that reads is a society that thinks. A rich society that will progress. Welfare and progress are two key challenges for our political representatives. They must keep this progress and welfare in mind as they promote a diverse and rich universe of information for us all. Especially those politicians responsible for managing the public institutions of stateless nations like ours.

## The View and Experience of Catalan Local Press Companies

**Estanis Alcover**

President, Catalan Association of the County Press (ACPC)

I am delighted that the Government of my country, Catalonia, is making an effort to gain a better understanding of the Catalan press. At the Associació Catalana de Premsa Comarcal (ACPC), we have strived for many years to obtain for Catalonia a media policy for the press that is appropriate for the country's linguistic and cultural reality. So much so that for years we have looked for interlocutors around Europe: in Brussels, in French-administered Catalonia, in Valencia and in other countries on the Iberian Peninsula.

I speak to you as president of the local press, but also as a representative of the private sector, since I am Director of Communication for Grup El Punt. Initially as part of my company, and shortly after in representation of all the local press in Catalonia, I have for many years worked with many organisations, from the X and the XII Directorates-General of the European Commission to Patronat Català Pro Europa, and from the European Commission's delegation in Barcelona to the government of Catalonia. The late Ernest Udina introduced me to Brussels, God rest his soul.

Our conclusions were easy to reach. Our Government needed to be more ambitious by working in partnership with other European states that believe in diversity and in the cultural wealth of the plethora of languages unashamedly and naturally spoken and written throughout the Union.

So as soon as the three-party government<sup>1</sup> was formed in Catalonia, I met with the new Secretary of Communication of the Office of the President of Catalonia, Miquel Sellarès, and the Director of Strategic Communication, Jordi Fortuny. I gave them the results of our search for partners for publications in Catalan, and expressed our firm belief that a helping hand was not only possible, but was also viewed positively virtually all over Europe. The rumour that Brussels imposed a ban on aid to the press was not true, but rather the nuances of the legislation must be studied, since there are sufficient nuances, but we were unaware of them.

From the Strategic Communication Bureau, we moved on to speak with the new Secretary of Communication, Enric Marín. Thankfully the subject of

European aid was taken seriously, and the Institute of Communication of the Universitat Autònoma de Barcelona was entrusted with studying the real suggestions and demands made by the staff in my company and the association of publishers of the local press in Catalonia.

I would like to reiterate our satisfaction that it was decided that a serious study should be conducted on aid, because it is vital for newspaper publishers in Catalan and because we hope that, by working with the government, together we will be able to level the path in a rigorous and coherent way in a country with undeniable differentiating features.

Catalonia is truly living in a fallacy: the fallacy that the Catalan language is now a normal language, rather than recognising that we have just taken one step forward, and that we are still a long way off becoming a normal country with a normal language and culture. We try to keep those who are hardest to convince happy, but in the end, what is said is believed by many Catalan politicians. As for the press in Catalan, and the struggle of those who publish in our language in our land, the path is even longer and more arduous.

Ladies and gentlemen, we must not be complacent. We still have more exams to pass, and we'll need to study hard with good teachers if we want the highest grade. It is so clear that for the future Catalonia needs to develop a true policy for the written press in Catalan, as has been done for radio and television. There is a vital need for a forum in which questions can be posed. Here is one of the most important questions:

Will there be determined support through public funding for the Catalan language press in the future, as has happened, and still happens, for radio and television? I call for political bravery to stop playing with the fire of certain national newspapers not written in Catalan and to pluck up the courage and determination to create a real policy for the written media in Catalonia. This is an enormous responsibility that has yet to be shouldered, despite claims to the contrary and despite the undoubtedly improvements that have been made over the past two years.

I believe that all publishers of the Catalan press have the obligation to work together to act as a much-needed, powerful, respected lobby. We need only take note of the words of Francesc Dalmases, President of APPEC, in an interview with *Tribuna Catalana*: "The problem is that the Government has

1. The tripartit was a coalition formed by three left-wing parties after the Catalan elections in November 2003.

no explicit desire to develop a policy for the national [Catalan] media, and right now such a policy is urgently required. It must include strong, positive discrimination, the creation of regulations to help the media use our language, and the strengthening of regulations designed to prevent external groups from operating here as easily, or more easily, than those of us from here in Catalonia."

What Dalmases says seems quite obvious, and I have been defending this for many years from my position of responsibility with Group El Punt and for the past two years from within the local-press association. We are on the right track, which is positive, but we are still a long way from our final destination.

Local Catalan press publishers do not want to live with our hands tied behind our backs. We don't want to be parasites, nor labelled as such. We argue that we are different, and that we therefore require aid. Only aid. We don't want to hear any mention of subsidies. We are already working to make sure our balance sheets are in the black at the end of the year, but we want to do so under the same conditions as the press published in Spanish. It is unfair that in a market where free competition is the prevailing law, our publications are released under disadvantageous conditions.

We should note what is done beyond the Pyrenees. Many states have a specific law laying down the rights and responsibilities of the press and the media in general. This is the case in the Nordic countries. It is seen as completely normal. Here in Spain, the Constitution contains several fundamental principles that could be applied to the press. There are also other provisions that apply to the media in the form of ordinary laws, though there are many areas that are left to the discretion of bodies created by the media themselves, and not the Catalan media. Some publications, such as cultural publications, receive such subsidies from the State.

What do we, the men and women of the local press, ask of the Catalan government? To start with, to look to European countries with longer histories as democracies. In Norway, to name just one country, the State began supporting the press as early as 1935, creating the necessary conditions to guarantee the presence of newspapers in all regions of the country and an abundance of subject matter and perspectives on society. Since then, the state policy on the press has gone from strength to strength, supporting the industry in three essential ways. Two of these are economic bene-

fits: tax exemptions and direct state aid to the press. The third measure aims to prevent excessive concentration of ownership into the hands of a few. Good, isn't it?

Also in Norway, daily newspapers and books are still exempt from VAT, which currently stands at 24%. At various times in the past, this exemption also applied to weekly newspapers, but when VAT was introduced in 1970 it was not applied to daily newspapers and books, but was to weekly newspapers. They justify this distinction by stating that daily newspapers, as opposed to weekly newspapers, are mainly for leisure, and are therefore vitally important to keep the citizens of Norway informed about important social matters. Every so often, the weekly-press organisations re-ignite the debate on the inappropriateness of the discrimination brought about by the different tax applied to the two products. Here in Catalonia, the local press is even more distinct from other forms of press. It is perfectly clear that these publications are of general interest and are absolutely essential within the social fabric of Catalonia thanks to their unique, serious, local reporting.

Another positive factor that should be an example to us in the media policy of Norway, a country with a smaller population than that of Catalonia, is that when there is debate about helping out the press, the first thing that comes to mind is not VAT, but rather aid granted directly to the newspapers according to the distribution and the competition in the region. Overall we see that production subsidies benefit newspapers that have the greatest difficulty in acquiring income from advertising: this subsidy therefore becomes a form of compensation for insufficient income from advertising.

In summary, I have said that the local press in Catalonia gives its full support to this symposium, and hopes that its conclusions will be beneficial to the sector I represent. I stress once again that all we ask is to be able to compete on a level playing field with publications in Spanish. We will worry about making sure our products are competitive in quality and content. But should the fact that we publish in Catalan here in Catalonia mean we should be punished and kept out of advertising circles, and even discriminated against by our own government in its advertising with false excuses typical of an advertising media centre? Surely not. If we are to be treated equally, we must first get on the same wavelength and speak face to face. Then we must achieve pluralism and transparency.

**2. Plan D, to be presented shortly by the Information Office, is an informative campaign on the work the EU does to bring decision-making closer to its citizens. This aims to address the mistrust of European institutions, which is what led to the vote against the draft Constitution. Put simply — as the EU representative at the MIDAS assembly put it — every once in a while Barroso should sit and have a drink with students or local press publishers; so both sides can better understand each other.**

Finally, we also ask Brussels to be sensitive to our situation. At the moment we seem to be improving, as was noted during the general assembly of MIDAS (European Association of Daily Newspapers in Minority and Regional Languages) in Apenrade, Denmark, where the members were satisfied with the European Commission's Plan D.<sup>2</sup> The associate newspapers saw it as very positive that Brussels has understood that the public work carried out by the European Union should be published in regional and local newspapers.

The European newspapers that are members of MIDAS, many of which are Catalan, are prepared to provide information on European affairs, but we demand that the European Commission place a certain percentage of advertising campaigns in these publications, rather than publishing them exclusively in newspapers distributed throughout a member state or with a large circulation in the Union.

This would be compatible with the principle of equality, since the speakers of Europe's minority languages, like the speakers of majority languages, have the right to be kept informed through advertising campaigns. MIDAS is sure that the European Commission will get rid of the discrimination against minority languages, will facilitate the advertising media and will approve plan D, which is a step in this direction. If this is the case, the plan can also count on our support.

Ladies and gentlemen, we ask that the positive examples found in the rest of Europe be followed in Catalonia, and that the negative examples serve to show us that not only is it true that in Catalonia we have a long way to go, but also that in other states, where democracy has a much longer history, there are historical minorities that are insultingly and selfishly marginalised.

We, the 130 local press publishers in Catalonia, prove daily that the print media continues to be effective both in providing information and in spreading culture, and that reading the local press is still a vital ingredient in the human experience of Catalans.

## **The Free Press. The Moment of Truth**

**Mateu Ros i Monrós**

*President, Catalan Association of Free Newspaper (ACPG)*

The free press in Catalonia has become popular since newspapers of general interest began to circulate in Barcelona and the surrounding region. There are currently four large daily newspapers of this kind, with more than one edition a day, providing general and local information to many citizens in Barcelona. Despite the revolution brought about by the free newspapers, it should be stated that for over thirty years, many Catalans have been reading news about their town or city without paying. There are many publications, mainly produced weekly, that have been produced regularly for many years in the main towns in Catalonia. These have found that the local information creates an added value that guarantees a large readership.

The free local press began to spread at the end of the 1970s, and is still growing today throughout Catalonia. This phenomenon has changed the public's traditional information consumption habits and revolutionised the Catalan communications market. This form of popular press, which has provided information in Catalan to readers of all social standings and cultural origins, has contributed, and continues to contribute, to making Catalan an everyday part of the lives of the people of Catalonia. We should remember that publishing in Catalan 25 years ago made it very difficult to break into certain areas of industrial cities. These newspapers have helped build a space for social communication, and have, of course, revitalised local information and street reporting.

The free local press has therefore been a cultural revolution for Catalonia, a revolution made possible by the readers, who have given it the weapons with which to fight the contempt, ignorance and poor reputation that the sector has had to combat, particularly in the early years. Over the course of the past few decades, the professionalism of reports and the regulation provided by the ACPG has contributed to casting aside any doubt on the value of the quality provided by these publications.

Today, at last, nobody dares question the importance of the free press, neither in general nor in local areas. The Catalan Free Press Association

(ACPG) has worked tirelessly to make this happen, and we are now reaping the rewards of that work. The free press has also made a step forward regarding state aid, since for the first time ever the government of Catalonia has included this sector in its subsidy programme. The ACPG has represented the sector in talks with the Catalan Institute for the Cultural Industries to establish the requirements that must be met by publishers who want to apply for state aid. These requirements are the same as those for membership of the ACPG, making this the first time the free press has gained official recognition from the Generalitat.

But this is not enough. The free press is firmly established as a strong business sector that continues to promote new media in Catalan, both on television, radio and in the written press, and particularly on the Internet. Many of the companies that were born in the spirit of the free press are today important communication firms with ties, as we have already said, to different information media. It is therefore a key area for the development of the communications sector in Catalonia, and the government support to this sector should be proportional to its contribution to language, culture, business and journalism. This is not to protect it, but to catapult it; not to pamper it, but to project it. This is why, to start, we need statistics that show the reality of the local written press.

It is essential, therefore, that the Generalitat give its firm support to the Baròmetre — <http://www.elbarometre.org> — and all other studies that provide objective data in order to determine the conditions for state aid, not based on political criteria or historical privileges, but rather to make a real contribution to enlarging and modernising our space for communication.

# **Press Subsidies and Linguistic Policies**

**4**

## **Subsidies to the Printed Press in Minority Languages**

**George Jones**

*Mercator Media, University of Wales Aberystwyth*

### **State Subsidy. Differing Traditions**

State subsidy of the press, although a normal feature of life in some European states such as Italy and Finland is regarded with some suspicion in many others, since it is considered to smack of too great a degree of interference with the press's editorial independence. Nevertheless, minority language communities are often obliged to rely on some degree of subsidy in one form or another since few of them are able to sustain purely commercial ventures.

The degree to which newspapers need to depend on subsidy varies, of course, with the level of circulation necessary to sustain a paper independently and this is something varying from State to State. In Spain, for example, the regional press is far more strongly developed than in the UK and it is possible for newspapers to survive with a lower circulation.

### **The Case of the Minorities of Italy**

There is a reasonably well-developed press in only a few of the Italian minority language communities, two of the most notable in this respect being the German community of South Tyrol and the Slovenes in Trieste and the surrounding area. Both of these minorities have daily newspapers.

Italy has legislation providing for the subsidising of minority language newspapers along with the official newspapers of political parties and newspapers published by cooperatives of journalists. Minority language newspapers receive 50% of their total costs up to approximately €1 million per year, the exact amount depending on the yearly budget. The subsidy is given retrospectively for the previous year so for example 2005's money is received in 2006.

## **The Case of Irish**

The body responsible for subsidising the Irish-language press is Foras na Gaeilge, a state body whose remit is to promote the Irish language. The grants provided are as follows:

- *Foinse* (weekly national newspaper) € 322,000 per year, committed to December 2008.
- *Lá* (daily newspaper) £170,000 (€252,091) per year maintenance/development grant.
- *Comhar* (monthly magazine) € 60,000 per year, committed to December 2008.
- *Feasta* (monthly literary magazine) € 46,000 per year, reviewed annually.
- *An tUltach* (monthly magazine) £ 24,000 (€ 35,585) per year, reviewed annually.
- *An Sagart* (spiritual magazine) € 2,546 per year, reviewed annually.
- *An Timire* (spiritual magazine) € 3,229 per year, reviewed annually.
- *Saol* (Foras na Gaeilge's own monthly).

A number of English language newspapers publish pages in Irish, most notably the *Irish Times*, the Irish section of which does have a reputation for strong journalistic content.

### **The Case of Frisian**

The provincial government of Friesland in the Netherlands has a fund for the promotion of reading in Frisian. There is no fully Frisian-language newspaper and the subsidy is divided between two predominantly Dutch-language titles, the *Leeuwarder Courant* and the *Friesch Dagblad*. Also subsidised are the literary magazines *De Moanen* and *Hjir*. There is, in addition, state government funding available to literary magazines which is available to Frisian magazines as well as Dutch.

The percentage of Frisian in the *Leeuwarder Courant* and the *Friesch Dagblad* is small (usually about a single page and no more than 5% of the total content). The material in Frisian is not on the whole *journalistic* in content but somewhat more *lightweight*, consisting of interviews, recipes, book reviews etc.

This may sometimes be a danger where a minority language is given a marginal position in a publication that predominantly uses the majority language. Editors may aim at a sort of *diglossic* use of the two languages, with the minority language, of course, taking the more lightweight role. This is not universally the case, however, as the case of the Irish Times, referred to above, demonstrates.

It is worth noting that, until the early 1990s, a monthly, exclusively Frisian-language title, with somewhat more journalistic content, *Frysk en Frij*, did exist and was for a long time subsidised by the province. It failed, however, to meet subscription targets set by the province and the subsidy was discontinued. Although an attempt was made to continue without subsidy the magazine eventually folded.

### **The Case of Scottish Gaelic**

Bòrd na Gàidhlig, a statutory body for the promotion of Gaelic, provides some assistance to publications using Gaelic, as follows:

- *An Gaidheal Ùr*, a monthly Gaelic newspaper in tabloid format receives about £ 40,000 (€ 58,600) per annum, which meets about 80% of its costs.
- *Cothrom*, a bilingual learners' magazine, receives about £ 10,000 (€ 14,650), or 90% of its editing costs.
- *Am Pàipear*, a community newspaper with some Gaelic content, received one-off development funding in 2003/04. This was a sum of £ 5,000 (€ 7,325).
- *Lomond and Trossachs* community newspaper received a similar one-off payment of £ 300 (€ 440) in 2004/05.

To be eligible for funding projects must be designed to increase the number of Gaelic speakers and increase the quality and range of use of Gaelic.

### **The Case of Welsh**

There is a reasonable degree of literacy in the Welsh language, resulting from a long tradition (Welsh was the only non-state language in Europe in which the Bible was published less than a century after the Protestant reformation). Despite this the press in the language is not as highly developed as the press of some minorities of comparable size and strength, there being, for example, no national daily to date, although a project is working to establish one. It seems that there is some cause for optimism with regard to grant assistance from the Welsh Assembly Government for the new Welsh daily, which is to be entitled *Y Byd (the World)*, but no announcement has as yet been made.

There is a weekly national newspaper, *Y Cymro* (circulation approximately 4,000), a weekly current affairs/news/cultural magazine, *Golwg* (circulation also estimated to be around 4,000), and a few less frequently appearing and more specialized magazines, for instance a monthly cultural/current affairs magazine offering lengthier, more *high-brow* articles known as *Barn* (circulation approximately 1000).

In addition to the commercial local press (which is for by far the most part in English), there exists in Wales an important number of voluntary publications in Welsh, which have no real equivalent in the English language. These are known as *papurau bro* (district papers). They emerged during the 1970s and there are now 57 of them throughout the country. It is worth noting that these local newspapers have between them a circulation far greater than that of any national title (some 55,000 per month).

The main subsidies for the national Welsh-language press come from the Welsh Books Council (the funding emanating in the first instance from the Welsh Assembly via the Welsh Language Board, which is a statutory body established by the Welsh Language Act of 1993). The total annual subsidy given to a variety of newspapers and magazines by the Books Council is £ 375,800 (€ 550,679). The Books Council subsidises newspapers and magazines out of a publishing grant that also funds the publication of books (the total publishing grant being some £ 1,123,000 or € 1,643,772 per annum). There is no fixed policy as such on the precise sums that go to the press or to book publishing. The Books Council presents an annual application to the Language Board with a breakdown of the projects they wish to support and it is for the Language Board to approve applications on an individual basis.

However, the *papurau bro* receive money directly from the Welsh Language Board, since voluntary ventures do not fall within the remit of the Books Council. In 2005/2006 this was split equally between 57 titles. Each paper received £1,306 (€1,913) for publishing 10 issues (this grant is reduced if fewer issues are published).

#### **Annual grants from Welsh Books Council for press, 2006-2007**

	No. of issues	Grant
Taliesin (literary magazine)	3	£ 32,250 (€ 47,216)
Golwg (current affairs)	50	£ 75,000 (€ 109,810)
V (for teenage girls)	12	£ 18,000 (€ 26,354)
Wew (for children)	12	£ 36,000 (€ 52,717)
Lingo Newydd (for learners)	6	£ 18,000 (€ 26,357)
Cip (youth)	10	£ 26,000 (€ 38,082)
Barddas (traditional poetry)	5	£ 22,500 (€ 32,952)
Barn (current affairs analysis, arts)	10	£ 80,000 (€ 117,180)
Fferm a Thyddyn (Farming)	2	£ 2,000 (€ 2,930)
Llafar Gwlad (Folklore)	4	£ 6,000 (€ 8,786)
Y Traethodydd (religion, culture etc)	4	£ 8,000 (€ 11,718)
Y Wawr (for women)	4	£ 10,000 (€ 14,644)
Cristion (Christian magazine)	4	£ 4,800 (€ 7,031)
Y Selar (Contemporary music)	6	£ 12,000 (€ 17,573)
Y Cymro (weekly general newspaper)	52	£ 18,000 (€ 26,357)
Tu Chwith (literature and essays)	2	£ 7,250 (€ 10,617)

NOTE: grants are normally reviewed every three years.

Few of the titles subsidised by the Books Council would be likely to survive without a grant, although *Y Cymro* existed for many years before receiving its present subsidy.

#### **The Case of Breton**

There is no Breton-language daily newspaper. However, a weekly paper, *Ya*, began publication in 2005. A number of periodicals (including *Al Lanv*, *Al Liamm*, *An Doéré*, *Bremañ*, *Brud Nevez*, *Hor Yezh* and *Imbourc'h*) and some titles for children are published in Breton and financed by local and regional government to varying degrees.

Since 2001 grant assistance for magazines has been in place through the Regional Directorate of Cultural Affairs. It is reserved for those literary magazines offering leading articles and the grant allocated may not exceed 20% of the projected annual budget. The magazines *Al Liamm* and *Brud Nevez* have benefited from regional grants of this type.

At state level, a decree of 26 November 2004 opened up grant funding to the weekly regional and local press to publications in minority languages.

The Regional Council of Brittany has no programme of direct promotion of the Breton-language press. It does, however, have a programme of promotion of the language, which comes under the culture budget, accounting for four fifths of the grants allocated by the Council for the Breton language. Within the framework of this programme for promotion of the language, the region gives assistance to publishers in a general sense for their overall running as well as for specific publishing projects. The majority of such grants go, however, towards book publishing.

#### **Grants to the Press in Breton in 2005**

Granting Authority	€
Regional Council of Brittany	119,550
General Council of Côtes-d'Armor	1,032
General Council of Finistère	61,500
General Council of Morbihan	5,500

#### **Publication Receiving Grant**

Publication	€
Keit Vimp Bev	127,250
Emgleo Breiz	56,800
Al Liamm	2,500
Hopala	1,032

The majority group on the Regional Council, which came to power in elections held in 2004, has proposed a language policy that was passed unanimously by the regional assembly. Part of this policy is dedicated to publishing. It is intended that a plan will be put in place to support the production

and dissemination of publishing in Breton. Also planned are incentives for families to subscribe to magazines aimed at young people. These plans have, however, not yet been implemented.

At *département* level, Finistère is the most active in terms of language policy and dedicates a budget line to assisting magazines, to publishing in Breton and to the translation of works. With the aim of promoting magazines aimed at young Breton speakers and developing the reading of younger generations, this *département* put in place in 2003 an operation known as “Chèque-Revue” which involved financing half of subscriptions to the magazines produced by the publishers Keit Vimp Bev, who produce *Louarnig*, for 8-12 year olds, *Rouzig*, for children from 3 onwards, the magazine for adolescents *Meuriad* and the weekly newspaper *Ya*.

The other *départements* giving assistance to Breton-language magazines, namely Côtes-d'Armor and Morbihan, have no specific policy in favour of magazines in Breton. Moreover, these grants represent only a small part of the budgets dedicated by these authorities to the Breton language.

### **The Case of Sorbian**

The Foundation for the Sorbian People (Stiftung für das sorbische Volk), a statutory body established in 1991 with the aim of promoting the Sorbian language and culture, funds a number of titles in the language. The Foundation itself receives its finance from the federal government (50%) with the remainder coming from the Länder of Sachsen (2/3) and Brandenburg (1/3).

The Domowina press receives € 1,494,000 for the publication of the daily *Serbske Nowiny*, the weekly *Nowy Casnik* and the cultural and political magazine *Rozhlad*. This gives them about 75% of the costs of *Serbske Nowiny*, 20% of *Nowy Casnik* and 5% of *Rozhlad*. Witaj receives € 172,400 for the publication of the education magazine *Serbska sula* and the children's magazine *Plomjo/Plomje*.

The Catholic weekly *Katolski Posol* is supported annually by the Stiftung on a project basis. The grant in 2006 was € 80,200. The protestant monthly *Pomhaj Bóh* is funded on a similar basis and received € 17,400 in 2006.

The total subsidy to the Sorbian press is therefore € 1,764,000.

### **Conclusions**

The degree to which minority language press subsidy depends on the whims of the political climate in many regions is the cause of great instability. For this reason, and also because of the potential compromising of editorial independence which discretionary grants entail, there may be something to be said for the Italian system whereby there is a legislative basis for subsidy and the grants must be given automatically.

The history of the Frisian *Frysk en Frij* highlights the question whether funds are best channelled into a *flagship* publication, even if that publication's appeal and circulation are limited, or spread more widely among titles using the majority language in the hope of attracting a wider readership of those who do not feel themselves to be particularly confident in reading the minority language.

The answer to dilemmas of this sort may be different from language to language, but it seems to me there is a strong case to be made for an identifiable minority language title, since this can only assist with the full development of a true journalistic profession in the language, rather than activity on the part of marginalised and isolated individuals.

While language planning on the part of the state or regional government is a relevant factor in many cases, subsidies are often given on a largely reactive basis, depending mainly on what people happen to apply for. This is more true in some places than in others. The activities of the Language Board in Wales constitute language planning in that it is a statutory body which exists for the purpose of regulating the position of the Welsh language in Wales but with regard to the press it is also reactive as it stands at present.

Bord na Gaeilge in Ireland certainly has a language planning agenda and has itself produced titles to fill what are perceived to be lacunae in the press provision available. A drawback is that newspapers and magazines produced specifically with a language promotion or preservation agenda in mind are sometimes found to have their journalistic integrity compromised or to be in some way weaker in their content than those whose primary concern is journalism first and foremost and who have to some extent, at least, to respond to market imperatives.

For this reason, while the reactive and unstable position that currently prevails in many places is undesirable, the answer may not be simply for state language planning organisations to produce publications themselves.

Where minority language press depends on subsidy as it does and will in most cases for the foreseeable future, the challenge for those involved in administrating such subsidy will be to find a balance between an appropriate level of stable, pro-active, forward planning and leaving the press sufficient independence of organisation to have real editorial bite.

## Press Subsidies in the Basque Country

**Patxi Baztarrika**

*Vice-Ministry for Linguistic Policy, Basque Government*

The Basque Government has always been aware of the role of the media in the revitalisation and normalisation of a language. The Basic Law of Normalisation of the Use of the Basque Language, passed by the Basque Parliament back in 1982, includes a section of measures designed to guarantee the use and presence of Basque in the media. This law recognises that the entire population of the Basque Country has the right to information from the media in both Basque and Spanish. To guarantee this right the Basque Government was obliged to adopt measures that promoted a greater use of Basque in the media. Not only that, but the media were obliged to upgrade their technology to become more adept at using both official languages, Spanish and Basque, at once.

So two years after that law was passed, in 1984, the Basque Government gave subsidies for the first time to magazines written in Basque. Since then these subsidies have been renewed every year, for the last 22 years. Obviously, the nature of these subsidies has changed; not only in the amount of money given, but also in the objectives of the award, requirements and evaluation criteria.

As always occurs, twenty-four years after the passing of the Basque Language Law, the real effects of the law can be seen in terms of strong and weak points. As a strong point, we should mention that the Basque press market has grown notably and is now more widespread than ever before, as far as the number of publications, journalists, readers and different media are concerned.

This is the panorama that formed a framework for the objectives of the General Plan of Promotion of the Basque Language (EBPN), approved by the Basque Government and ratified by the Basque Parliament in 1999. The General Plan of Promotion of the Basque Language, whose principal objective is to boost the necessary measures of linguistic policy to make it possible for those who wish to live in Basque to do so, considered the media sector as a key to linguistic normalisation.

The number of *euskaldunes*, the people who speak or understand Basque, is permanently on the rise, and the media need to respond to this growing

number of Basque speakers. Basque has to find a place in all areas of life and society, including the media, via which Basque gains new areas of use and social prestige. To this end, the General Plan agreed a series of measures aimed at consolidating and promoting the presence of Basque, in the face of the growing influence and attraction of the media in Spanish or French, which wield enormous power in the field of information:

- The Basque press must take up an appropriate business attitude. It is vital that they offer products that can compete in the marketplace.
- Co-operation between the press in Basque must be promoted, to make the best of the existing resources, improve quality and offer new products.

In line with this framework, drawn from the EPN, the office of the Vice-Ministry of Linguistic Policy created its objectives and obligations for the current Basque government's term of office (2005-2009).

The principal objective is to extend and finance the use of Basque in all areas of society, including the media. To that end, the following priorities have been established:

**1. To increase the use of Basque in the media and promote the media in Basque.**

- Carry out an evaluation of the Basque language media already in existence and define policy for the coming years, working in collaboration with the other public bodies.
- Include linguistic criteria in the development of new laws affecting the media.

**2. An evaluation must be carried out of all subsidies previously awarded (including those relating to the media).**

There must also be evaluation and qualitative analysis of the administrative use of Basque, which must be carried out from various perspectives.

- Evaluate all awards and determine, together with other public bodies, the strategy for the next few years.
- Determine objectives and criteria of subsidy for the next few years.

- Determine precisely the procedure for any future award schemes, with the aim that any bids are resolved within the first semester of the year.

**3. Set up investigations designed to obtain information about sociolinguistic development (Linguistic Indicators System of Euskal Herria or EAS).**

- Define and update the indicators directed at the sector programmes in collaboration with EUSTAT: including the media sector.

As for financial aid for the consolidation of the media in Basque, the Basque Government's aid policy began almost as soon as the government itself was set up, after approving the Basque language Law. Naturally, the quantities and objectives of the grants awarded have varied throughout the last 22 years. During the early years, subsidies were given to periodical publications in Basque, initially magazines (at that time there were no Basque language newspapers). This was followed by the first tentative attempts to publish a newspaper in Basque, to which the Basque Government responded in 1986 by allocating a specific grant programme for weekend newspapers in Basque, alongside the programme for magazines. Between the years 1987 and 1989, another subsidy was introduced for periodical publications in Basque, and Basque-language weeklies. Through this aid the Basque Government attempted to lay the potential foundations for a daily press in Basque. Obviously, the quantities awarded have increased substantially. Initially, in the case of periodical publications in Basque, they amounted to € 144,000. This applied to a small number of publications: some 8 magazines, for example, in 1991. However, in 2006 a total of € 4,750,000 will be awarded in grants aimed at promoting the consolidation, development and normalisation of the press in Basque.

This year the subsidy has been increased by 11.8% over the 2005 figure, and as is shown below, the majority of the funds made available to the media are for the support of the printed press (newspapers or magazines).

Basque Country. Media Subsidies in 2006		
Groups	Quantity	%
Newspapers	1,848,200	39.00
Magazines	1,998,500	42.00
Radios	305,200	6.00
Television	500,000	11.00
On-line publications and agencies	98,100	2.00
<b>Total</b>	<b>4,750,000</b>	<b>100.00</b>

The following media and periodical publications may apply for subsidy:

**1.1. Group A. Daily press written entirely in Basque.**

- a) Sub Group A1: newspapers wholly in Basque, available to the public throughout the geographical area where Basque is spoken.
- b) Sub Group A2: newspapers wholly in Basque, available to the public in a specific town or area of the Basque Autonomous Community.

**1.2. Group B. Magazines and supplements written entirely in Basque.**

- a) Sub Group B1: general information magazines written entirely in Basque, available to the public throughout the geographical area where Basque is spoken.
- b) Sub Group B2: general information magazines written entirely in Basque, available to the public in a specific town or area of the Basque Autonomous Community.
- c) Sub Group B3: specialist magazines (opinion, science, music, nature, etc.) written entirely in Basque, available to the public throughout the geographical area where Basque is spoken.
- d) Sub Group B4: magazines for children or young people written entirely in Basque, as long as they are distributed separately from any other newspaper or magazine.
- e) Sub Group B5: supplements written entirely in Basque of newspapers published mainly in Spanish.

**1.3. Group C. Properly authorised radio stations that broadcast partially or entirely in Basque.**

- a) Sub Group C1: properly authorised radio stations that broadcast entirely in Basque.
- b) Sub Group C2: properly authorised radio stations that broadcast partially in Basque.

**1.4. Group D. Television channels that broadcast partially or entirely in Basque.**

- a) Sub Group D1: television channels that broadcast entirely in Basque.
- b) Sub Group D2: television channels that broadcast partially in Basque.

**1.5. Group E. Internet newspapers and magazines and news agencies entirely in Basque.**

The subsidy applies to the following expenses:

- Expenses directly attributed to development, production and distribution of news and general media in Basque.
- In the case of media that are wholly or partially translations or adaptations of magazines in languages other than Basque, only those expenses necessary for the translation of the contents and the publication and distribution thereof.
- In the case of newspaper or magazine supplements that are also published wholly in Basque, only those expenses directly attributed to the printing and distribution of the supplements published independently, separate from the newspapers or magazines they accompany.

The criteria applied to the printed press are to take into account the following:

- Degree to which they are self-financing.
- Circulation: ratio between the number of copies printed and the number sold/distributed; means of distribution and geographical area covered.
- Readers: potential number of readers, plans to increase readership; initiatives to maintain current number of readers.
- Product: number of pages, cost per page and new features.
- Quality: design and journalistic approach.
- Circulation: number of copies and geographical area of distribution.
- Number of pages.

The media sector is a strategic one. It is for this reason that we have the EITB (publicly-funded radio and television), and it is because it is so strategic that it is given such financial subsidies. Some 43.9% of the total subsidies awarded by the Vice-Ministry of Linguistic Policy goes to the media, and over the last 5 years (2002-2006) this quantity has increased by 38%. A comparison between this year's subsidies and the corresponding figures for 2005 is rather revealing:

	2005 (€)	2006 (€)	Increase (€)	%
Subsidies to the media, in total	3,800,000	4,750,000	950,000	25.00
Daily printed press distributed throughout the whole of the Basque-speaking area	1,400,000	1,526,000	126,000	9.00
Local daily printed press	300,000	322,200	22,200	7.40
Magazines and supplements	1,580,000	1,998,500	418,500	26.50
Magazines distributed throughout the whole of the Basque-speaking area		505,030		
CAV Magazines		408,120		
Specialist Magazines distributed throughout the whole of the Basque-speaking area	1,580,000	397,850		
Magazines for children and young people		179,850		
Basque-language supplements to Spanish press		507,650		
Radio stations	280,000	305,200	25,200	9.0
Local TV channels	150,000	500,000	350,000	233.30
Internet Magazines	90,000	98,100	8,100	9.00

From the table above:

- The subsidies to the press over and above the municipal or local level, whether newspapers or magazines, have gone up by 9%, and those to the local press by 7.4%. The difference in these two figures can be explained, we

believe, by the fact that a public organisation like the Basque Government is obliged to attach priority to the press distributed throughout the whole of the Basque-speaking world, or, at least, circulating throughout one of its "historic territories".

- *Berria*: 9%. In total € 1,526,000. According to these figures, *Berria*, the only newspaper written in Basque and distributed throughout the whole of the Basque area, will receive € 4,900 for each edition to hit the streets every day.
- Magazines published in Basque only, both general information and specialist, have received an increase of 9%.
- Radios: increase of 9%.
- Online magazines and newspapers exclusively in Basque: up by 9%.
- Local press, that is to say, newspapers and magazines circulated locally or in one region: increase of 7.4%.
- Local TV channels: increase of 233.30%.
- A new grant programme aimed at those newspapers whose main language is Spanish but which publish a weekly supplement wholly in Basque.

The biggest rise is in funding for local television (up 233.30%, to € 500,000 in total), reflecting the Basque Government's special wish to promote such TV channels. We are extremely interested that the Basque language has a sound base in a wide range of new TV channels. Nor is this our only stake in the world of television. We have introduced a series of criteria in the DTT decree with the aim of guaranteeing a firm foothold for the Basque language in all TV channels, both publicly-funded and private. We have closed the doors on Spanish-only TV channels and opened one for Basque-only channels. The Basque language now has its place assured in all areas and on all television.

It is our intention to broaden the presence of the Basque language in all kinds of media: the printed press, radio, local television and so on. We have to help Basque speakers and those who have learned Basque as a second language to improve their command of their language, giving them the chance to use it naturally in all situations in their daily life.

What is more, this year we have opened a new grant programme aimed at promoting the publication of Basque-only press supplements, enabling the language to gain an ever-more significant role in the media, including the Spanish-language press, which is the most widely available press to potential Basque readers. We want to offer an opportunity to thousands of Basque citizens to put their language skills into practice and to make Basque language newspapers and magazines available to all the Basque speakers in our area who opt for that medium—according to CIES figures, a total of 887,000 readers. We believe that if we are to offer an efficient Linguistic Policy in favour of Basque — a task which falls to the Basque Government — it is in our interest to make the language attractive so as to encourage people to read in Basque, even if this is in the context of mainly Spanish language printed newspapers and magazines such as *Noticias*, *Gara*, *Deia*, *Correo* or *Diario Vasco*.

The media in Basque is a strategic area for this government, it is true, but it is not the only field that deserves attention. If our objective is to boost the use of Basque, it is clearly important that those who work in the media themselves contribute to this effort. At the same time, to increase the use of Basque in our everyday life, within our regular social circles, when socialising, it is important that it be used more and more widely—and at a higher level of quality—in the media, which has such a strong influence on modern society. We should not forget that it is the media that makes Basque speakers out of people who have learned Basque in the classroom.

This is why the media is so important, because it is a key factor when it comes to promoting the use of the language. But it would be a very narrow view to regard the media as being the only field that is vital in this way. There are other areas that can be considered equally important.

Naturally, the office of the Vice-Ministry of Linguistic Policy also considers it necessary to encourage and promote the use of Basque by the following means: teaching Basque literacy and language skills to adults; promoting the use of Basque in the workplace; supporting Basque-language youth clubs and associations which provide settings where children and young people can use Basque naturally in their leisure activities; finding a place for Basque in the world of information and communication technology; creating a wide range of quality digital material in Basque; promoting Basque within the public administration, so that it becomes a working language more than a mere service language; extension of the EBPN (the General

Plan of Promotion of the Use of the Basque Language) to affect the social life of every town and village.

To conclude, I believe this is an ideal time to look back on these subsidies. It is not a case of measuring the challenges and problems of the Basque media by the size of their subsidies and dealing with them on that basis. Such an attitude might well serve to calm the consciences of some, and to justify undertaking a specific procedure; but to me that would be playing it safe, bordering on self-delusion.

We cannot leave the future of the Basque media to chance, with market forces and profit margins as the only deciding factors. We harbour no doubts about this, and this attitude of ours explains the generous subsidies the Basque media have been receiving for years. Nowadays, there is not one single Basque language medium that does not receive a considerable public subsidy. Merely providing subsidies, however, will not solve the media's problems.

We need to think about the kind of media we have, about the progress made so far and the prospects for the future, and, most of all, about the relationship between the press and its readers. When all is said and done, we should not forget that it is the readers who judge the press, who accept or reject the press. A press product is useless if it doesn't have readers, or if it does not increase its readership. So we need to examine how far we are meeting the expectations and the wishes of the thousands of Basque speakers who are potential readers of Basque-language printed media. We must guarantee quality and plurality, and consider seriously how long it will be possible to maintain present and future public subsidies as a *necessity*, without that *necessity* turning into *dependence*. If the need for public subsidies is not finite, how and to what extent should decision-making power be given to the public authorities? This and much more could be cause for reflection, and should be so for the media themselves: not just as far as the size of the public subsidies is concerned, but rather in direct relation to the state of health of the Basque-language media.

We must start to think again about these questions, and about much more. On the 20<sup>th</sup> of December, when presenting this Government's policies, we made a commitment to assess the progress made so far and the progress in the future in Basque-language media. We decided that it was vital to reconsider the media presence needed for the Basque language. We will begin

this process of reflection within the public institutions, aiming to address the same issues thereafter with the media themselves—we are firm believers in the value of pro-active collaboration.

Above all, the work being done to benefit the Basque language needs co-operation and contributions from everyone. The Basque media are making great efforts, their contribution has been vital in revitalising the language and there is no doubt that their work will also be of great importance in the future. This is why these media have always been able to count on the support of the Basque Government, and they will continue to have that support in the future. Our aim is to promote and strengthen the work being done to benefit the Basque language, seeking to increase its use in everyday life. But this work must be done in the open, where all voices will be heard, and working hand-in-hand with public institutions. This is the direction we are currently moving in, together with a full range of different agents.

## Policies for Aid to the Press in Catalonia

Xavier Marcé

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### The Purpose of Language Grants

Periodicals are an important vehicle for disseminating culture, they connect creators and events with the public, they contribute to building a space for communication and they enrich the nation's cultural heritage. Culture, training, information and entertainment is transmitted through language.

Aware of this fact, at the start of the 1980s the Government of Catalonia introduced a system of aid to the press awarded by two government ministries whose roles complement each other: the Presidential Department, for all the media, and the Department of Culture, for the written press. The main objective of this policy was to help rebalance the market, which showed a marked bias against Catalan, in favour of Spanish, both in supply and demand. This occurred when the Catalan Government, the Generalitat, was reinstated as part of the Spanish transition to democracy. This was an unstable period for the press in Catalan, making automatic aid based on the language used the best instrument to tackle the situation.

The fact that this basic aid still exists 25 years on makes it seem that the press in Catalan—and in the Aranese variety of Occitan spoken in the north-west of Catalonia—is still far from being competitive with the press in Spanish, which has a wider potential market and greater access to advertising, etc. However, over this period there has been a positive change that makes it possible to reconsider the objective and scope of this aid.

Today, the processing and renewing of aid to the press is done by the two ministries: the Presidential Ministry, through the Secretariat of Communication (SC), and the Ministry of Culture, through the Catalan Institute for the Cultural Industries (ICIC). While the SC is responsible for the written press as part of the media in Catalonia, the ICIC, which is also responsible for books, acts on behalf of publishers as whole—many of which often share interests, products and problems—and deals with subject matter falling under both culture and business.

The ICIC and the SC have been working together alongside professional associations in the sector since 2005 to agree support policies for the press, especially the Catalan-language press.

Furthermore, since 2005 the SC's subsidies have been awarded on the basis of open competition and have been made public to ensure democratic transparency (as the ICIC already did in the past), rather than through the arbitrary system of secretive subsidies that was used previously.

### Characteristics of the Press in Catalonia

A look at the current press scene in Catalonia shows the following characteristics:<sup>1</sup>

a) The press (in Catalan and Spanish) has been one of the fastest-growing sectors in recent years, despite the general crisis in broadcasting. According to the most recent data available, from 2003,<sup>2</sup> the press sector has a Gross Value Added of € 387,851,000, the third highest in Catalonia, behind only audiovisual media (television and radio) and books. It also employs 8,068 workers, the second largest workforce in Catalonia, second only to the book industry.

b) There is a strong Catalan media space in terms of the number of publications and readers, but it is weak in terms of territorial cohesion, business scope and bargaining power.

- Strengths: quality and coverage of content, public and regions; promotion of associations; language as a key value; and working in partnership with culture and society.

- Weaknesses: a fragmented sector, lacking powerful industry structure; few cooperative services; invisibility at sales points and bookshops; excess of supply in Spanish; lower advertising market; and a weaker commitment to competitiveness, professionalisation and new technologies.

c) Catalonia has around 600 publications in Catalan, of which only a small proportion have their circulation audited by the Spanish Circulation Audit Bureau (OJD).<sup>3</sup>

d) 21 newspapers are published in Catalonia, including general and sports newspapers. Sixteen are paid-for newspapers and 5 are free; 12 are in Spanish, 8 in Catalan and 1 in English.<sup>4</sup> There are 30 free publications in total, of which 17 are general, and only 21% (158,446 copies) of those circulated (750,930 copies) are in Catalan.<sup>5</sup>

e) For weekly publications and magazines, the proportion in Catalan increases, especially for weekly publications (up to 49%), thanks to the efforts of the local press in Catalonia, including free and paid-for newspapers, nearly all of which are in Catalan. This historical local press is one of the key characteristics of the press in Catalonia. However, the local press is faced with the problem of a lack of recognition when negotiating advertising, since readership measurement systems are not designed for this scale.

f) The press in Catalan is not published by large corporations. The large Catalan press corporations (Grup Godó, Grup Zeta) publish mainly in Spanish, with their market reaching beyond Catalonia to the rest of Spain. But the Catalan press, which currently consists mainly of small and medium enterprises, is beginning to come together, while large corporations in the rest of Spain and further afield are also beginning to move into the Catalan market. Another trend that can be observed is that of written-press firms utilising various new distribution channels.

g) There are around 130 magazine publications in Catalan distributed throughout the whole of Catalonia, and this is growing slowly but steadily.

h) Though there are some long-established free publications, the free press has only really taken off recently, over the past five years: the number of readers has increased, there is a local focus, the sector is strong in urban areas and among people who are reluctant to buy newspapers, and apart from the day-to-day urban newspapers, many of these publications are in Catalan.

i) Indicators show that the following are key aspects of the current press scene:

- free press and the local press;
- production of content;
- mergers;

1. Data on Catalonia to be taken into account: Population: 5,471,200. Catalan is the native tongue of 48.8% of the population, and the language of habitual use of 50.1%. A total of 74.4% of the population can read Catalan (*Estadística d'usos lingüístics de Catalunya 2003*, Institut d'Estadística de Catalunya 2004).

For newspaper reading, 38.1% read a daily newspaper, a lower rate than the European average of 46.1%. 23.3% of the population never read daily newspapers, while the European average is 12.8% (*Indicadors de consum i pràctiques culturals de Catalunya en relació a Europa*, Departament de Cultura, 2004, 2001 data).

2. *Estadístiques Culturals de Catalunya 2005*, Departament de Cultura, 2006.

3. Guia de Mitjans de Comunicació en Català, APPEC, 2005. No comparison can be made with publications written in Spanish, since there is no census of all publications published in Catalonia. The Circulation Audit Bureau (OJD) monitors around 300 publications published in Catalonia.

4. *Estadístiques Culturals de Catalunya 2005*, Departament de Cultura, 2006. 2004 data. In 2005 Catalonia Today became a weekly, paid-for newspaper.

5. Most free publications are not included because of the lack of available data.

- increasing ties between different media;
- impact of new technologies.

### Some Details on State Aid Awarded by the Catalan Government

The key question being posed today is whether the press in Catalan should always, in all cases, receive aid in order to offset its disadvantages, or whether new aid strategies should be sought that are more appropriate to the current situation of the press in Catalan. Today, in addition to the diversity of choice outlined above, we can also distinguish between publications that are profitable without state aid, those that need the aid to be profitable and those that are not profitable, with or without aid.

The changes to state aid currently being studied in order to make it appropriate to the situation in the coming years aim to address one of the two poles of the market: demand. Publishing for the sake of publishing no longer makes sense, now that there is sufficient supply. We must rather do everything possible to reach the reader.

Indeed, the second competitive aid for the written press, the aid to projects, which was introduced in the mid 1990s to complement automatic aid, aimed to help businesses grow and develop their market.

The types of aid currently granted to the written press are:

#### 1. Competitive areas

- Subsidies towards publishing and marketing periodical publications in Catalan and Aranese (automatic aid)

Granted by the ICIC, this is the main form of aid to the press in terms of the number of beneficiaries and the size of the budget. It is awarded automatically, based on the language used, the objective being to correct the market, thereby strengthening the economic and territorial fabric of the press in Catalan.

This aid for 2006 amounted to € 4,465,000, a 25% increase on the 2005 figure, with an unvarying percentage that supports businesses and national

(i.e., throughout Catalonia) publications and noticeably improves contributions to local publications, which are an asset to culture, society and the local area.

The subsidy is calculated based on the number of issues published and the circulation of the publication during the previous calendar year, as well as criteria based on how regularly it is published, where it circulates and the type of publisher. We should also highlight the distinction made between a fixed quota and a variable quota linked to structural problems (marketing, retail outlet, etc) for publications other than national newspapers (that is, newspapers for the whole of Catalonia).

In 2005, the free press was incorporated with criteria based on the editorial content, the use of Catalan, how regularly the publication is printed, the legal status of the publisher (business/organisation) and the circulation.

The following tables, referring to 2005, show how the “typical” beneficiary of aid is a local magazine published by an organisation, while the lion’s share of subsidies goes to eight newspapers (seven of which are paid-for and one of which is free).

Automatic Aid 2005				
Type	Number	%	Subsidy in €	%
<b>By Publication Frequency</b>				
Daily	8	2.6	2,103,876.95	62.7
Weekly	44	14.3	386,013.39	11.5
Magazines	255	83.1	865,353.66	25.8
<b>TOTAL</b>	<b>307</b>	<b>100.0</b>	<b>3,355,244.00</b>	<b>100.0</b>
<b>By Publisher Type</b>				
Business Organisation	119	38.8	2,907,858.23	86.7
<b>TOTAL</b>	<b>307</b>	<b>100.0</b>	<b>3,355,244.00</b>	<b>100.0</b>
<b>By Geographical Coverage</b>				
National (Catalonia)	115	37.5	2,042,718.74	60.9
Local	192	62.5	1,312,525.26	39.1
<b>TOTAL</b>	<b>307</b>	<b>100.0</b>	<b>3,355,244.00</b>	<b>100.0</b>

## • Subsidies to projects

6. Projects may only receive subsidies through one of the two institutions.

Granted by the ICIC and the SC in accordance with the “single-window” system,<sup>6</sup> the aid to projects is to support company positioning on the basis of two main purposes: publishing a new publication and marketing activities (improving the product, widening the market, holding seminars, etc). Unlike the automatic aid, this aid is not based solely on the language used, but the language is a positive aspect in the assessment. For the publishing of new publications, only those in Catalan or Aranese are eligible.

For the ICIC, the majority of subsidies in both number and amount go towards marketing, accounting for 80% of the total budget. However, aid for new publications has increased considerably from just two publications in 2002 to eleven in 2005. Moreover, the number of applications has increased by 73% since 2002.

<b>ICIC Subsidies To Projects 2005 - By Purpose</b>				
Purpose	Number	%	Subsidy in €	%
New publication	11	18.64	186,000.10	15.50
Marketing	48	81.36	1,013,999.90	84.50
<b>TOTAL</b>	<b>59</b>	<b>100.00</b>	<b>1,200,000.00</b>	<b>100.00</b>

The Presidential Department awarded 56 subsidies, out of a total of 92 applications, amounting to €5,536,335.

<b>SC Subsidies to Projects 2005 - By Purpose</b>				
Purpose	Number	%	Subsidy in €	%
New publication	7	12.50	481,040.00	8.69
Marketing	49	87.50	5,055,295.00	91.31
<b>TOTAL</b>	<b>56</b>	<b>100.00</b>	<b>5,536,335.00</b>	<b>100.00</b>

## 2. Non-competitive areas

In the following cases the Government provides aid without holding a competition:

### • Agreements and aid to support representative bodies in the sector

The ICIC has long-term agreements with the four associations that represent the sector in Catalonia, providing aid that is of collective and structural interest: the ACPC (specialised national press), the ACPG (free publications) and the ACED (daily newspapers).

### • Other agreements and direct aid

Awarded by both the ICIC and the SC where competition is not possible but the body is considered to be of interest to the sector and for the Catalan communication space.

An example is the 2005-2008 agreement signed by the ICIC, the Presidential Department and the Communication and Culture Audiences Private Foundation (Fundacc) to introduce the *Communication Barometer*, a tool to measure and analyse readerships in Catalonia so as to overcome present shortcomings in this measurement.

Finally, the sector can apply for the ICIC's general aid available to all sectors of culture for business development and for measures to reach out to a more global market.<sup>7</sup>

## 3. Summary of aid to the written press in 2005

The total contribution by the Catalan Government to the written press in 2005 was approximately €12 million, of which half was through the ICIC and half through the SC.

## Future Challenges

As we have already explained, the changes in the sector have made it necessary to open up new areas and to manage without the traditional support offered through public funds, which historically have limited most areas of

7. Business Development Area provides the following aid: Refundable Payments (linked to the success of the project, and with refunds never exceeding 105% of the amount paid out), Crédit Cultura (agreement with five financial institutions for a overall pool of €15 million to fund cultural firms), Publicitat a Risc (agreement with Catalan national television for television advertising campaigns) and Consultoria Cultura (general and personal consultancy for firms in the culture sector). The International Marketing Area invites applications for subsidies for attending international festivals, fairs and markets (with a total of €600,000 for the entire culture sector in 2006).

activity and most of the budget for general aid aimed at production.

In the future we must particularly strengthen the following areas:

- Logistics.
- Distribution.
- Increased consumption: look at marketing issues in greater depth.
- Increased visibility of sales points.

This means that if we are to make the supply more competitive, automatic aid must be adapted to today's needs, and marketing and distribution must be strengthened both in the Catalan market and in other regions where Catalan is spoken: the Balearic Islands, Valencia, French Catalonia, eastern Aragon, Andorra and the city of Alghero, in Sardinia. There must also be action to provide management training, given the lack of professionalization in the sector.

Furthermore, the ICIC is preparing a new type of aid for both the press and the book industry that aims to promote genres that are most difficult to market, such as culture and the essay, and strategic readerships, that is children and youngsters, who are the readers of the future.

At the same time, we need to promote reading through strategies and campaigns that take into account new technologies and the public's new consumption habits.

# **The European Union and Public Policies Regarding Press Subsidies**

5

## State Aid in Community Law

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### Introduction

Direct or indirect provision of state aid to economic operators produces, or may produce, a distortion of competition law when other economic operators in the same field with the same market are not afforded the same privileges. Indeed, through both national legislation and community law, and even internationally (for example, the WTO has the Agreement on Subsidies and Countervailing Measures, SCM Agreement), there are legal instruments to guarantee that where this state aid is awarded it is to meet objectives that are specially deserving of protection, and that the aid does not imply a change in the rules of competitions. For this reason, and because the aid belongs to the State, the position of the law is to attempt to limit the awarding of such aid and make it subject to strict conditions.

No economic operator participating in the market can escape compliance with these conditions since they all carry out economic activities and must have the same conditions for access to this market and for remaining in it. However, in each case it is necessary to analyse the body receiving aid, the scope of the aid, its objective, the benefiting operator or operators, the market affected, and its size, and the possibility that the aid produces benefits or has a greater common interest that should be respected.

This paper takes an overall look at the European Community system for state aid and the effects this legislation has on a specific sector of the economy (and not a market): the written press. The paper, therefore, is an overall analysis of the concept of state aid in community law; the aim of the regulation of state aid within the European framework; the principle and the exemptions in the admissibility of state aid and how it is regulated in community law; and, finally, the possible relation between state aid to the written press and community law.

## The Concept of State Aid in Community Law

Article 87(1) of the EC Treaty provides a concept of aid that includes any kind of aid granted by member states or through state funds — i.e., public funds or resources — that distorts, or threatens to distort, competition by benefiting certain undertakings or products, if such aid affects trade between member states. We can therefore start by defining state aid as any intervention made by a state body that aims to produce, or has the effect of producing, a reduction in the financial costs that are normally in the budget of economic operators.<sup>1</sup>

If we take this definition we find it is very broad, and that we must take three elements into account: the *aid*, the *grantor* and the *beneficiary*.

The first concept, aid, may cover many types of action carried out by state authorities. It includes both positive action, such as subsidies or any kind of direct financial aid, as well as action that we could refer to as negative, but which is of substantial financial significance and the purpose of which is to grant specific benefits to the beneficiaries.<sup>2</sup> Indeed, the types of interventions that both the Court of First Instance and the EC Court of Justice have classed as aid have been extensive and varied. These include, for example, operating aid (aid that has the objective of relieving an undertaking of the expenditure required for the costs of its day-to-day management and usual activities),<sup>3</sup> aid established through state guarantees or public guarantees to loans taken out by economic entities,<sup>4</sup> tax benefits,<sup>5</sup> interest rebates on export credits,<sup>6</sup> deferred tax provisions, debt cancellation, reduction in energy costs,<sup>7</sup> ... With the exception of specific situations, such as *de minimis* aid, as provided for in Commission Regulation 69/2001,<sup>8</sup> the amount awarded is not a determining factor for whether aid is accepted at the community level, since, as the Court has stated, relatively small amounts of aid may affect trade between member states if the sector to which the undertaking belongs is very competitive<sup>9</sup> or the market structure is based on a large number of small enterprises (such as the road transport sector).<sup>10</sup> But at this point we must make it clear that not all aid is incompatible with the common market, and therefore not all aid is included in the prohibition in article 87(1) of the EC Treaty, but rather other circumstances are necessary, which will be outlined later on.

The European Commission has a wide range of discretion, since it has the competence to determine whether specific aid is compatible or not with the

1. We can find more on this definition in, for example, the ruling made by the Court of Justice of the European Communities on 14 April 2005 in the case brought by AEM against l'Autorità per l'energia elettrica e per il gas (C-128/03 i-C-129/03), Collection.

2. This inclusion of both direct and indirect contributions in the concept of aid goes all the way back to the first rulings made by the EC Court of Justice. For example, in the Judgment of 25 June 1970, case 47/69, France v Commission, the Court stated: "In its appraisal the Commission must take into consideration all those factors which directly or indirectly characterise not only aid, properly so-called, for selected national activities, but also the indirect aid".

3. See, for example: Judgment of the Court of 6 June 1995, case T-459/93, Siemens SA v Commission; Judgment of the Court of 19 September 2002, case C-113/00, Spain v Commission; and 27 November 2003, case T-190/00, Regione Siciliana v Commission.

4. Judgment of 13 June 2000, case T-204/97 and T-270/07, EPAC v Commission.

5. Judgment of 22 November 2001, case C-53/00, Ferring. However, we must not forget that, in principle, fiscal measures that affect all economic operators in a member state should be considered general measures rather than state aid.

6. Judgment of 7 June 1988, case 57/86, Greece v Comisión.

7. Judgment of 2 February 1988, Joined cases 67, 68 and 70/85, Van der Kooy v Commission.

8. See Official Journal of the European Union No. L10, of 13 January 2001. According to this regulation, in principle, the prohibition in article 87(1) of the EC Treaty regarding state aid does not apply to aid received by an undertaking not exceeding to more than € 100,000 over a period of three years.

9. Judgment of 29 September 2000, case T-35/99, Confederación Española de Transporte de Mercancías (CETM) v Commission; Judgment of 4 April 2001, case T-288/97, Regione autonoma Friuli-Venezia Giulia v Commission; Judgment of 6 March 2003, case T-228/99 and T-233/99, Westdeutsche Landesbank Girozentrale v Commission.

10. Judgment of 15 June 2000, cases T-298/97, T-312/97, T-313/97, T-315/97, T-600/97 a T-607/97, T-1/98, T-3/98 a T-6/98, and T-23/98, Alzetta and others v Commission. Also Judgment of 26 September 2002, case C-351/98, Spain v Commission.

<sup>11</sup> As the Court of Justice stipulates, when the Commission must examine the impact of aid on competition and intra-Community trade, it must weigh the beneficial effects of the aid against its adverse effects on trading conditions and on the maintenance of undistorted competition. Judgment of 29 April 2004, case C-372/97, Italy v Commission.

<sup>12</sup> See Judgment of 13 September 1995, joined cases T-244/93 and T-486/93, TWD v Commission, or Judgments of 6 October 1999, case T-110/97, Kneissl Dachstein v Commission and T-123/97, Salomon v Commission, and others.

<sup>13</sup> Judgment of 13 June 2000, joined cases T-204/97 and T-270/97, cited above, and, for example, Judgment of 8 July 2004, case T-198/01, Technische Glaswerke Ilmenau v Commission, and of 29 April 2004, C-372/97, Italy v Commission.

<sup>14</sup> Judgment of 18 November 2004, case T-176/01, Ferrière Nord v Commission. See also the earlier Judgment of 19 September 2000, case C-156/98, Germany v Commission, in which the Court made it clear that the obligation of the Commission to justify why it considered a grant of state aid to be illegal is related to the right of the persons concerned to a defence, and similarly Judgment of 19 October 2000, joined cases C-15/98 and C-105/99, Italy and Sardegna Lines v Commission.

<sup>15</sup> Judgment of 21 March 1991, case C-305/89, Italy v Commission.

<sup>16</sup> Judgment of 30 April 1998, case T-214/95, Vlaamse Gewest v Commission.

<sup>17</sup> We must bear in mind article 86 of the EC Treaty, which stipulates that, in the case of public undertakings and undertakings to which member states grant special or exclusive rights, member states may not enact any measure contrary to the rules contained in the EC Treaty, in particular those on competition and state aid. This shows that these undertakings are incorporated into the community market and the rules that regulate it, especially those rules on competition law.

common market.<sup>11</sup> This discretion, however, cannot be exercised arbitrarily, but rather taking into account economic and social aspects within the context of the European Community, and always subject to the possible judicial review of the European Community institutions that have this function.<sup>12</sup> This should limit the control of the Commission's discretion to four issues: ascertaining that the rules of procedure have been complied with; that the reasoning is sufficient (an obligation also imposed by article 253 of the EC Treaty); that the facts are correct, and that there is no manifest error of assessment or misuse of power.<sup>13</sup> Furthermore, in its discretion the Commission is bound by the notices it has issued concerning the subject.<sup>14</sup>

The second concept, the grantor, is also a very broad term. We can see that article 87 refers to aid granted by states, but State does not refer to the State in the sense of a country, but rather it refers to a concept that includes any aid granted by "public bodies"<sup>15</sup> or by "public authorities"<sup>16</sup> in a member state. This means the concept of the grantor includes all aid, whether direct or indirect, granted by public authorities or bodies that, within or beyond their competences (this issue affects only the internal system for the distribution of competences within each State), provide aid to an economic operator. Once again, as we have already mentioned when referring to the concept of aid, not all aid granted by a public authority of a member state is incompatible with the common market. The circumstances described in article 87 must exist (i.e., that trade between member states is affected and competition between member states is distorted or there is a threat of such a distortion).

Finally, regarding the *beneficiaries* of the aid, these must be economic operators, that is, operators who are active on the market, whose activity affects the Community market and who receive aid that affects, or could affect, trade between member states. In this regard, beneficiaries include both public undertakings<sup>17</sup> and private undertakings, since all participate in the market, and all can affect Community-wide competition through the aid they may receive. The aid may also have been granted individually to specific undertakings, to specific undertakings in a sector or to specific business groups.

## Objective of the Regulation of State Aid within the European Framework

As we have just outlined, state aid is regulated within the community laws on competition, therefore we can state that the objective of the general principle

of the prohibition of state aid (though it is a principle, this is not an absolute or unconditional prohibition)<sup>18</sup> enacted through article 87(1) of the EC Treaty is to prevent undertakings from participating in the community market with unequal opportunities due to public authorities granting certain economic benefits. This is evident in the very structure of the EC Treaty, which places regulations on state aid in the chapter on "Rules on Competition".

The temptation for public bodies and authorities is to grant aid to economic operators. The granting of this aid can mean, and in fact does mean, that the economic operators that benefit from it receive an economic payment or operating aid placing these beneficiaries in a position that is distinct from that of those who do not receive such aid. As a result, operators in the same market that have not received such aid find that they are actually, or potentially, disadvantaged in a way that the market should not allow. Policy on state aid in the EU must therefore be aimed at upholding and supporting competition law. This means that, in addition to the actual provisions that regulate state aid *per se* (articles 87 to 89 of the EC Treaty and numerous provisions in secondary legislation that affect state aid), there are other provisions that, while regulating other community affairs, require that the economic operators and public authorities be loyal to the market if they are to guarantee their objectives.

We must not forget the context we are in and the freedoms and guarantees set out by the European Union to attain its objectives. We must therefore remember that we are in a supranational context, in a huge market, which in order to function correctly has established a series of rules that attempt both to prevent the distortion of the market and to implement measures that guarantee the participation of the economic operators within the market. If we are to analyse the EC Treaty, we see in article 2 that the Community must establish a common market that, among other things, must lead to the creation of an internal market characterised by the abolition, as between member states, of obstacles to the free movement of goods, persons, services and capital (article 3(c) of the EC Treaty), conducted in accordance with the principle of an open market economy with free competition (article 4 of the EC Treaty). The legislation and the Community institutions aim to guarantee this free competition both through rules contained in the Treaty itself (especially articles 81 and 82 of the EC Treaty on joint activity between undertakings and abuse of a dominant position respectively), and through rules in secondary legislation enacted in various community regulations.

<sup>18</sup> Judgment of 8 November 2001, case C-143/99, Adria-Wien Pipeline and Wietersdorfer & Peggaer Zementwerke.

We see, therefore, that this community regulation on state aid, originally based on the principle of the prohibition of state aid, must be considered within the context of a very specific economic situation (the common market) in which there are also very specific objectives: to guarantee the establishment of this market, free access to it and the freedom of all participating economic operators to remain therein, with equal conditions and no external interference from national public authorities which, by favouring one of these operators, puts the others, whether directly or indirectly, at a disadvantage. This also implies looking from a broad perspective and putting the concept of the market from a local perspective on one side to open the concept up to the wider European perspective. From this perspective we must reach the conclusion that the objective is that no State, in the broadest sense of the term, acts in a way that somehow puts its own economic operators in a more advantageous position than economic operators in other member states that participate in the same market. We should not understand this as meaning that the prohibition applies only to aid to economic operators that *export* to other member states, because aid granted to operators or undertakings in the local market may also affect EU competition in that the aid may make access to the local market more difficult for economic operators from other states that have not received such benefits,<sup>19</sup> in the same way that aid granted to an undertaking that exports principally to countries that are not EU members may also distort EU competition.<sup>20</sup>

We can see, therefore, that the problem of state aid is related to competition. On the one hand the states, through their different levels of expression of their public power, choose whether or not to grant state aid to their closest economic operators, that is, the Community consists of 25 states and their various levels of administration that grant state aid and have the power to do so. But at the same time there is one, single, uniform regulation for the whole Community (which is also national legislation, like all community laws), which limits the granting of such aid and ensures that competition is not damaged.

### **Principle and Exemptions Regarding the Admissibility of State Aid and how it is Regulated in Community Law**

In this area we should differentiate between principles that govern the granting of state aid and state subsidies, and the principle which, from the perspective of community law, must be taken into account with regard to aid granted by the State.

19. For example: Judgment of the Court of 13 July 1988, case T-102/87, France v Commission, in which the Court stated: "Aid to an undertaking may be such as to affect trade between the member states and distort competition where that undertaking competes with products coming from other member states even if it does not itself export its products". Clarifying slightly this affirmation, in Judgment of 14 September 1994, joined cases C-278/92, C-279/92 and C-280/92, Spain v Commission, the Court said: "Where state financial aid strengthens the position of an undertaking compared with other undertakings competing in community trade the latter must be regarded as affected by that aid. For that purpose, it is not necessary for the beneficiary undertaking itself to export its products". This principle was later reaffirmed by the Court in Judgment of 17 June 1999, in case C-75/97, Belgium v Commission. The Court of First Instance made it even clearer in Judgment of 6 March 2002, joined cases T-127/99, T-129/99 and T-148/99, Diputación Foral de Álava and others v Commission, stipulating that state aid granted to an undertaking in order to enable it to start manufacturing a certain product in a member state has the effect, in a competitive market, of reducing the opportunities for undertakings established in other member states to export their products to the market in that member state".

20. For example, in Judgment of 21 March 1990, case C-142/87, Belgium v Commission the ECJ stated: "Having regard to the interdependence between the markets on which community undertakings operate, it is possible that aid might distort competition within the community, even if the undertaking receiving it exports almost all its production outside the community".

This means that, in all the aspects we have seen, the principles that must govern state aid are diverse. We must not forget, therefore, that state aid comes out of state funds, and as such, must respect a series of aspects. At the same time, however, neither must we forget that this aid can distort the market and have adverse effects upon its operators, which not only consider themselves deprived of these benefits, but also suffer the adverse effects while paying out the aid received by their competitors through their contributions to state funds. This is why the granting of aid must be subject to a series of principles. The main principles are:

- *Principle of Legality* (i.e., legislation to govern the granting of aid).<sup>21</sup>
- *Principle of Transparency* (to guarantee the publishing both of the proposed aid and of the granting of aid).
- *Principle of Objectivity* (to guarantee both that the purpose of the aid is actually necessary or, if applicable, does not have adverse effects on the market, and that the beneficiaries genuinely deserve the aid).
- *Principle of Control of Grants and the Fulfilment of the Objectives for which the Aid was Granted* (this means there must be both an economic control of who granted the aid — i.e., a control by the bodies responsible for public finance<sup>22</sup> — and a legal control carried out by the relevant administrative and legal bodies).
- *Principle of Respect for Competition Law* (in the sense that neither the purpose nor the effect of aid is to produce adverse effects on the market in which it is situated).<sup>23</sup>

However, though, as we have already said, these are the principles (or some of the principles) that must govern state aid, as we have also said, in community law there is also a principle, along with exemptions, that must be taken into account with regard to state aid. As has become clear in the previous sections, the community laws governing state aid are founded upon the principle of the prohibition of aid where it has certain consequences. It is clear, though, that this prohibition is neither absolute nor unconditional.<sup>24</sup>

Article 87 of the EC Treaty classifies the aid into three groups:

- a. The starting point is that state aid is incompatible with the common market, and therefore prohibited. If granted, the Commission will take the nec-

21. In Spain, this legislation includes the General Law on Subsidies, Law 38/2003 of 17 November, published in Official Spanish Gazette (BOE) issue 276, 18 November 2003; and in Catalonia, it also includes the Legislative Decree on the revised text of the Law on Public Finance of Catalonia, Legislative Decree issue 3/2002, 24 December, published in the Official Journal of the Government of Catalonia (DOGC) issue 3791\*, 31 December 2002.

22. In Catalonia these include, for example, the Sindicatura de Comptes (public audit office), which is the body responsible for supervising the economic, financial and accounting management in the Catalan public sector.

23. In this regard we should bear in mind that, in Spain, article 19(3) of the Law on the Defence of Competition envisages that the Court for the Defence of Competition, either at its own initiative or at the request of the Minister of the Treasury, analyse the criteria used for granting state aid to see what effects it has on the conditions for fair competition. See Law 16/1989 of 17 July 1989, on the defence of competition, BOE issue 170 of 18 July 1989.

24. Judgment of 8 November 2001, case C-143/99, cited above.

essary steps to make sure the beneficiary returns the amount received to the administration from which it was granted. However, for aid to be classed as incompatible, certain conditions enacted by the same legislation must be met:

a.1. The aid must affect commercial trade between member states, that is, it must affect the community market. This means that the effects must go beyond the local market or the market of the member state where the aid was granted.

a.2. The aid must distort, or threaten to distort, competition while benefiting certain undertakings or productions. Once again this refers to the distortion of competition at the community level, whether through direct or indirect aid, and whether it is granted to, or benefits, certain undertakings — whether individual or in a sector — or aims to assist certain productions, whether to launch them, sustain them or eliminate them.

b.- There are certain types of aid that have been declared compatible with the common market, though these are limited and are for specific reasons (article 87(2) of the EC Treaty). Generally we can say that all such reasons are exceptional circumstances, and must therefore be subject to restrictive interpretation.<sup>25</sup> The exemptions provide various circumstances for social aid to individual consumers (if this does not discriminate based on the origin of the products), aid to address damage caused by disasters, and a special exemption regarding certain German regions.

c. Finally, certain types of aid can be compatible with the common market, if they fit one of the conditions in article 87(3) of the EC Treaty. All these exemptions are for aid that has a positive effect on the European Union, whether, for example, to contribute to the development of less-favoured political (article 87(3)(a)) or economic (article 87(3)(c)) regions, to promote projects of common interest to the whole Community, or to promote the cultivation and preservation of heritage. Although this case is an exception to the general rule, it deals with a different situation. While the second section of article 87 deals with compatible aid, this third section deals with aid that may become compatible.

Although this is the basic legislation for state aid, there is also a series of *secondary legislation* provisions that aims to streamline the processing of aid for which public bodies must inform the European Commission,<sup>26</sup> as well as to provide criteria by which certain aid can be exempt from notification if the

requirements established in the regulations are met. This is an innovation in this sector that enables the Commission to concentrate more of its efforts into aid that may be more relevant to the whole of the Community. With this new policy, the Commission aims to distinguish between aid that must be prohibited owing to its adverse effects on the market, and aid that somehow might bring about improvements to this market, or that could be necessary or supported by the market.<sup>27</sup> The aim of the latter is to speed up processing by drawing up collective exemption rules based on the validity of some state aid in certain areas if the aid meets exactly the same criteria indicated in the relevant legislation.<sup>28</sup>

The categories of aid that are exempt from notification, and therefore acceptable with regard to community law, are the following:

- Regulation 68/2001 of 12 January 2001 on aid for training (and amended by Regulation 363/2004 of 25 February 2004),<sup>29</sup> which exempts aid for training from notification, as long as the percentage of the aid does not exceed a certain percentage of the total cost of the project. This maximum percentage varies according to several criteria set by the regulation.
- Regulation 69/2001 of 12 January 2001 on the application of articles 87 and 88 of the EC Treaty to *de minimis* aid.<sup>30</sup> This regulation allows aid to be granted to any kind of undertaking as long as the aid does not exceed € 100,000 over any period of three years, irrespective of the form of the grant or the objective pursued.
- Regulation 70/2001 of 12 January 2001 on the application of articles 87 and 88 of the EC Treaty to state aid to small and medium enterprises.<sup>31</sup> This affects aid granted to small and medium enterprises for areas related to investment, consultancy, research and development, technical viability studies, acquisition of patent rights, access to new technologies and transfer of technology. The legislation aims to give recognition to the role of small and medium enterprises in employment and economics in Europe, as well as to improve their access to areas that the size and possibilities of this type of enterprise does not always allow them to reach.
- Regulation 2204/2002 of 12 December 2002<sup>32</sup> on the application of articles 87 and 88 of the EC Treaty to state aid for employment, which aims to promote employment by promoting access to aid to facilitate the employment of disadvantaged and disabled workers. This is especially aimed at

25. This restrictive interpretation of exceptionality, reiterated by the Court of Justice in other areas of community law, has been reaffirmed by this Court through various rulings, such as Judgment of 15 December 1999, joined cases T-132/96 and T-143/96, Freistaat Sachsen and others v Commission; Judgment of 19 September 2000, case C-156/98, Germany v Commission; Judgment of 30 September 2003, case C-301/98, Germany v Commission; Judgment of 30 September 2003, joined cases C-57/00 and C-61/00, Freistaat Sachsen and others v Commission; and Judgment of 29 April 2004, case C-277/00, Germany v Commission. The reason why all these rulings are for cases in Germany can be found in the exemption made in article 87(2)(c), which refers to the possibility of providing aid to benefit the economy of certain German regions.

26. The procedure for the notification and processing of state aid, expanding on article 88 of the EC Treaty, is governed by Regulation 659/1999 of 22 March, establishing the provisions for the implementation of article 93 of the EC Treaty (now, after amendment, article 88) (OJEC issue L83 of 27 March 1999). This regulation is also governed by Regulation 794/2004 of 21 April, establishing provisions for the implementation of EC Regulation 659/1999 (OJEC issue L140 of 30 April 2004).

27. This new policy allows the Commission to focus, as we have said, on analysing aid that may have harmful effects on the market. It is also in line with the guidelines of the Lisbon European Council held in 2000, where one of the issues addressed was that of making the European Union a more competitive and dynamic economy. Through this policy and its State Aid Action Plan for the years 2005-2009, the European Commission, while not eliminating the adverse effects this aid may have on the common market and the policy on competition, points out that such aid must be reduced and put right by the member states. It should be reduced because it is often too high both in number and in quantity, and put right because they should generally benefit action that benefits the European market, making it more competitive internationally. This is why the Commission indicates that aid must be directed towards areas that are closer to research and development; investment risk that helps create new economic operators; services of general interest that guarantee that the objectives of public service are attained; promoting sustainable development while respecting environmental concerns; and creating new infrastructure in the transport, energy, information and communication sectors.

28. It was with this in mind that Regulation 994/98 of 7 May 1998, OJEC issue L142 of 14 May 1998 on the application of articles 87 and 88 (formerly articles 92 and 93) of the EC Treaty to certain categories of horizontal State aid. This regulation aims to make it possible for the Commission to draw up regulations that mean that certain types of aid can be considered compatible with the common market.

29. OJEC issue L10 of 13 January 2001 and OJEC issue L63 of 28 February 2004.

30. OJEC issue L10 of 13 January 2001.

31. OJEC issue L10 of 13 January 2001, amended by Regulation 364/2004 of 25 February 2004, OJEC issue L63 of 28 February 2004.

32. OJEC issue L337 of 13 December 2002, with errors corrected in OJEC issue L349 of 24 December 2002.

small and medium enterprises, or at disadvantaged regions that benefit from regional aid.

In addition to these regulations, the Commission has also made a series of declarations that clarify the Commission's viewpoint on certain types of aid, as well as whether certain types of aid are compatible with community law.

But regarding the application of any of these regulations, we must not forget that, if we look back at article 87 of the EC Treaty, we see that the aid must affect commercial trade between member states for it to be incompatible "with the common market", and this means that the situations we could refer to as *internal*, that do not affect competition in the community market, are excluded from this regulation.

On this point we must look at two issues: the market as a geographical area and what the community dimension is; and the product market, which while situated in a geographical area, is also related to a specific product and how it is related to other products it may substitute or to which it has certain ties that are affected by competition law.

Firstly, concerning the real or potential effects<sup>33</sup> of aid on the whole Community, the commercial trade between member states has been a condition that has not only been enacted by the EC Treaty in article 87, but also reaffirmed and interpreted on numerous occasions by the Court of Justice and the Court of First Instance throughout their jurisprudence.<sup>34</sup> In this regard, though in a much more superficial way, we can highlight some principles (some of which have been mentioned above) regarding the effects on the community market:

- Aid for undertakings that have a shareholding in the common market shall normally be incompatible with the community objectives, even if such aid is to prevent the undertaking from disappearing.<sup>35</sup>
- Aid granted to undertakings that do not export to any other State may also be contrary to community law and affect trade between member states if they make it harder for products from undertakings originating in other member states to set up in the territory of the first State — in case that, for example, domestic production can be maintained or increased through this aid.<sup>36</sup>

- Aid granted to undertakings that export a large part of their production to non-member countries may also distort the Community rules of competition, and therefore affect intra-community trade.<sup>37</sup>

- Neither the amount of aid awarded nor the size of the beneficiary undertaking are sufficient criteria to exclude the possibility of aid being deemed incompatible with EU competition.<sup>38</sup> As the Court states, if the gain produced by the aid is low, the distortion of competition is low, but there is still a distortion.<sup>39</sup>

- Aid that contributes to increasing the market power of one undertaking with regard to others is considered to affect community trade.<sup>40</sup>

- Aid that aims to start the manufacturing of a certain product in a member state is likely to affect trade between member states if it has the effect of reducing the opportunities for products and services established in other member states to export their products to the market in that member state.<sup>41</sup>

In addition to effects on the community market in the sense of trade between member states, there must also be effects on the market of the product, taking the product itself into account, as well as in relation to other possible substitute or competing products — i.e., products the consumers consider to be similar because of their properties, price or use. The Court of Justice has made this clear through many judgments on competition law, as well as through occasional judgments on state aid, such as in the book industry in the SIDE case,<sup>42</sup> where the Court stated:

"In order to establish whether, in the course of assessing whether an export aid in the book sector may be regarded as compatible with the common market, competition is affected to an extent that is contrary to the common interest for the purposes of Article 92(3)(d) of the Treaty (now, after amendment, Article 87(3)(d) EC), it is necessary to define the market on which the aid takes effect. So far as concerns the material definition of the market, in order to be considered the subject of a sufficiently distinct market, it must be possible to distinguish the service or the good in question by virtue of particular characteristics that so differentiate it from other services or other goods that it is only to a small degree interchangeable with those alternatives and affected by competition from them. In that context, the degree of interchangeability between products or services must be assessed in terms of their objective characteristics, as well as the structure of supply and demand on the market, and competitive conditions".

<sup>33</sup>As the Court of First Instance states: "The Commission is not required to demonstrate the real effect of illegal aid on competition. Article 92(1) of the Treaty (now, after amendment, Article 87(1) EC) declares not only aid which distorts competition to be incompatible with the common market but also aid which threatens to do so". Judgment of 30 January 2002, case T-35/99, Keller and Keller Mecánica v Commission.

<sup>34</sup>For example, Judgment of 29 September 2000, case T-55/99, Confederación Española de Transporte de Mercancías (CETM) v Commission states that "the prohibition applies to any aid that distorts, or threatens to distort, the competition, whatever the quantity might be, if it affects trade between member states".

<sup>35</sup>Judgment of 10 July 1986, case 234/84, Belgium v Commission; Judgment of 2 February 1988, joined cases 67, 68 and 70/85, Van der Kooy v Commission; Judgment of 21 March 1991, case C-305/89, Italy v Commission.

<sup>36</sup>Judgment of 13 July 1988, case 102/87, France v Commission; Judgment of 21 March 1991, case C-303/88, Italy v Commission; Judgment of 11 July 2002, case 152/99, HAMSA v Commission; Judgment of 15 June 2000, case T-298/97 and others, Alzette v Commission; Judgment of 4 April 2001, case T-288/97, Regione autonoma Friuli-Venezia Giulia v Commission.

<sup>37</sup>Judgment of 21 March 1990, case C-142/87, Belgium v Commission.

<sup>38</sup>Judgment of 21 March 1990, case C-142/87, Belgium v Commission; Judgment of 7 March 2002, case C-310/99, Italy v Commission; Judgment of 6 March 2003, joined cases T-228/99 and T-233/99, Westdeutsche Landesbank Girozentrale v Commission; Judgment of 4 April 2001, case T-288/97, Regione autonoma Friuli-Venezia Giulia v Commission; Judgment of 19 September 2000, case C-156/98, Germany v Commission; Judgment of 26 September 2002, case C-351/98, Spain v Commission; Judgment of 13 February 2003, case C-409/00, Spain v Commission; Judgment of 29 April 2004, case C-372/97, Italy v Commission.

<sup>39</sup>Judgment of 30 April 1998, case T-214/95, Vlaamse Gewest v Commission.

<sup>40</sup>Judgment of 20 November 2003, case C-126/01, GEMO; Judgment of 14 September 1994, case C-278/92 and others, Spain v Commission; Judgment of 17 June 1999, case C-75/97, Belgium v Commission; Judgment of 7 March 2002, Italy v Commission; Judgment of 11 July 2002, case T-152/99, HAMSA v Commission; Judgment of 29 April 2004, case C-372/97, Italy v Commission.

<sup>41</sup>Judgment of 6 March 2002, joined cases T-127/99 and others, Diputación Foral de Álava and others v Commission.

<sup>42</sup>Judgment of 28 February 2002, case T-155/98, SIDE v Commission.

<sup>43</sup>In the judgment cited in the previous footnote, the Court states: "As soon as a public authority assists an undertaking operating in an industry sector characterised by intense competition by granting aid, there is a distortion of competition or a risk of distortion occurring".

In addition to taking the product market into account, other aspects are also considered, such as the intensity of competition,<sup>43</sup> the position of the beneficiary in the market, etc.

### State Aid to the Written Press and Community Law

The objective of this final section is to examine — using the information we have already looked at — to what extent state aid to the written press affects community law and to what extent it breaches articles 87 et seq. of the EC Treaty. While carrying out this analysis, we will use articles 87(1) and 87(3) to look at state aid in the true sense of the term, and article 86 to look at the concept of services of general interest.

Regarding the first point, and the application of article 87(1), we already know that for aid to be prohibited from this provision, three conditions must be met, in addition to the existence of state aid offering benefits to certain economic operators. These three conditions are: that the beneficiaries be economic operators; that the aid affect other member states; and that competition be distorted. But we must also take into account the market, or at least the market in question, and we must remember that in the written press there are different markets: newspapers (and these could even be divided up into national press, local press, and press in a regional or second national language), the specialist press, the tabloid press, etc, so that according to each market and type of aid granted, whatever the purpose, we can find different solutions. Indeed, we should remember the jurisprudence given by the Court of First Instance,<sup>44</sup> which affirms that:

"So far as concerns the material definition of the market, in order to be considered the subject of a sufficiently distinct market, it must be possible to distinguish the service or the good in question by virtue of particular characteristics that so differentiate it from other services or other goods that it is only to a small degree interchangeable with those alternatives and affected by competition from them. In that context, the degree of interchangeability between products or services must be assessed in terms of their objective characteristics, as well as the structure of supply and demand on the market and competitive conditions (Judgment of the Court of First Instance of 21 October 1997, Deutsche Bahn v Commission, T-229/94, Col. p II-1689, chapter 54, and jurisprudence cited above)."

<sup>44</sup>Judgment of the Court of First Instance of 28 February 2002, case T-155 / 98, SIDEV Commission.

This means that aid granted to a local periodical publication would probably not be equal to that granted to a national publication; that aid to a publication in a language that benefits from special protection from the State would not be equal to that granted to a publication in another language; that aid to a general daily newspaper would probably not be equal to that granted to a specialist publication; that aid granted to a daily newspaper would probably not be equal to that granted to a newspaper not published daily. The interchangeability between these different types of publications makes it impossible to provide an overall solution for the written press, given the different markets and opinions that exist.

But if we are to search for general aspects, we see that:

a. Aid granted to undertakings in the written press are economic operators that operate in the European Community (we shall not look further into whether their operations affect the community market and trade between member states). In this regard, we must remember that publishers of a wide variety of sizes are operating in the market. Some are large communication groups; others are much smaller. This is why it is very important to determine who the beneficiary of the aid is, how much is awarded and what the purpose of the aid is. It is possible that a relatively low amount of aid granted to a powerful business group but for a very specialist product targeting the local or regional market be exempt from the prohibition in article 87(1) of the EC Treaty.<sup>45</sup> Indeed, the European Parliament emphasises the possible role the local and regional media, as opposed to commercial media, can play in promoting pluralism in sources of information and protecting linguistic and cultural diversity, since the markets are small, and the large media groups often do not target these markets for economic reasons. But generally the main factor is how influential the agents of news undertakings are considered to be as economic agents rather than as an entity that provides information to the public and guarantees the democratic principles of the member states through the plurality they provide.

b.- Regarding the effects on other member states and the possible distortion of competition law, we can also reach the conclusion that other member states are affected based on the type of economic operator and the objective of the aid. This was the conclusion reached, for example, by the Commission in its Decision of 14 December 2004 on aid granted by Belgian authorities to the Flemish written press. The Commission stated that, considering that the publishing market in the Flemish region also includes

<sup>45</sup>See, for example, Commission Decision of 14 December 2004, state aid to Espacio Editorial Andaluz Holding, S.L.

other sectors, such as the advertising, printing and distribution markets, and that there is trade between member states in the sector of publishing products referred to by the aid, the public funding scheme aimed at funding improvements to the quality of Flemish press products published in Dutch benefited an economic sector and affected trade between member states. This meant the measure must have been considered as state aid, as defined in article 87(1) of the EC Treaty. In this sense, then, the state aid granted to the written press according to its characteristics may also be considered aid in accordance with article 87(1) of the EC Treaty, and therefore be in breach of community law. If there are no effects on other member states, however, the rules in the Treaty shall not apply in this area.<sup>46</sup>

Now that we have seen that the common market can be affected, according to each case, by state aid received by the written press, and that there may be a distortion of competition law, we must look at whether there are any possible exemptions to this general rule. This can be found in article 87(3) of the EC Treaty. But we must first remember that this is an exception, and must therefore be subject to restrictive interpretation to prevent all the exemptions being applicable to all cases. Furthermore, the aid must be proportional to the objective being pursued. This means that the exemptions that have been applied to the written press are those mentioned in parts (c) and (d) of this article.

Firstly, beginning with the above exemption, we may ask whether aid to the press can be considered to be *exemptible* as aid for the promotion of culture. This exemption is already provided for in other areas of community law, such as for the free movement of goods in article 30 of the EC Treaty, which was incorporated through the 1992 Maastricht Treaty (Treaty on European Union), and has served to benefit the European publishing and cinema industries.<sup>47</sup> We must therefore take into consideration, for example, the Commission Decision of 20 April 2004<sup>48</sup> on the aid implemented by France in favour of the Coopérative d'exportation du livre français (CELF), which takes into account that even though the state contributions made by the French Ministry of Culture are considered to be state aid, these had a negligible impact on trade between member states and the rules of competition, and the purpose of the aid was cultural, to guarantee the spread of the French language and French literature to non-French-speaking countries and regions where it is difficult to obtain such publications because of the low demand, the difficulties in administering orders and the cost of exporting the products. This is why aid was granted to the export agents, to reduce

the fixed costs associated with processing each order. The Commission therefore understood that, considering the exemption in article 87(3) (d), and that article 151 of the EC Treaty obliges institutions in the Community to contribute towards strengthening and fostering the cultural diversity of member states, the action taken by the French authorities was covered by 87(3) (d) of the EC Treaty, and therefore the aid could be deemed compatible with the common market.

As for the press, it must be determined whether it can be considered as culture. If we stick to the interpretation made by the Commission, taking a restrictive interpretation of the exemption, the press, as such, is not considered to be culture. This means that the educational and democratic needs of the member states are not culture as defined in article 87(3) (d) of the EC Treaty. However, specific projects for which aid is granted are considered to be culture if they are clearly cultural (for example, aid towards the free distribution of books to readers of a newspaper).<sup>49</sup> And as the Commission has stated, aid that may benefit from this exemption is that which is limited to specific projects related to the national concept of culture, bearing in mind that the concept of culture must be applied to the content and the nature of the publication, and not to the medium or the distribution itself.<sup>50</sup>

But although the exemption in article 87(3) (d) of the EC Treaty seems to be not applicable to all aid to the written press, in the case of aid to the Flemish written press it was considered that the aid was covered by the exemption in article 87(3) (c), since the objective was to preserve the pluralism of information and of publishing cultures, and this is covered by article 151 (4) of the EC Treaty, which states that the Community shall take cultural aspects into account in its action under other provisions of this Treaty (as is the case with article 87), in particular in order to respect and to promote the diversity of its cultures.<sup>51</sup> Once the aid was in line with the principle of proportionality with regard to the stated objective, and did not distort trade in a way contrary to common interest, it was accepted by the Commission.

Finally, it must still be determined whether the written press, or any of the sectors of the written press, can be deemed a service of general interest, and therefore be exempt from the application of the rules in the Treaty. It should be noted that neither the term nor the concept of services of general interest is specifically stated in the EC Treaty. The Treaty, in articles 16 and 86, refers to "services of general economic interest". But the European Commission has produced two documents on this issue: the Green Paper

46.Though it does not concern precisely this issue, we could consider the Commission Decision of 1 July 1998 regarding the "Plan Renove Industrial". The Commission stated: "Where the recipients are public or private bodies providing local or regional public services not open for competition on the basis of Community legislation with carriers from other member states, trade between member states is not affected within the meaning of Article 92(1) [now, after amendment, Article 87(a)] of the Treaty". Regarding this decision see OJEC issue L329 of 5 December 1998, p 23 et seq.

47.Regarding the exemption for culture, the Council and the Commission have adopted favourable stances to state aid towards cinema production in order to compete with large-scale, non-European productions and to promote culture and cultural diversity in the member states. This favourable stance is evident in the Communication of

14 December 1999 on the Principles and guidelines for the Community's audiovisual policy in the digital age; the Council Resolution of 12 February 2001 on national aid to

the film and audiovisual industries OJEC, issue C 73 of 6 March 2001; the Communication from the Commission of 26 September 2001 on certain legal aspects relating to cinematographic and other audiovisual works, OJEC issue C 43 of 16 February 2002; or the Communication from the Commission of 16 March 2004, on the follow-up to the Commission communication on certain legal aspects relating to cinematographic and other audiovisual works, COM (2004) 171 final, OJEC issue C 123 of 30 April 2004.

48.OJEC, issue L85 of 2 April 2005.

49.This is the case in Commission Decision of 14 December 2004, state aid to Espacio Editorial Andaluz Holding, S.L.

50.Communication from the Commission on the application of state aid rules to public service broadcasting, OJEC issue C 320 of 15 November 2001; and Commission Decision of 29 September 1999 on the funding of a 24-hour news channel produced by the BBC, free of advertising, and financed by the BBC licence fee, OJEC issue C 78, 18 March 2000.

51.These aspects are also guaranteed through articles 11(2) and 22 of the Charter of Fundamental Rights of the European Union.

<sup>52</sup>For more on these documents, see documents COM (2003) 270 final and COM (2004) 274 final.

<sup>53</sup>According to the Commission, rather than providing a unique European definition of services of general interest, a series of elements should be taken into account and should serve as a basis for the definition of this community concept. These elements would be universal service, continuity, quality of service, affordability, user and consumer protection, protection and safety, security of supply, access to networks and interconnectivity and media pluralism.

<sup>54</sup>We will use the interpretation made by the Court of First Instance when, regarding the undertakings entrusted with the operation of services of general economic interest, it states that, according to the current article 86(2), the undertakings can escape the prohibition of aid made in article 87 of the EC Treaty if the only purpose of the aid is to compensate the additional costs of a particular mission that the undertaking entrusted with the operation of a general economic service, and that the granting of aid is necessary so that this undertaking can meet its obligations as an economically balanced public service.

<sup>55</sup>COM (2003) 270 final, OJEC issue C 76, 25 March 2004.

<sup>56</sup>Document A5-0230/2004, of 5 April 2004.

<sup>57</sup>Cultural diversity is taken into account within the actual EC Treaty, in article 151(4). It has also been subject to legal regulations made in other areas, such as in the 2001 Unesco Universal Declaration on Cultural Diversity, or the current Convention on the Protection and Promotion of Diversity of Cultural Expressions.

on Services of General Interest, of 21 May 2003; and the White Paper on Services of General Interest, of 12 May 2004.<sup>52</sup> These papers, for the purposes that are of interest to us, define these services<sup>53</sup> and highlight their characteristics, including, as an essential component element, media pluralism. However, this does not mean that the objective can be for all providers of services of general interest to be exempt from application of the rules in the EC Treaty, but only those that in certain cases require such exemption in order to complete their mission of general interest.<sup>54</sup> We therefore also use a restrictive interpretation of the circumstances as an exception to the general rule for the application of community law.

Here we must consider how this question would affect the written press. We should underline the position of the European Parliament in various documents such as Resolution of 13 January 2004, on the Green Paper on services of general interest,<sup>55</sup> or the Report of 5 April 2004 on the risks of violation, in the EU and especially in Italy, of freedom of expression and information.<sup>56</sup> In these documents the Parliament emphasises that services aimed at guaranteeing that pluralistic information and cultural diversity are maintained and promoted<sup>57</sup> should not be included in the scope rules on competition, given the contribution made by these activities, and the undertakings that guarantee them, towards the strengthening of democracy, political and intellectual pluralism and freedom of opinion and expression in all areas. This could serve as a basis to justify exempting from competition law certain undertakings at certain times and for certain activities, since such exemptions fulfil the stated objectives.

## Issues and Challenges in the Provision of Press Subsidies

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Press subsidies are provided for social purposes to promote political activities, spur cultural development, meet the needs of minority linguistic and ethnic groups, and promote religious and other organizations sanctioned by the State.

Press subsidies have existed since the first appearance of the press, but their scale and scope have changed over time as states have responded to national concerns over press developments. The policies developed over the past two centuries have created multiple means of support that are typically uncoordinated and involve multiple administrative agencies. Most press subsidies support newspapers, but some also support magazines and journals.

The first efforts to broadly address issues of press subsidies began three decades ago as states began to respond to a wave of newspaper mortality and a number of European nations constructed extensive subsidy mechanisms in efforts to reduce the demise of newspapers and the concurrent concentration in the newspaper industry.

Interest in newspaper subsidies began in response to increasing newspaper mortality during the 1960s and 1970s (see Table 1). A number of nations undertook parliamentary inquiries and conducted policy research as they created new subsidy policies. One of the earliest comparative studies of these support mechanisms was made by Anthony Smith (1977) and since that time a number of studies have described and compared national press support policies (Picard, 1985b; Santini, 1990; Holtz-Bacha, 1994; Murschetz, 1997).

Most studies have consisted of mere descriptions of the types of state intervention provided in various nations. Only a few have gone further to seek explanations of patterns and causes. Research that I conducted has found that patterns of press intervention were related to national economic and industrial policies (Picard, 1985a) and that the level or significance of intervention in newspaper economics differed widely among nations (Picard,

1984). These studies attributed differences among national policies to cultural elements and to economic policies toward industries overall.

Table 1

Contemporary Press Subsidy Timeline					
		Governmental studies of newspaper deaths and concentration	Financing of advantages and subsidies diminishes		
Wave of newspaper deaths in Western nations			New advantages and subsidies established	Newspaper mortality returns	Newspaper mortality increases
1950	1960	1970	1980	1990	2000

Although support for subsidies was initially strong in many nations, reductions in financial support because of economic fluctuations and austerity programs began to significantly reduce the amount of support in Nordic nations during the 1970s (Picard, 1986), and that support and the types of aid continued to decline in the 1980s and 1990s. In Sweden, for example, the downward trend in subsidy financing over the past two decades resulted in total subsidies falling from 707 million Swedish kroner (€76.4 million) in 1980 to 514 million Swedish kroner (€55.57 million) in 2000, a decline of about 27% (Weibull, 2002) and in Finland total annual expenditures for press subsidies in 2000 had fallen in real terms to their lowest points since the early 1960s (Picard & Grönlund, 2003). This pattern of diminishing support is found in most nations.

The ability of subsidies to solve the problems for which they were provided is debatable because the number of papers has continued to decline. Studies have shown that subsidies often have not addressed the underlying economic problems of the press; that the amount of subsidy provided has diminished over time; that dependence on subsidies can harm the ability of publications to improve and grow, and that there is difficulty maintaining political support for the subsidies.

A significant change in subsidisation occurred when policy changes privatised post administrations and thus ended or reduced the postal subsidy, which was the largest subsidy in most nations. Another change is occurring because there are considerable concerns that direct subsidies—especially operating subsidies—violate contemporary competition policy on state aid due to rulings in other industries.

There are also concerns that the aid primarily benefits commercial firms that do not serve specific social purposes and that aid mechanisms have been used by publishers and dominant political parties to benefit their own purposes. Problems in this regard have been especially evident in the Swedish market where publishers often make operational and strategic choices to ensure their continued subsidisation rather than improvement of their papers (Picard, 2003; Ots, 2006). Two recent studies of Finnish newspaper subsidies have also shown that the effects of subsidies do not necessarily serve their stated purposes because they have primarily benefited the press of the dominant political parties; are distributed unevenly when compared to population geography; support fewer papers and readers than in the past, and have shown dramatic increases in cost per circulated copies (Grönlund, Ranniko, & Picard, 1999; Picard & Grönlund, 2003).

### Effects of Subsidies on Press Economics

Newspaper subsidies are a form of state intervention in the economics of competitive markets that provide additional resources or reduce costs in the industry or in specific firms. State intervention includes direct and indirect subsidies, fiscal advantages and regulatory relief. The mechanisms selected to support the press are nation-specific and produce patterns of intervention reflecting the cultures, political realities and economic policies of the nations.

Press support to individual firms affects company finances, allowing firms to use the financial resources to pay expenses or to improve their balance sheets. To understand the impact of the support, one needs to consider how it enters and affects the operating statements and balance sheets of firms and the effect it has on the financial performance of the company (Picard, 1995).

Most types of support simply help pay variable costs rather than fixed costs of newspaper publishers so aid does not solve the fundamental economic

and market problems of papers (Picard, 1994). If subsidies have little effect on the financial or market situations of newspapers they cannot create long-term sustainability but instead create dependence on the annual handout of subsidies. Subsidies can only support sustainability if they change the financial and market conditions of the recipient by helping them restructure their operations, expand markets or acquire cost saving technologies (Picard, 1991). Clear market strategies, improved management practices and lower cost structures are necessary to improve the conditions of most marginal newspapers. Subsidies can be directed to support such activities (Lichtenberg, 1995).

Part of the difficulty in achieving intended goals with non-selective general subsidies is that they do not change the competitive situation of firms. Because dominant papers in a market also receive the subsidy, it provides an additional revenue stream and gives greater resources that can be put to use to provide advantages against secondary papers in the market.

Some states have indirectly subsidised press activities and avoided competitive effects by providing support to journalists in the form of price reductions for travel and telecommunications. In France, for example, journalists have a tax rate 30 percent lower than that of other workers (Harcourt, 2005: 193).

Most aid has historically taken the form of fiscal advantages and indirect subsidies, usually provided equally to all papers. Large direct aid is primarily found in Northern Europe and has a clear link to political and cultural purposes.

State support can promote competition, have no effect or harm competition in both the economic and information/idea markets. If one considers different types of support, it is clear that most press subsidies provided by states fall into categories that harm or have no significant effect on either the economic or information markets (Table 2). Because they do not change the competitiveness or sustainability of firms receiving the aid, they cannot be a long-term solution to the economic and informational problems that led to their implementation.

#### **Subsidies and Competition Law**

Table 2

Effects of Press Support on the Economic and Information/Ideas Markets		
	Economic Market	Information/Idea Market
Promote Competition	Equipment/facility loans Selective production Subsidies Ownership regulation <sup>1</sup> Political party aid <sup>2</sup>	Equipment/facility loans Graduated transportation rate Selective production subsidy Ownership regulation <sup>1</sup> Political party aid <sup>2</sup>
No Major Competitive Effects	Equipment/facility loans Selective production Subsidies Ownership regulation <sup>1</sup> Political party aid <sup>2</sup>	Equipment/facility loans Graduated transportation rate Selective production subsidy Ownership regulation <sup>1</sup> Political party aid <sup>2</sup>
Harms Competition	Non-selective postal rate Advantage Weak regulation of anti-competitive acts Ownership regulation <sup>1</sup> Political party aid <sup>2</sup> Price regulation	Price regulation Weak regulation of anticompetitive acts Ownership regulation <sup>1</sup> Political party aid <sup>2</sup>

<sup>1</sup> May promote or have no effect in the economic market or information/idea market depending upon its structure.  
<sup>2</sup> May or may not have effects depending upon conditions.

There is currently no clear European Union position on press subsidies, primarily because it has not had a direct occasion to consider the issue. Subsidy issues would potentially be taken up by the Competition Directorate General, the Internal Market and Services Directorate General, or the Information Society and Media Directorate General.

To date no major complaints or case has been taken up by the competition DG, which would address issues of distortion of competition that might result. The EU has, however, taken up similar cases regarding subsidies for motion pictures and broadcasting, particularly public service broadcasting, and have established a body of principles that have significant implications for press subsidies should they be addressed on competition grounds.

In my estimation, the primary reason that subsidies have not been subject to EU review is that those papers receiving the aid are so weak and the amounts of aid so low, that their competitors do not see it as significantly altering competition, particularly in the crucial advertising market.

In the absence of significant complaints from other press competitors, EU and domestic competition regulators have turned a blind eye to press subsidies because they have greater competition issues to address in other industries. This situation may change, however, if member states restructure existing subsidies, provide them to new competitors, or create new types of subsidies.

The ability of the EU to respond to cultural and social policy issues is more limited than its ability to address economic policy issues because it has been fundamentally empowered and structured as an economic and industrial policy organisation. Although there are efforts to increase the scope of its activities, consensus among member states is mixed. The lack of broad agreement about expanding its roles has made it difficult for the EU to respond to media policy issues raised by the European Parliament and Council of Europe.

### **Discussion**

Research on the utility of subsidies indicates that state support can be successful in the long run only if it is utilised as more than operating aid that cover losses, that is, only if it results in a change in managerial and market strategies and is accompanied by a restructuring of the costs of operations. If used merely to pay operating costs and cover losses, subsidies ultimately lead to resource dependency on the state aid and the firm loses market incentives to improve their product and operations.

The optimal outcomes from the policy standpoint are for subsidies to enhance the condition of papers so that their cost structures and market situations improve and so that papers reinvest to enhance sustainability. Negative outcomes are inability to save papers, long-term dependency on aid or overprovision of subsidies that transfer wealth to produce unearned profits.

For subsidies to be effective they need clarity in purpose and must address the fundamental causes of the problems they are intended to solve. In the contemporary environment of the so-called Information Society — with more types of media than ever available and an enormous number of content providers — explicit purposes and unambiguous rationales for providing subsidies need to be provided and specific objectives and goals need to be presented. Because of the expansion of the media, cross-media activities

and changes in audience use patterns, “press policy is increasingly difficult to pursue in isolation from other media” (Ots, 2006, p. 15).

Subsidies need to be constructed to actually address the underlying economic and market issues that have led to the purposes and rationale for subsidies, and subsidies should be designed to produce effects that make it possible for subsidised publications to free themselves from state support at some point in their future.

In considering policy and its potential benefits we need to recognise two distinct environments of press subsidies. First, there is an environment in which market failure results from a general lack of interest and support by audiences because of their preferences to use other media or other press publications. In the second environment, market failure results from structural and financial challenges despite and interest and support by audiences.

The difficulties in the first environment cannot be easily solved by offering press subsidies because the state subsidises something that the public neither wants nor consumes — thus the policy merely expends limited public resources and does not produce the benefits desired.

Subsidies to address problems in the second environment can produce benefits, however, particularly when they are intended to support regional and secondary languages and cultures that may be less interesting to national and international advertisers. To do so, however, requires the presence of strong local identity and audiences willing to consume. If those are absent, they must first be built up through cultural organisations and educational institutions before benefits can be produced through press subsidies.

Subsidies for print media appear to work best when provided to book literature and magazines because they have low fixed costs and the subsidies can easily be provided on a project or fixed term basis. Subsidies to the daily press, however, tend to fail because they tend to deal only with variable costs rather than the fixed cost issues that present the primary cost problems for daily newspapers.

In the current environment the wide range of media available and audience and advertiser choices that spread use across media have negated

many of the previous effects of press subsidies. In making contemporary policy, one needs to recognise that this changing media environment is presenting more choices to audiences and significantly altering media use patterns. This raises the question of whether press subsidies are the most effective means for serving the laudable social purposes that prompt interest in them. Policy makers need to consider whether their existing or planned subsidy systems are designed to preserve the form of communication (the press) or to preserve its functions (facilitating social, political and cultural interaction and development). If the later is the purpose they will have to consider broader options involving other media rather than merely focusing on press subsidies.

In the short to mid-term, however, judiciously used subsidies can help the press adjust to the changing environment and public goals can be served with some well placed support. In the end, however, relying upon press subsidies alone to produce and maintain the desired social benefits will be futile.

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# **Final declaration of the Organising Committee**

6

The Organising Committee of the *Press Subsidies in Europe: Development, Pluralism and Transparency Symposium*, held in Barcelona under the aegis of the Generalitat de Catalunya on 19 and 20 June 2006, having considered the contributions of more than one hundred speakers, moderators and participants from different European countries and including members of government, entrepreneurs, sector professionals and media policy experts, submits the following considerations as conclusions of the event:

### **1. The Importance of the Role of the Press**

The Organising Committee believes the press to play a decisive role in the formation of public opinion, and that it should be given a pre-eminent role in the media systems of modern democracies, for reasons of information pluralism, cultural diversity and quality of information. The fostering of these values should constitute the main *raison d'être* of press policies in general and subsidy programmes in particular.

### **2. The Press and Modern Media Policies**

We believe that, at this time of stagnation of the readership of periodical publications, multimedia and digital transformation, and flexibilisation of anticoncentration measures and barriers to the entry of foreign capital into domestic markets, democratic media policies must pay greater attention to the press sector.

More specifically, subsidy policies — deployed under criteria of transparency and efficiency — can constitute an important tool within such democratic policies, while overcoming the challenge of avoiding dependence of the press on government or vice-versa.

### **3. Reasons for Defending Press Subsidy Policies**

Views on subsidy policies are far from unanimous among all the political and entrepreneurial agents involved. Indeed, they are a source of controversy, with both detractors and defenders.

Having studied the arguments and the European cases submitted at the conference, the Organising Committee feels that such programmes are indeed democratically legitimate, on condition that they fulfil certain requirements concerning transparency and that they address three main objectives: the promotion of information pluralism, cultural and linguistic diversity in the media and preservation of press quality and rigor, thus effectively facing the challenges of concentration, cultural homogenisation and the need to maintain the quality of information.

### **4. Subsidy Time Frames and Diversity of Subsidy Models in Europe**

Despite the downward trend experienced by subsidy programmes over the last 20 years, this symposium has enabled us to appreciate the continued existence of a wide range of direct subsidy types in national models, adapted to their respective social, cultural and linguistic traditions.

The states with *democratic corporatist media systems* are those allocating the highest budgets for the fostering of periodical publications, especially those in fragile market positions. Among the countries participating in the symposium, this is true of Sweden, Norway and Austria. In these countries, considerable state intervention has always been accompanied by a strong tradition of press freedom, together with high commercial media circulation levels and media linked to political and civil groups.

However, indirect subsidy modalities are also widespread and significant. While preferential postal tariffs have gradually declined with the privatisation of Postal Services, practically all countries apply part or full VAT rebates on newspaper sales.

### **5. Trends**

However, even in the face of the wide diversity of press subsidy programmes in Europe, the symposium has also enabled us to see that certain common modalities do exist, together with a number of highly innovative measures within these policies.

The commonest model, again especially deep-rooted in the democratic corporatist countries, is one of subsidies to non leading publica-

tions receiving scant advertising resources or undergoing financial difficulties.

Press subsidies for linguistic reasons take a similar approach. Support granted to minority language or less prestigious language press generally involves subsidies to publications which are hard pressed to survive since their language cannot compete in equal conditions with the protection provided for official languages or with their access to larger markets.

Programmes aiming to support information quality also play a significant role, with allocation of resources for improved journalist recruitment, employment of foreign correspondents and professional training or research programmes on press issues.

The new indirect press subsidy modalities include the introduction of readership promotion programmes. These are found within a more general framework of modern analysis of the importance of reading for young people and society in general.

Finally, the symposium provided evidence of the existence of programmes for adaptation of press companies to multimedia convergence, which will probably become a general practice over time.

## **6. Guidelines for the Design of Subsidy Policies**

While acknowledging the importance of press subsidy policies, the Organising Committee also feels it is important to highlight the requirements to be complied with for full democratic legitimacy of such policies.

Press independence from the governments granting the subsidies, and government independence from subsidised press interests must be ensured. Accurate definition of criteria and objectives is essential in the respective calls, as is the transparency and independence of the awarding processes.

On this note, the symposium has heard of substantial reforms partially or totally affecting the awarding process for direct subsidies. We have learned about the first subsidy awards carried out by independent bodies, and that many governments already draw on the expertise of consulting commit-

tees for the purpose of the award process, committees which often comprise corporate press representatives and professional journalists.

On the other hand, subsidies must balance efficacy with sustainability. The main argument against their existence is, precisely, the fact that they may stimulate non-competitiveness. Situations in which subsidies generate an excessive dependency of the beneficiaries on the benefactors, to the extent that recipients fail to exercise competitive management practices secure in the knowledge of renewed subsidies each year, must be avoided. The symposium heard of subsidies addressed to attainment of structural improvements, thereby ensuring economic recovery as opposed to perpetuating dependency. In any case, press subsidies should also entail efficacy-verification mechanisms and appropriate indicators for assessment of the degree to which goals have been achieved.

## **7. The Need for Research**

The symposium also highlighted the need for in-depth comparative research into press subsidy policies in Europe, in two main directions: firstly, by increasing the number of countries considered, and moving beyond Western European countries; and, secondly, by theoretical work incorporating new conceptual fields and typologies enabling more accurate definition of the complexity of such policies.

The symposium would like to acknowledge its gratitude to the Generalitat de Catalunya for its help in the organisation and running of the event, and would like to point out that continuance and extension of the work done here should fall within the remit of EU research and development framework programmes.

## **8. On European Policy and the Results of the Symposium for European and International Institutions**

Public subsidies policy is part and parcel of EU competition policy and, yet, despite this, not all community institutions have analysed the issue in depth since they feel it to be a strictly state level issue. However, the European Union legal framework does include subsidies for social and regional cohe-

sion, sustainable development and cultural diversity, whether they correct market deficiencies or not.

The European Union's defining trait is its respect for, protection and fostering of its cultural, linguistic, social and political diversity. The symposium has made it very clear that public subsidies to the press, in general—given the unequivocally beneficial role of the press in favour of democracy, freedom and human rights—and to local and regional press in particular, can be a driving engine for this very diversity.

Therefore, we consider the involvement of European Union institutions in this debate a priority so as to ensure the issue is taken into account in designing communication policies.

### **Presentation of the Results of the Symposium**

The Organising Committee proposes to submit all the presentations and conclusions of this symposium to the governments of the Spanish Autonomous Communities; the Secretary of State for Communication of the Spanish Central government; the Directorates General of Communication and Competition of the European Commission; the Culture and Education Committee of the European Parliament; the Culture, Science and Education Committee of the Council of Europe; the Committee of the Regions and the Information and Communication section of UNESCO, with the plea that they consider the need for promoting press protection measures so as to benefit pluralism, the defence of cultural and linguistic diversity in Europe and the quality of information.

### **The Organising Committee**

*Press Subsidies in Europe: Development, Pluralism and Transparency Symposium*

Communication Secretariat of the Generalitat de Catalunya  
Catalan Institute of Cultural Industries (ICIC)  
Patronat Català Pro Europa  
Institute of Communication, the Autonomous University of Barcelona

Barcelona, 20 June 2006

