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## **Public funding of private media in Europe and overseas**

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# MEDIA POLICY PROJECT

Promoting media policy communication between academics, civil society & policymakers



## MEDIA POLICY BRIEF 11

# Public Funding of Private Media

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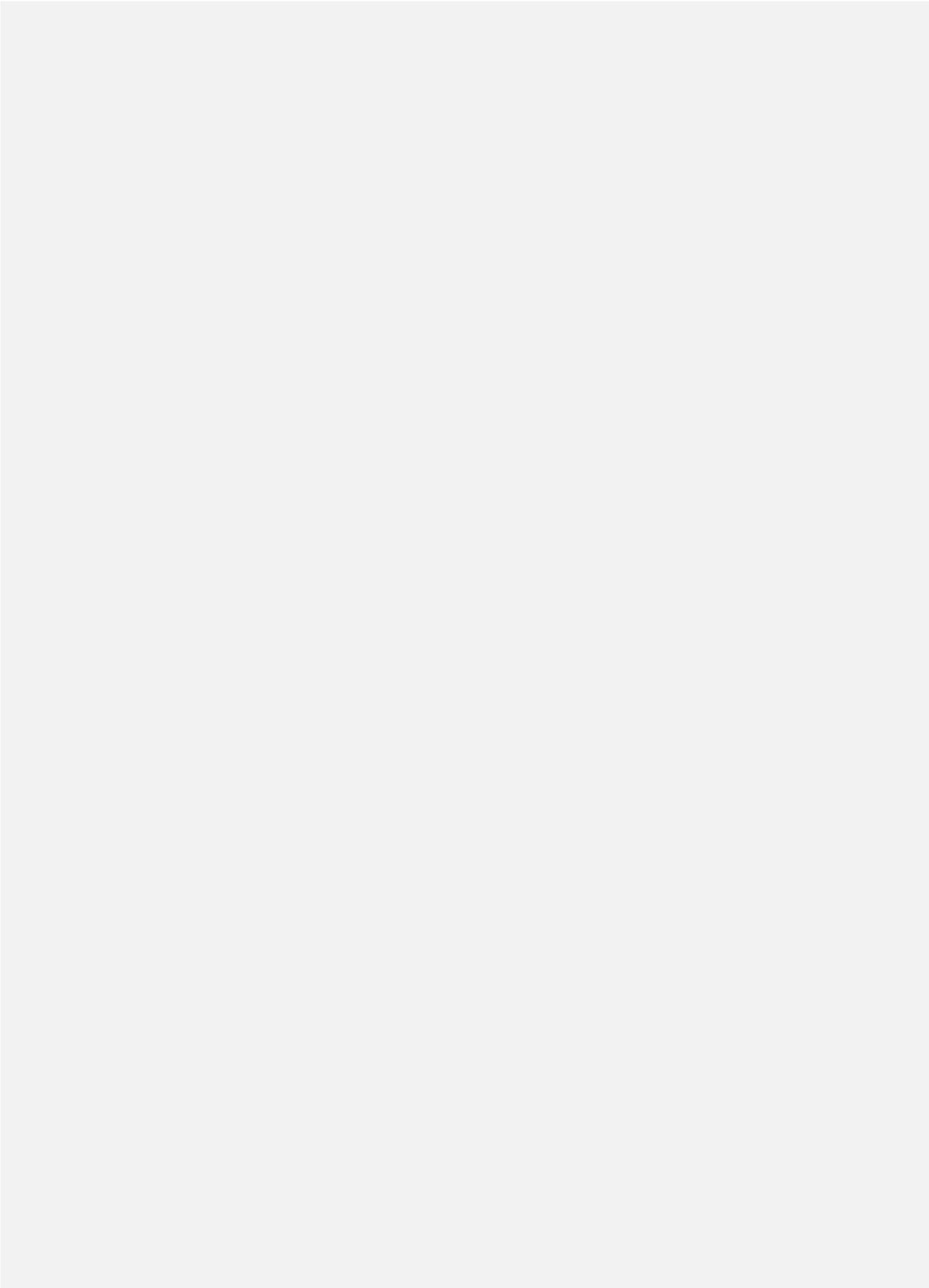
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# KEY MESSAGES

- As advertising revenues shift to non-journalistic platforms, news organizations face financial difficulties. To safeguard pluralism and editorial competition, alternative funding sources should be considered.
- Policymakers can support private media organizations with mechanisms such as tax relief or even direct subsidies to specific media companies. Such support need not compromise media independence if safeguards such as statutory eligibility criteria are in place.
- Given convergence, support for private media should also be extended to online media.



# INTRODUCTION

Europe currently faces what many have called a “media crisis”. Especially in the case of the printed press, plurality and editorial competition are under threat. The trend is apparent on various levels: many journalists have lost their jobs, independent (local) newspapers have closed or been taken over, and a range of media organisations have dismantled their network of foreign correspondents.

It is generally accepted that new competitors on the internet and the overall economic downturn have accelerated the problems of the press. The fact that advertising revenues are increasingly diverted to non-journalistic platforms (social networks, search engines), makes this trend worse.

It is still unclear whether new business models and revenue generating techniques such as paywalls will generate enough revenue to keep journalism at a level that is viable for a working democracy. Therefore, alternative ways of media funding have become more prominent in both scholarly discussions and political debates. Even though many scholars, journalists and politicians in the UK and elsewhere are sceptical about subsidising private media, some countries with the freest press systems have long and successful traditions of supporting the press.

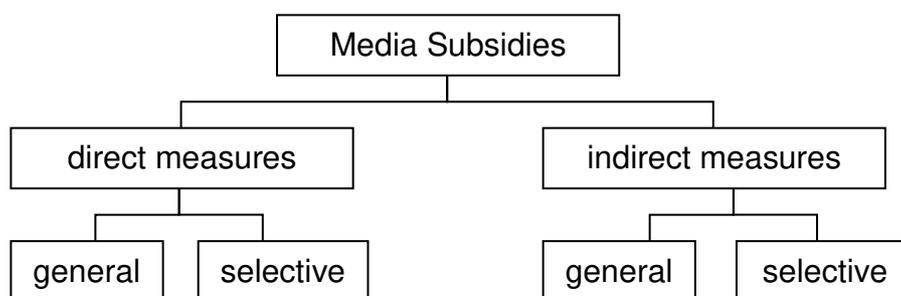
This policy brief draws on a research project that examined media subsidies and outlines how private media are publicly funded in 14 European media systems, the United States, Canada, New Zealand and Australia<sup>1</sup>. The comparison shows that media policy has several options at hand to financially support news organisations and help them in tackling the media crisis. These cases indicate that even direct support to specific media can be implemented in such a way that it does not threaten media freedom. However, it is of paramount importance to keep the organisation allocating subsidies as free from political influence as possible, and particularly to clearly define criteria of eligibility in order to limit its discretion.



# TYPES OF PUBLIC FUNDING

Measures to support media are normally described as being direct or indirect as well as general or selective<sup>2</sup>. While direct support refers to payments to media organisations, indirect support includes measures that help create a favourable economic situation for media organisations (e.g. tax breaks). In contrast, general measures favour all members of an industry (e.g. all newspaper publishers), whereas selective measures benefit only media organisations that meet certain requirements.

**Figure 1: Forms of Media Support**



*Source: Holtz-Bacha, 1994: p. 444*

It should be noted that general measures cannot prevent media ownership concentration as they benefit small and big media companies equally. While selective measures can potentially help weaker media, they cannot solve the problems of failing companies, and mostly develop into permanent support to news organisations that would not survive in the market alone.

Financial support for media raises fears of political or government influence. However, as Colin Sparks noted: “Just as subsidy does not necessarily mean government intervention in the content of the press, neither does its absence guarantee non-intervention”<sup>3</sup>.

Press Freedom Indices support this statement as countries with a long tradition of financially supporting the press regularly rank in the top places<sup>4</sup>.

## Support for the Press

**Indirect subsidies** for the press are widespread. The most frequent and, from a financial point of view, most important press support instruments are tax breaks. In all analysed European countries the press benefits from some form reduced VAT (Valued Added Tax) rates on sales of newspapers and magazines; in Belgium, Denmark, Norway and the UK such sales are completely exempt from VAT.

**Table 1: Normal VAT rates compared to those for the press in Europe**

	Normal VAT Rate	VAT Rate on Press Sales
Austria	20%	10%
Belgium	21%	0%
Denmark	25%	0%
Finland	24%	10%
France	19.6%	2.1%
Germany	19%	7%
Ireland	23%	9%
Italy	21%	4%
Netherlands	21%	6%
Norway	25%	0%
Sweden	25%	6%
Switzerland	8%	2.5%
UK	20%	0%

Source: European Commission (2013)<sup>5</sup>

Other instruments used to indirectly support the press are reduced tariffs for telecommunications, electricity, paper or transport. While preferential postal rates lost much of their significance, they still exist in a few countries, e.g. France, Italy, and the US. Other ways to indirectly support the press include subsidies for news agencies, journalism schools, journalism research, reading promotion or professional associations.

**The most common measures to support the press are tax breaks, namely of the VAT on sales.**

Several countries also implemented **direct press subsidies**. The most common is a production aid for selected press organisations (see Table 2). The idea behind this form of subsidy is to maintain news organisations that experience difficulties refinancing themselves in the (advertising) market. By supporting specific titles (e.g. second newspapers) these subsidies potentially preserve or improve media diversity and pluralism. In addition, some countries also support newspapers in minority languages (e.g. Finland).

**Table 2: The number of cases in the sample using each type of production aid for the press**

No Production Aid for the Press	General Production Aid for the Press	Selective Production Aid for the Press
8	2	8

*Source: the authors based on analysis of policy documents*

Direct press subsidies may also take the form of a distribution aid (e.g., Austria and Sweden), export aid (France, Italy) or support for the internal training of journalists. In some countries (Canada, Denmark, French Community of Belgium, France, Netherlands) subsidies are also used to support the formation or reorganisation of newspapers.

**By giving a production aid to certain newspapers, organizations which potentially increase media diversity and pluralism can be supported.**

## Support for Private Broadcasting

Two thirds of the analysed countries support **private broadcasting with direct subsidies** (see Table 3). As with the press, in these European and other Western countries direct production subsidies and other forms of direct support are common. In 12 media systems, broadcasting organisations (mostly local or regional stations and non-commercial community broadcasters) receive financial support for their operation and the fulfilment of a programme remit. Similar to film subsidies, radio and TV stations in 7 media systems can apply for support for the production of certain programmes.

**Table 3: The number of cases from the sample using each type of production aid for private broadcasters**

No production aid for private Broadcasters	Production aid for organizations	Production aid for specific programmes
4	12	7

*Source: the authors based on analysis of policy documents*

Other forms of direct support also exist for example in Austria, France, Switzerland and UK: For example, broadcasters can get direct support for journalist training or the formation of local stations. Moreover, indirect support measures like tax breaks exist for broadcasting as well.

**There are a number of ways countries directly support private broadcasters, some support specific media in their operations or development, while others fund content.**

## **Support for Online Media**

The internet not only offers traditional newspapers the possibility to distribute their product digitally, but also has led to the formation of new exclusively online news organisations. Several countries have already changed their subsidy systems so that both legacy media trying to develop online and new exclusively online media can benefit from direct production subsidies, including five of those we examined. For instance in Denmark, Sweden and Italy existing press subsidy schemes were reformed and extended so online publications would be eligible as well.

Aside from production subsidies, several countries support projects and innovations in newsrooms in order to tackle convergence. In France, for instance, the “fonds stratégique pour le développement de la presse” supports modernization projects and innovative technical projects of online publications. In Canada, digital periodicals can receive support for business innovations and online media can apply for the funding of interactive media projects.

**Existing press subsidies are increasingly being extended to make online publications eligible. Public funds can also support projects in legacy media to expand into online platforms.**

# GOVERNANCE & FUNDING

The previous section described the different types of public funding for private media used in 18 Western media systems. These are all established democracies that generally rank high on indices for press freedom, perhaps with the exception of Italy, though Reporters without Borders still places it in the top third. Giving public support to private media does carry risks in terms of potential for political influence, particularly when it is direct support to specific media. Therefore in these countries, in which such selective support for particular private media is combined with high levels of media freedom, it is useful to look at the governance of this support and how it is funded.

## Mechanism for allocating funding

The allocation of subsidies is one of the most delicate aspects of public support programmes for the media as the mechanisms in place have to respect media freedom. In most of the cases examined here a specialized committee or the existing media regulator is responsible for appropriation decisions.

**Table 4: The number of institutions in the cases allocating direct subsidies to selected media**

In this number of cases the below institution...	allocates funding to...		
	Press	Broadcasting	Online
Government committee or ministry	5	8	4
Regulatory agency or specially appointed commission	6	6	5
Independent foundation or fund	1	3	2
Publishers Association	1	0	1

*Source: the authors based on analysis of policy documents*

Usually, discretionary power is very restricted as all news organisations meeting previously established criteria of eligibility receive the subsidy automatically, so as to reduce the potential for political influence. The table below gives examples from these cases of the kinds of eligibility requirements that are used to determine which media receive support.

**Table 5: Examples of eligibility requirements used in sample cases**

<b>Content</b>	<b>Minimum share of editorial content/edition</b> <b>Minimum share of content produced by independent editorial department</b>
<b>Market Position</b>	<b>Limit on advertising market share</b> <b>Circulation</b>
<b>Organization</b>	<b>Minimum number of full time journalists</b> <b>Ownership restrictions</b>

*Source: the authors based on analysis of policy documents*

The eligibility criteria used to determine which media will receive support vary considerably across countries. They can apply to media content, market position or organisational criteria. With these criteria certain goals are targeted, such as selectively supporting a second newspaper in a local market or newspapers with a specialized focus on political issues or in minority languages, so editorial competition and pluralism can be maintained.

**Discretionary power in allocating subsidies can be kept to a minimum by defining clear criteria of eligibility.**

## **Sources of funding**

Subsidies for private media are mostly funded by the state budget. Yet some countries also have other sources of funding for some support mechanisms. One possibility is to top-slice a small share of the *license fee revenues of the public broadcaster* to support private broadcasters as is done in Switzerland, Austria, Ireland, Denmark, and the UK. For example in the UK the BBC is obliged to dedicate some of its revenues to support newly licensed local television stations.

**Table 6: Number of cases in the sample in which each source of funding for private media support is used**

General Tax Budget	Licence Fees	Specific contribution
18	5	5

*Source: the authors based on analysis of policy documents*

In five countries, other *companies are charged* to fund support programmes. For instance, Sweden, Netherlands and France introduced a charge on the advertising revenues of radio and television stations. In Canada, distribution companies such as cable and IPTV operators have to contribute as well.

**Funding from the state budget can be combined with industry levies or similar sources that are outside of the state budget.**

# CONCLUSIONS

The comparison of public support measures for private media organisations in 18 media systems shows that if there is political will to support news organisations and journalism, policymakers can choose from a number of different options and there are established measures to protect editorial independence.

- 1) Direct production support to selected economically struggling media based on clear criteria is most suitable to help maintaining plurality and editorial competition.

Like the UK, many countries use indirect general measures to support their media – probably because the implementation of such instruments is less controversial. However, direct measures that support financially struggling news organisations (e.g. a second newspaper in a specific market or minority language media) are more suitable to prevent ownership concentration and maintain editorial competition and pluralism. Countries with a long tradition of direct subsidies offer guidance as to prevent political influence and discretionary power.

If a decision is taken to maintain indirect measures, there are options to grant them only selectively by linking these to market position. Furthermore, it would be also possible to reform indirect subsidies by financially supporting journalism schools and education or a new press regulator to strengthen quality instead of simply reducing the VAT.

- 2) Direct production support measures should be extended to online news organisations.

In a convergent media market, traditional lines between media are diminished. Therefore, it makes sense to take an integrated approach to subsidies for private media without linking them to a specific platform or distribution channel. Several countries already broadened their existing press subsidies not only to legacy media going online but also to newly established native online media that meet the same criteria of eligibility as print media. The latter would stimulate competition even in markets where incumbent media have significant market power.

- 3) Project funds can be offered to help news organisations to compete in a digital market.

Additionally, news organisations need to find new ways to cope with technological, economic and media change. News organisations could thus be given incentives to tap the full potential of

digital platforms and to experiment with innovative business models. As in Canada, Denmark, France or Netherlands, digitization or innovation funds can be used to support the reorganisation of legacy media. Moreover, the foundation of new media both online and offline can be supported.

- 4) The organisation allocating subsidies must be devoid of governmental or party-political influence. Moreover, a clear definition of eligibility criteria helps in limiting discretionary power.

### **Safeguarding Independence**

- *Allocating support to specific media companies should be done by bodies independent of government.*
- *Discretion in allocation should be limited through specific eligibility criteria outlined in statute.*
- *Funding sources can be sought that are outside of the control of politicians.*

As the allocation of subsidies is one of the most delicate aspects of public support programmes for the media, the organisation in charge should be devoid of political influence from government or parties. For instance, subsidies can be allocated by a foundation or by an independent agency, such as the Swedish Press Subsidies Council, which is not bound by instructions from government.

An impartial allocation of resources can also be safeguarded by defining precise criteria of eligibility. This way, the decisions not only are clear and understandable but can also proceed automatically and are therefore less likely to be misused to punish news organisations for critical reporting.

- 5) Aside from the general tax budget, other funding sources can be considered, e.g. contributions of companies' revenues.

Aside from the tax budget or a top-slicing of license fee revenues, several countries found additional funding sources to support media. France, Sweden and the Netherlands implemented a tax on advertising revenues; Canada and France charge distribution companies a levy to pay into a media fund.

As the effects of an implementation of new funding instruments or the reorganisation of existing ones are difficult to assess beforehand, they could also be implemented temporarily. An evaluation of the pilot phase could provide empirical results to decide about the future public funding of private media.

***To maintain and promote plurality in the media market, alternative ways of public funding of media and journalism should be considered. Even direct support to private media can be used with safeguards in place to protect independence.***

# NOTES

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<sup>1</sup> The media systems included in the research were Australia, Austria, the Flemish and the French Communities of Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

<sup>2</sup> See e.g. Holtz-Bacha, C. (1994): Presseförderung im westeuropäischen Vergleich. In P. A. Bruck (Ed.), Medienmanager Staat. Von den Versuchen des Staates, Medienvielfalt zu ermöglichen. Medienpolitik im internationalen Vergleich. München: Reinhard Fischer. 443-567; Murschetz, Paul (1998): State Support for the Daily Press in Europe: A Critical Appraisal. Austria, France, Norway and Sweden Compared. In: European Journal of Communication, 13 (3), S. 291-313; Picard, R. G., & Grönlund, M. (2003). Development and Effect of Finnish Press Subsidies. Journalism Studies, 4(1), 105-119; or Puppis, M. (2010). Einführung in die Medienpolitik (2nd ed.). Konstanz: UVK.

<sup>3</sup> See Sparks, C. (1992). The Press, the Market, and Democracy. Journal of Communication, 42(1), 36-51. doi: 10.1111/j.1460-2466.1992.tb00767.xtec00001

<sup>4</sup> See <http://www.freedomhouse.org/report-types/freedom-press#.UwOptVM3iHM> or <http://en.rsf.org/>

<sup>5</sup> European Commission (2013). VAT Rates Applied in the Member States of the European Union. [http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/how\\_vat\\_works/rates/vat\\_rates\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf)

# LSE MEDIA POLICY PROJECT

## **ABOUT:**

The Media Policy Project aims to establish a deliberative relationship between policy makers, civil society actors, media professionals and relevant media research. We want policy makers to have timely access to the best policy-relevant research and better access to the views of civil society. We also hope to engage the policy community with research on the policy making process itself. We plan to examine how policy issues emerge on the agenda and how networked communications may aid stakeholder consultation.

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