THE EUROMEDIA RESEARCH GROUP

COMPARATIVE MEDIA POLICY, REGULATION AND GOVERNANCE IN EUROPE

UNPACKING THE POLICY CYCLE

EDITED BY
LEEN D'HAENENS, HELENA SOUSA, JOSEF TRAPPEL

Comparative Media Policy, Regulation and Governance in Europe

Comparative Media Policy, Regulation and Governance in Europe
Unpacking the Policy Cycle

Leen d'Haenens, Helena Sousa and Josef Trappel

intellect Bristol, UK / Chicago, USA

First published in the UK in 2018 by
Intellect, The Mill, Parnall Road, Fishponds, Bristol, BS16 3JG, UK

First published in the USA in 2018 by
Intellect, The University of Chicago Press, 1427 E. 60th Street,
Chicago, IL 60637, USA

A catalogue record for this book is available from the British Library.

Cover designer: Aleksandra Szumlas, Holly Rose
Copy-editor: MPS Technologies
Production manager: Mareike Wehner
Typesetting: Contentra Technologies

Print ISBN: 978-1-78320-886-9
ePub ISBN: 978-1-78320-887-6
ePDF ISBN: 978-1-78320-888-3

Printed and bound by Hobbs, UK

This is a peer-reviewed publication.

Supported by the Open Access Publication Fund
of the University of Salzburg.

Chapter 5

Subsidies: Fuel for the Media

Josef Trappel

Introduction: What is the problem?

Subsidies are born of economic crises, shared values or business goals. The link between economic crises and subsidies is an easy one to grasp. Whenever a major industry or economic sector is confronted with times of recession or structural crisis, the State is expected to help. Metaphorically, when an economic engine runs dry, the State is supposed to refuel it. Such 'refuelling' usually takes the form of financial subsidies. Prime examples include European agriculture, a sector that enjoys subsidies in excess of all other costs of the European Union. Another example is the public bailout of a number of large banks during the 2008 financial crisis. As these sectors and industries are viewed as essential, the State supports them through subsidies. Shared values refer to areas of social life of particular importance based on traditions, social identities, collective self-esteem or indeed fundamental values. Such domains are not always economically sustainable and therefore need support. Examples are opera houses, theatres or museums. In some countries, farming subsidies are at least partially justified by a shared concern for conserving nature.

The link between business goals and subsidies is less obvious, and it is never discussed under the 'subsidies' heading in mainstream economic literature. But this aspect is at least of equal importance with the others. Whenever an ambitious corporation (normally of a large size) intends to expand its business, it either invests in mergers and acquisitions or develops new business ventures on its own. Larger corporations are able to fund such new, subsidiary businesses at least during the start-up phase, and often far beyond these early years. This aims to either take advantage of business opportunities (considering the new venture will earn money one day) or prevent competitors from entering a business area – or at least drive up their costs in doing so.

Thus in this wider meaning the 'subsidies' can come from the State or a corporation. Either way, such subsidizing creates an uneven playing field for competitors without access to subsidies.

Consequently, the problem is this: subsidies constitute positive discrimination of beneficiaries, thereby distorting competition. At the same time, subsidies might enable investment and innovation, and possibly prevent important companies from going out of business in order to maintain desired products and services. Therefore, (policy) rules are required to balance the positive and negative impact of subsidies.

In the media field subsidies have long been a powerful policy tool. Government media subsidies are both an economic emergency instrument and a tool used to encourage media companies to deliver what democratic societies need and want (see also Chapter 9 in this volume). On the other hand corporate media 'subsidies' primarily follow a profit logic. In this chapter we discuss the following questions:

- What are the types of subsidies available to European media?
- What are the rationales behind such subsidies, and what rules apply?
- What are the implications for the public sphere?
- To what extent do subsidies compromise editorial freedom?

We used a comparative approach in our analysis, picking examples from all over Europe, including subsidies allocated by the European Union itself. Furthermore, this chapter is based on empirical research carried out on specific subsidies (e.g. press subsidies) in specific countries by, among others, Fernandez et al. (2006), Künzler et al. (2013), Murschetz (2014b), Nielsen and Linnebank (2011).

Definitions: Which media subsidies?

Generally speaking, media subsidies are only one of a variety of media policy tools meant to shape the structure and behaviour of media systems (Freedman 2008: 10). This wide understanding includes both the State and other (corporate) media actors as potential agents striving to shape media systems. Such attempts to shape structure and behaviour can use financial or non-financial means. The resulting matrix of media subsidies is shown in Table 5.1.

Orthodox economic thinking favours the upper-left box: government financial support. Media 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' (Picard 2006: 213). In this perspective the essence of media subsidies is an alteration of economic outcomes on competitive markets through State intervention on the flow of financial resources. Examples include direct payments for films or to book publishers or newspapers, reduced VAT tax rates, and also advertising by public institutions in newspapers, magazines or television channels. Such financial State support is criticized by neo-liberal economists, for its distorting effects on competition.

Table 5.1: A diversity of media subsidies.

	State	**Private corporations**
Financial	Payments Reduced costs Advertising by public institutions	Cross-subsidies Advertising
Non-financial	Access to information	Pre-fabricated ready-to-use content

Financial support is also granted by private corporations to media companies (upper-right segment of the matrix, Table 5.1). Within larger corporations media activities might be cross-subsidized by larger and more profitable corporate companies. One example is Red Bull Media House, which is a subsidiary of and is funded by soft-drink giant Red Bull.

More generally, media companies can also be viewed as being 'subsidized' through advertising. Without advertising, media products would be much more expensive. Advertising-free products are at a substantial competitive disadvantage since their sales price must be higher. Picard argues that '[…] the development of the mass media finance model […] was based on generating large audiences by keeping newspaper prices low and subsidizing costs with advertising income that supported the sale of consumer goods' (Picard 2014: 51).

Advertising is viewed as one side of the dual market business of (commercial) media, however, and is usually not classified as subsidy (the other side being sales to consumers). Nonetheless, advertising – in particular the systematic refusal of placing advertising in certain media – is a powerful means to shape the structure and behaviour of media companies.

Another layer of media subsidies is non-financial support (the lower segments in the matrix, Table 5.1). The State, all public institutions, and also private corporations are major and routine sources of information for news organizations (Gandy 1982). To some extent media companies depend on easy access to such information sources as part of a symbiotic relationship. Governments, public institutions and large corporations 'subsidize' the news business by making things easy for news organizations, helping them reduce costs by giving journalists advance copies of speeches and reports, scheduling press conferences to fit news deadlines, providing press releases in usable language, etc. (see Herman and Chomsky 1994: 22). Other examples include journalists and reporters being invited to product launch events (new cars, etc.) or offered travel packages by travel agencies. Not all of these efforts are welcomed by journalists. Public relation departments might not only deliver ready-to-use texts, but also help impeding access to or hiding information. Nonetheless, during routine operations, privileged access to information – or denial thereof – is an effective means to shape the behaviour of media companies. By taking the four constitutive elements together, media subsidies can be defined as follows:

> Media subsidies are financial and non-financial means granted by the State or private entities to media companies, the media industry or sections thereof, to shape their structure and behaviour.

Following from this definition, media subsidies are always granted with the purpose of positive discrimination in exchange for a trade-off. State subsidies might intend to encourage media organizations to deliver content of meritorious value, to compensate for market inequalities and failures and to achieve goals that the market does not serve (see McQuail 2013: 35). Corporate subsidies might be intended to promote favourable coverage of a company's operations, products and services or to favour its vested interest.

Like any other external influence on markets and competition, subsidies are under close scrutiny by authorities. Among the four different subsidy variants financial State subsidies must be made transparent and require legal justification. In the European Union State subsidies are called *State aid* and are one of the main objects of European competition regulation. As a matter of fact, State aid is deemed incompatible with the Internal Market of the European Union unless specific subsidies are formally approved as exceptions to this rule. Article 107 (1) TFEU stipulates that any aid granted by Member States, which distorts or threatens to distort competition, shall be incompatible with the internal market (Treaty on European Union and Treaty on the Functioning of the European Union; TFEU). Cultural subsidies are one general exception to this rule; other exceptions need to be endorsed by the European Commission (for more details, see Donders and Moe 2014; Psychogiopoulou 2014).

Public Service Media (PSMs) are a special case: Present in most EU Member States, they are financed to varying degrees both by the public and through advertising (see chapter 3 in this volume). The European Union has generally accepted the principle of publicly financed PSMs in the so-called Amsterdam Protocol (1997), provided such funding does not affect competition to an extent that would be contrary to the common interest. Please see below:

'Why Public Service Media are not subsidized'

Almost all EU Member States have established Public Service Media. Some of them rely entirely on public funding, which in most cases is a license fee paid by households. For others funding is a mix of advertising and license fees. Is this license fee a subsidy? It could be construed as one since households must pay whether they watch PSM channels or not: the State subsidizes PSMs through this mandatory levy – that is, a tax. But such a view ignores the fact that PSMs are established by law and are required to fulfil a strict and legally defined remit. They act under public control and are financed by the public, just like the police, the army or public universities. All these institutions are publicly funded: they are not subsidized.

Rationales, objectives and rules: Why media subsidies?

Rationales for media subsidies fall into two categories: On the one hand, a concern for economic development. Markets do not deliver what is expected, companies do not perform as intended and economic crises threaten to drive companies out of business. On the other hand, there is the need to uphold values. Minorities might not be well served by mainstream media, a local market might be too small to support a media sector, and quality, diversity, democratic values – or all three – may need boosting.

Economic rationales for media subsidies include the following:

- *Jobs*: Media industries are considered to offer high-quality jobs, both in administration and journalism. The creation of such jobs is in the interest of municipalities and subsidies might help attracting said companies. While certain established media companies tend to work from their headquarters, the digital economy allows for more flexibility. Google, for example, established its European headquarters in Ireland, presumably for tax reasons.
- *Overcoming crises*: Crises are permanent features of capitalism and occur in cycles (Schumpeter 1976: 41; Trappel et al. 2015). Crises potentially endanger the existence of weak competitors in the media markets. In such cases, subsidies have been employed to support such economically weak media. For example, the Swedish press subsidy system was introduced in reaction to the fundamental crisis of the party press in the 1960s (Weibull 2003).
- *Compensating financial burden*: Economic and political developments often place additional burdens on citizens and companies, such as rising taxes, rising cost for commodities or new rules for business operations. In the past media companies have successfully argued for tax breaks and compensation for rising transport and delivery costs. For example, most European countries apply lower VAT rates on newspapers as compared to other consumer goods, some even set VAT at 0 per cent (e.g. Belgium, Denmark).
- *Market failure*: 'From the neo-classical economics perspective, government intervention in private markets is justified to enforce property rights, correct market failures, reign in the market power of monopolies, or address inequity by redistributing resources' (Murschetz 2014a: 37). The problem here simply is how to establish market failure. Who is entitled to authoritatively establish market failure, and thus trigger government intervention? What one party (weaker competitors, minority citizens, etc.) may view as market failure is business as usual for another (market leaders, etc.). On the other hand, commonly agreed market failure is a strong rationale for media subsidies but it is hard to prove.
- *Encouraging innovation*: Although digitization of the media business is considered as a major business innovation engine, consolidated and concentrated media corporations are often slow in taking innovative concepts to the markets (Trappel 2015b). Picard (2014: 55) argues that policy should seek to develop alternatives 'by using support – much as in industrial policy – to promote development of emerging digital news enterprises'.
- *Boosting demand*: A considerable amount of media goods and services are merit goods, which are characterized by weak demand despite the fact that these goods and services are considered valuable for individuals and society at large (see Flew 2013: 82). Subsidies might help encourage the use of such merit media services by helping schools encourage young people to read newspapers or by providing assistance in the use of the Internet for the elderly.
- *Avoiding advertising cost*: Public and private institutions might prefer to invest into their own public relation operations rather than advertising. Professional PR might well prove more effective than traditional advertising in placing messages and creating image and reputation in the public. Through the provision of ready-to-use material to time-constrained journalists, media organizations are indirectly subsidized and advertising costs are avoided.

Value-related rationales for media subsidies are the following:

- *Maintaining diversity (and quality)*: Over the last decades this has been the most powerful rationale for media subsidies. Based on the – disputed – notion that the quality of content diminishes with the number of media companies and media owners, press subsidy schemes have been in place since the 1960s. The basic assumption is that fewer owners and fewer newspapers deliver less diversity and eventually less quality. For instance the Austrian press subsidy law is explicitly geared towards maintaining diversity of opinion. This line of argument is not shared by all. Too many news organizations might deliver less diversity and 'more-of-the-same' instead (i.e. the Hotelling effect). Too few news organizations, however, are unanimously considered detrimental to diversity and quality. As with the market failure rationale, it is difficult to establish a minimum diversity threshold below which State intervention should be triggered. Cultural and linguistic diversity is also a core objective of the EU's audio-visual and cultural policy. In Regulation 1295/2013 establishing the 'Creative Europe' programme, Article 3 sets out the general objective to 'safeguard, develop and promote European cultural and linguistic diversity and to promote Europe's cultural heritage'.
- *Holding power to account*: Although this fundamental principle for the functions of the media in democratic societies is generally accepted, it isn't as a rationale for media subsidies. Opponents maintain that State subsidies would compromise this basic role of the media, while others argue that a well-designed subsidy system will not (Trappel 2015a). On the contrary, subsidies might help establish well-funded and effective journalistic competence, able to hold both State and private power to account. 'Contemporary arguments for subsidies for news media maintain that intervention is necessary to support journalism that holds power to account […]' (Picard 2014: 49).
- *Educating journalists*: In most European countries (with few exceptions such as Italy) there is no formal education leading to the profession of journalist – journalists learn their trade on the job. News journalism, however, works best if journalists are well-qualified. States subsidize journalism schools and further education institutions to contribute towards this objective.
- *Establishing public spheres at the local level*: While in most European countries international and national events are well covered by market-leading news organizations, it is often at the regional and local levels that the ill-effects of media concentration are felt the most. Research in Switzerland shows that local political institutions think local media are less effective in holding them to account than their national counterparts (Leonarz 2015). Lately, Internet-based news media have begun to operate at the local level with a view to re-establishing public spheres there. Subsidies could help them overcome the critical start-up phase, although there can be no guarantee that it will lead to sustainable business models.
- *Encouraging alternative voices*: Alternative voices – often represented by not-for-profit and community media – fund their operations through non-market sources. Together with

donations (including crowd funding) and membership fees, public or private subsidies are necessary for their continued existence. Alternative voices are considered an essential part of a democratic public sphere in many European countries (Atton 2009), and thus subsidized (however small the amounts).

Whenever public money is spent for subsidizing media organizations, some kind of legal endorsement is required. In fact, film and press subsidies are a long-standing tradition in Europe, and film and press subsidy laws are in place in many countries (Austria, Denmark, France, the Netherlands, Norway, Sweden, etc.). But not all subsidies are enshrined in law. Public institutions often place advertisements in newspapers and magazines and on radio/television and online media based on market logic (reach and target audience) or other concerns. Subsidies by private companies are administered by internal governance rules, in case such rules apply.

Formats, forms and modalities of media subsidies

The following classification (Table 5.2) is based on the various media subsidies, rationales and objectives, in line with media policy research (Murschetz 2014a; Weibull 2003). 'Direct subsidies' refer to any cash grants given to beneficiaries, while 'indirect subsidies' reduce the costs of beneficiaries. 'Selective subsidies' are granted to a specific beneficiary, usually a company's media organization. By contrast, 'general subsidies' are given to organizations of a given type – cinema, newspapers, online media or television channels. This segmentation helps understand better various policy measures.

Table 5.2: Forms and formats of media subsidies.

	Direct		**Indirect**	
Selective (media company)	**State subsidies for:** Book Film Online media Press TV/radio Public advertising	**Corporate:** Start-up support Cross-subsidies Advertising	**State:** Access to information	**Corporate:** Start-up support Cross-subsidies, e.g. accounting and administration Public relations
General (all media of a specific type)	**State:** Training and further education Press clubs Readership support (schools) News agencies (cooperatives)		**State:** Tax breaks Fixed price schemes Value-added tax reduction Transport, telecommunication Paper, electricity Programme quotas	

Direct selective media subsidies

'Direct selective subsidies' (upper left segment of the matrix, Table 5.2) represent the lion's share of all subsidies and are the most controversial. At least somewhere in Europe all media are directly subsidized, starting from book production and distribution, films (including television films), newspapers and magazines, radio and television programmes, all the way to online media. In some countries, all of these receive state funds, in other words. Selective subsidies are granted to single media companies or media stakeholders, and they discriminate against all other competitors who do not receive subsidies.

Book subsidies

Book subsidies benefit writers, publishers and distributors of literary works in two distinct ways. On the one hand, writers and publishers receive direct subsidies for book projects that meet specific criteria. Translations are subsidized as well, including literary translations as part of the EU's Creative Europe programme. On the other hand, some European countries maintain a system of fixed book prices. Since it does not provide direct financial aid, this system belongs in the indirect subsidy category).

Film subsidies

Film subsidies usually cover script writing, film production and distribution/exhibition of works produced or co-produced in the country of origin. France probably operates the most sophisticated model of film subsidies, including obligations for French television stations to fulfil a minimum quota (percentage) of French fiction within their programmes. France also managed to transfer this quota model to the European level: the 2010 *Audiovisual Media Services* Directive requires (Art. 16) Member States to ensure that broadcasters reserve a majority proportion of their transmission time for European works. European Commission reports document the implementation of this indirect subsidy measure in all Member States (European Commission 2012).

Furthermore, the European Commission grants direct subsidies to promote the development and distribution of European film and audio-visual industries. Managed by the EU Agency, EACEA (Education, Audiovisual and Culture Executive Agency), the MEDIA programme distributes some EUR117 million per year (2014–20) to the film and audio-visual industry (for more information see: http://eacea.ec.europa.eu/creative-europe/actions/media_en). MEDIA is part of the Creative Europe programme, which was allocated an overall budget of €1.46 billion for the same seven year period by EU Regulation 1295/2013 in December 2013.

In addition to the European Union, the Council of Europe also supports the audio-visual industry. In 2016, its support fund Eurimages covered 36 out of the 47 Council of Europe Member States. The fund distributes each year some 25 million EUR that go to film co-productions and theatrical distribution of European audio-visual works (for more information see: http://www.coe.int/t/dg4/eurimages).

Subsidies for press and online media

Together with film and book subsidies, direct State support for newspapers is part of the longest tradition in media subsidies. Use of this media policy instrument is born of concerns for opinion diversity in the wake of newspaper market crises and media concentration movements. However, direct press subsidies are controversial. For example Germany or the United Kingdom never implemented such a support system, considering such State intervention would curtail press freedom and newspaper independence.

Less concerned with such ideological tenets, other countries such as the Nordic countries, France, Italy, the Netherlands and Austria legislated media support schemes. Such support schemes focus on the market position of newspapers, their economic situation, their plans for innovation (project-based), the language of publication or their form of institutionalization. Thus Austria, Denmark, France, Norway and Sweden directly subsidize newspapers that are not in market-leading positions. Such newspapers suffer from inferior access to advertising revenues compared to the market leaders: this economic disadvantage is addressed by the subsidy.

The Czech Republic, Denmark, Finland, Italy, Norway and other countries support newspapers published in minority languages (in the case of Finland and Norway, for instance, publications intended for or in the language of the Sami population). In other words, the State may subsidize specialized newspapers that serve minority markets too small to sustain them.

In France, the State plays a 'hyperactive role' in supporting newspapers and magazines (Lardeau and Le Floch 2014: 211). Traditionally, and since the Second World War, newspapers have enjoyed preferential postal and telecommunication tariffs, as well as 50 per cent cuts on transportation costs on the state railway (SNCF), income tax breaks and, later, reduced VAT rates. In 2012, all press subsidy schemes amounted to a total of €1016 million (Lardeau and Le Floch 2014: 211).

In 2013, Denmark changed its traditional system of direct press subsidies, introducing legislation that created a level playing field for all types of news media regarding access to subsidies. As a result, online media are eligible for funding on an equal basis with other, print or electronic news media. Eligibility, however, depends on criteria such as a minimum number of three employed journalists and more than one third of the news content being self-produced.

In 1971, the Netherlands established a press pluralism fund that was initially financed by advertising revenues generated by radio and television. Before that newspapers were financially compensated for losses due to the introduction of commercials on radio and television (Lichtenberg and d'Haenens 2014: 274). The fund traditionally fulfils its 'duty to care' by supporting newspapers in temporary economic troubles (e.g. by favourable loans), but has shifted its focus towards innovation projects. Based on a 2010 expert commission's recommendation a newspaper innovation project can be subsidized up to half the budget needed (Lichtenberg and d'Haenens 2014: 283). As of 2015, the fund is called 'Journalism Fund' and provides support on the basis of concrete innovation projects submitted by newspapers. In 1991, Slovenia established a media pluralism fund (an evolution of the state subsidies system in place under the previous regime), which is supervised by the Ministry of Culture and which supports both newspapers and broadcasters. Technology and infrastructure development might also be subsidized (Bajomi-Lazar 2011). Norway supports smaller and non-market leading newspapers as long as less than half of the content consists of advertising and no dividends are paid to owners. Furthermore, supported newspapers have to make their accounts public. Applications are evaluated by an expert commission. Similarly, Sweden supports print and online news outlets provided a majority of the content is self-produced by an independent editorial staff and the beneficiary is not a market leader, to compensate for their weak market position. Funds were and still are raised in part through an advertising tax, and applications are evaluated by an expert commission (Ots 2014: 312).

TV and radio subsidies

National television and radio markets in Europe are characterized by rather strong public service operators and a wide array of private competitors with varying degrees of economic success. Consequently, governments have established support schemes for these private channels, often financed by a top-slice of the Public Service Broadcasting license fee (for example in Austria, Ireland, Switzerland) or by a levy on advertising (for example in France).

Criteria for the allocation of radio and television subsidies typically include obligations to produce and broadcast news programmes of a certain quality, investments into new (digital) studio or transmission technologies, subtitling of programmes or the provision of open access channels for citizens. In some countries, again, the advertising income of beneficiary broadcasters must not exceed defined levels. Some countries (e.g. Austria, Belgium) maintain funds intended to foster programme innovation or investigative journalism.

Subsidies through public advertising

These subsidies are direct and selective, but they differ from the above owing to their non-statutory nature. There is no law or decree regulating the amount and modality of public advertising. Rather, ministries, municipalities and other public institutions decide on their own how much money they want to spend for advertising, and they also decide which media shall benefit. Frequent advertising by public institutions may bring considerable income to beneficiaries, who may conceivably think twice before holding these institutions to account.

While in most European countries such subsidies through advertising might be irrelevant, in other countries they are not. Unfortunately there are no statistics on the sums spent for advertising in each media. In Hungary and Romania observers report on government spending on favoured outlets as well as advertising embargoes against others (Justice Initiative 2005: 4; Lansner 2013).

Austria is different, but only as far as transparency is concerned: A lively political debate on the obviously high amount of public advertising led Parliament to pass a transparency act (2012), which requires all public institutions to file quarterly reports on their advertising expenditure (specifying the beneficiaries) with the Austrian regulatory authority. These data are subsequently published. In one year (July 2014 to June 2015) public institutions spent no less than €192 million on advertising, with market-leading *Kronen Zeitung* receiving €21 million, the free daily *Heute* €14 million and the popular newspaper *Österreich* another €10 million. Another €13 million went to Public Service Broadcaster ORF, while other national newspapers received €5 million on average. These are substantial subsidies for a small country, especially when compared to the €8.9 million allocated for all kinds of statutory press subsidies in 2015 (source for all figures: Rundfunk und Telekom Regulierungs-GmbH; www.RTR.at).

Direct general media subsidies

'Direct general subsidies' (lower left segment of the matrix, Table 5.2) are State grants to all media of a given type, such as newspapers. Direct general subsidies do not discriminate against single companies or stakeholders – they favour the media over other economic sectors. Such direct grants are typically allocated to journalism schools/training initiatives or further educational institutions in the media field. Furthermore, as part of the media industry, media institutions can be beneficiaries of such general subsidies. Typically, news agencies – which are organized as cooperatives of news media organizations or joint newspaper distribution organizations – are entitled to such grants.

Indirect general media subsidies

'Indirect general subsidies' (lower right segment of the matrix, Table 5.2) are State measures intended to alleviate costs and other burdens face by media industries. Probably the most important of these indirect subsidies are tax breaks for newspapers and books, in particular reduced rates of value-added tax (VAT). Some European countries even apply zero-rate VAT to newspapers and books (United Kingdom), while in other countries reduced rates apply. In these countries newspapers are sold at a lower price than other consumer goods with standard VAT rates. Other countries, again, do not privilege newspapers and books (e.g. Denmark). A controversial issue is taxation of online news media (should they benefit from the same tax privileges as print media?).

Furthermore, several countries reduce the prices of commodities used by the media – again, newspapers in particular. France has a long tradition of supporting newspapers through lower rates for telecommunications services and transportation of newspapers. Austria grants subsidies to all its daily newspapers under the heading of distribution support. Belgium subsidizes distribution as well, but also transportation, paper and electricity.

Table 5.3: Examples of VAT rates for newspapers and books (2015) (in per cent).

	VAT for newspapers	VAT for books	Regular VAT
United Kingdom	0	0	20
Belgium	0	6	21
Denmark	0	25	25
France	2.1	5.5*	20
Luxemburg	3	3	17
Italy	4	4	22
Hungary	5	5	27
Netherland	6	6	21
Germany	7	7	19
Greece	6.5	6.5	23
Ireland	9	0	23
Estonia	9	9	20
Romania	9	9	24
Finland	10	10	24
Austria	10	10	20
Slovakia	20	10	20

Source: European Commission (2015); updates by the author.
Note: *=2.1% in Corsica, Guadeloupe, Martinique, La Réunion.

Another indirect general subsidy is the abovementioned fixed price for books. This is a mechanism that sets the price at which books are to be sold to the public, so that any given book is sold at the exact same price in all sales outlets. The sales price is normally fixed by the publisher. Table 5.4 shows countries with fixed book price regimes for paper books and ebooks.

The fixed book price is an indirect State subsidy, since all stakeholders in the book market are sheltered from price competition. In other words, the fixed price system does not allow large bookshops to sell bestselling books at lower prices, enabling smaller bookshops to compete on an equal footing. Finland and Sweden abolished the fixed book price in the 1970s, and Ireland, Switzerland and the United Kingdom followed suit in the 1990s (in the United Kingdom, the Net Book Agreement was abolished in 1995).

Indirect selective media subsidies

Finally, the upper right segment of the matrix (Table 5.2) pertains to 'indirect selective subsidies', which are more commonly granted by corporations than by the State. Corporations might support subsidiary (e.g. start-up) companies with cheap grants or

Table 5.4: Fixed book prices per country (2014).

	Fixed book price for paper books and ebooks
Austria	Yes
France	Yes
Germany	Yes
Greece	Yes
Italy	Only paper books
Netherland	Only paper books
Norway	Yes
Portugal	Only paper books
Slovenia	Yes
Spain	Yes

Source: International Publishers Association.

loans, by waiving some common cost for administration, premises rental or – more specific to the media field – by providing free (or low-cost) access to news material or other stories. Some corporations run loss-making subsidiaries for many years for various reasons, such as reputation or taxes. One prominent example is the German quality newspaper *Die Welt*, a subsidiary of the Axel Springer Corporation. Taken over by Springer in 1953, the corporation proudly announced in 2008 that *Die Welt* had broken even for the first time. In other words, the Axel Springer publisher had cross-subsidized *Die Welt* for over 50 years with earnings from other products, such as the highly profitable popular broadsheet *Bild*. Such indirect selective subsidies discriminate against any other non-corporate media, which need to cover their cost from their own resources.

Consequences and implications

As demonstrated above, media markets are characterized by a large variety of subsidies, coming both from the State and private corporate sources. While the latter practices are seldom criticized, State intervention is under neo-liberal fire: subsidies distort competition, lead to resource dependency and tend to prop up the so-called 'sunset industries' at the expense of innovators and new market entrants (see Nielsen and Linnebank 2011: 12). Some argue that subsidies might produce adverse economic effects 'if lobbying for a favourable regulatory environment is cheaper than building a more efficient production […] and money is thus spent on lobbying activities rather than on improved business practices' (Murschetz 2014a: 27).

One major argument pertains to editorial independence and press freedom. Any state intervention, so the argument goes, would necessarily compromise these fundamental values of democratic societies. The argument is firmly rooted in the enlightenment tradition of rejecting press control from any authority. Indeed, this value still requires protection against all forms of manifest or subtle attempts to subjugate the media.

However, Picard recalls that the 'press has never been fully free and independent from government or other major institutions in any democratic society; nor can it be because to do so would destroy the social arrangements that make society possible' (2014: 50). And indeed, today's relationships between authorities and the media are complex. Subsidies must not necessarily lead to economic or editorial dependency, as long as the process – from application to disbursement – follows predefined rules and procedures and is democratically controlled along the way. Trappel (2015a: 191ff) enumerates a number of critical subsidy processing factors that might compromise editorial independence, such as eligibility, discretion, predictability, transparency and rigidity.

In its 'Recommendation on measures to promote media pluralism', the Council of Europe (1999) addressed this problem as well. While Member States should consider introducing direct or indirect subsidies with a view to enhancing media pluralism and diversity, such aid should only be 'granted on the basis of objective and non-partisan criteria, within the framework of transparent procedures and subject to independent control' (Appendix; sub-heading VI, Support measures for the media, Council of Europe 1999).

In light of such criteria not every subsidy type is in compliance. There are no eligibility rules regarding State (and corporate) advertising, for instance – the amount of advertising is set by the institution (independently from legal rules) and is not predictable from the beneficiaries' point of view. Moreover, the entire process is usually neither transparent nor independently controlled. Thus, such advertising subsidies compromise editorial freedom. Observers file public subsidies under 'soft censorship' measures: 'Financial pressures, and abuse of government advertising money in particular, have become favourite weapons in the arsenal of soft censorship' (Justice Initiative 2005: 3). For Hungary, one worrying finding was that '[b]iased advertising spending influences editorial policies in an indirect way, creating a newsroom atmosphere in which editors accept and journalists practice self-censorship' (Lansner 2013: 6, 13).

By contrast, indirect general subsidies such as VAT reductions or fixed book prices are predictable, transparent, leaving no room for partiality. Nevertheless, well-designed direct selective subsidies based on clear and unambiguous rules also meet the above criteria.

Furthermore, any purported impact of media subsidies needs to be put in perspective. If the goal is to protect values such as diversity of opinions, subsidies might keep certain media alive and with them an array of opinions, internal debates in the newsrooms, and networks of information suppliers. This may be more important than the potential danger of State influence on newsrooms.

Finally, the many subsidies accompanying media development over decades in so many shades did not fundamentally erode media freedom. On the contrary: films, books, newspapers, local broadcasters and lately online media exist in higher numbers and produce more varied output, thanks to subsidies. However, subsidies cannot (and maybe should not) fully compensate for the media economy's every up-and-down. But political and economic responses to fundamental and structural crises in the media world should include subsidies as one among many other ways to sustain the performance of media companies and their critical coverage.

Discussion, critique and unsolved problems

Media subsidies have proved useful and appropriate as means to attain both economic and value-related objectives. Media companies often prefer indirect (and less transparent) 'fuel', while States favour direct subsidies. However, there is little scientific research on the actual impact of media subsidies. Any causality is difficult to establish since external factors abound and subsidies are not critical to economic success, at least in the for-profit media business. Non-commercial, local and citizen-based media as well as certain books and films only exist because some kind of subsidy has been available to them.

In times of severe/structural crisis in the media world (Trappel et al. 2015) subsidies should be considered by both companies and governments as one revenue-generating factor among others – possibly the smallest one, possibly one to be called upon only temporarily and possibly despite the risk for the beneficiaries' independence. Experience has shown over many decades that this latter concern cannot be substantiated and that subsidies are unlikely to compromise journalistic work as long as their providers respect democratic rules and procedures. In other words media policy should not discard the subsidies tool altogether, but develop modalities and designs that make for appropriate and democratic support of the media. Good practices can be found all over Europe.

This applies as much to European media policy as to the national level. Art. 107 TFEU categorically rules out any State aid, which distorts or threatens to distort competition. Given the critical importance of old and new (digital) media, as well as the current process of change in the media field, this provision should be adjusted with respect to the media – as has been done in cultural matters. Indeed, media policy should avail itself of any and all promising options to retain critical public spheres at the local, regional, national and European level. Tried and tested forms of subsidies should remain, selected and promising new ones should become part of the media policy toolbox.

References

Atton, C. (2009), 'Alternative and citizen journalism', in K. Wahl-Jorgensen and T. Hanitzsch (eds), *Handbook of Journalism Studies*, New York: Routledge, pp. 265–78.

Bajomi-Lazar, P. (2011), 'Slovenia: A country report for the ERC-funded project on media and democracy in Central and Eastern Europe', http://mde.politics.ox.ac.uk/images/stories/slovenia_mdcee_2011.pdf. Accessed 12 September 2017.

Council of Europe (1999), 'Measures to promote media pluralism', *Recommendation* No. R (99) 1, Committee of Ministers (adopted on 19 January, 1999), Strasbourg: Council of Europe.

Donders, K. and Moe, H. (2014), 'European state-aid control and PSB: Competition policy clashing or matching with public interest objectives?', in K. Donders, C. Pauwels and J. Loisen (eds), *The Palgrave Handbook of European Media Policy*, Basingstoke: Palgrave Macmillan, pp. 426–41.

European Commission (2012), 'First report on the application of Articles 13, 16 and 17 of Directive 2010/13/EU for the period 2009–2010', *Promotion of European Works in EU Scheduled and On-demand Audiovisual Media Services*, Vol. COM 522 final, Brussels: European Commission.

——— (2015), *VAT Rates Applied in the Member States of the European Union*, Brussels: European Commission.

Fernandez Alonso, I., de Moragas, M., Blasco Gil, J. J. and Almiron, N. (eds) (2006), *Press Subsidies in Europe*, Barcelona: Generalitat de Catalunya.

Flew, T. (2013), *Global Creative Industries*, Cambridge: Polity Press.

Freedman, D. (2008), *The Politics of Media Policy*, Cambridge: Polity Press.

Gandy, Oscar H. (1982), *Beyond Agenda Setting: Information Subsidies and Public Policy*, Norwood: Ablex Publishing Corporation.

Herman, E. S. and Chomsky, N. (1994), *Manufacturing Consent: The Political Economy of the Mass Media*, London: Vintage.

International Publishers Association (2014), *Global Fixed Book Price Report*, Geneva.

Justice Initiative (2005), *The Growing Threat of Soft Censorship: A Paper on Indirect Restrictions on Freedom of Expression Worldwide*, New York, Budapest and Abuja: Open Society Institute.

Künzler, M., Puppis, M., Schweizer, C. and Studer, S. (2013), *Monitoring-Report 'Medienförderung'* (*Monitoring-Report 'Media Subsidies'*), Zurich: IPMZ.

Lansner, T. (2013), *Capturing Them Softly: Soft Censorship and State Capture in Hungarian Media*, Paris: WAN-IFRA, http://mertek.eu/sites/default/files/reports/soft_censorship_angol.pdf. Accessed 8 January 2016.

Lardeau, M. and Le Floch, P. (2014), 'France: Press subsidies – Inefficient but enduring', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions,* Heidelberg: Springer, pp. 195–214.

Leonarz, M. (2015), 'Über die Medien in den Gemeinden: Wie die Gemeinden die publizistische Leistung der Regionalmedien einschätzen', in M. Leonarz (ed.), *Wissenschaftliche und Praktische Medienpolitik als Politische Daueraufgabe: Umstrittene Reaktionen auf die Ausdünnung des Bannwaldes der Demokratie in der Schweiz*, Baden-Baden: Nomos, pp. 71–96.

Lichtenberg, L. and d'Haenens, L. (2014), 'The Netherlands: Initiatives to subsidise press innovation', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions,* Heidelberg: Springer, pp. 271–89.

McQuail, D. (2013), *Journalism and Society*, London: Sage Publications.

Murschetz, P. (2014a), 'State aid, subsidies and newspapers economics: First theoretical disputes', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions,* Heidelberg: Springer, pp. 21–46.

Murschetz, P. (ed.) (2014b), *State Aid for Newspapers: Theories, Cases, Actions,* Heidelberg: Springer.

Nielsen, R. K. and Linnebank, G. (2011), *Public Support for the Media: A Six-Country Overview of Direct and Indirect Subsidies*, Oxford: Reuters Institute for the Study of Journalism.

Ots, M. (2014), 'Sweden: State support to newspapers in transition', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions*, Heidelberg: Springer, pp. 307–22.

Picard, R. G. (2006), 'Issues and challenges in the provision of press subsidies', in I. Fernandez Alonso, M. de Moragas, J. J. Blasco Gil and N. Almiron (eds), *Press Subsidies in Europe*, Barcelona: Generalitat de Catalunya, pp. 211–20.

——— (2014), 'State support for news: Why subsidies? Why now? What kinds?', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions*, Heidelberg: Springer, pp. 49–71.

Psychogiopoulou, E. (2014), 'State aid to the press in the EU: Legal issues and trends', in P. Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions*, Heidelberg: Springer, pp. 85–97.

Schumpeter, J. (1976), *Capitalism, Socialism and Democracy*, 5th ed., London: Allen and Unwin.

Trappel, J. (2015a), 'Media subsidies: Editorial independence compromised?', in S. Barnett and J. Townend (eds), *Media Power and Plurality: From Hyperlocal to High-Level Policy*, Basingstoke, New York: Palgrave Macmillan, pp. 187–200.

——— (2015b), 'What to study when studying media and communication innovation? Research design for the digital age', *Journal of Media Innovations*, 2:1, pp. 7–22, http://www.journals.uio.no/index.php/TJMI/issue/view/121. Accessed 12 September 2017.

Trappel, J., Nieminen, H., Meier, W. A. and Thomass, B. (2015), 'What media crisis? Normative starting points', in J. Trappel, J. Steemers and B. Thomass (eds), *European Media in Crisis: Values, Risks and Policies*, London, New York: Routledge, pp. 3–19.

Weibull, L. (2003), 'The press subsidy system in Sweden: A critical approach', in N. Couldry and J. Curran (eds), *Contesting Media Power: Alternative Media in a Networked World*, Lanham: Rowman & Littlefield Publishers, pp. 89–108.

COMPARATIVE MEDIA POLICY, REGULATION AND GOVERNANCE IN EUROPE

UNPACKING THE POLICY CYCLE

EDITED BY

LEEN D'HAENENS, HELENA SOUSA, JOSEF TRAPPEL

Comparative Media Policy, Regulation and Governance in Europe represents the continuation and further development of a long tradition of media policy books by the Euromedia Research Group, focusing on the development of media structures and media policy within Europe. It provides a comprehensive overview of the current European media in a period of more or less disruptive transformation. It maps the full scope of contemporary media policy and industry activities while also assessing the impact of new technologies and radical changes in distribution and consumption on media practices, organizations and strategies.

Dealing with a good selection of crucial issues in comparative media policy, regulation and governance, the book combines a critical assessment of media systems with a thematic approach. It starts out with the state of affairs at the level of media platforms, approaching these from a functional perspective, i.e. opinion and debate, news provision and entertainment. The book is both an academic book and a text book, as well as a source providing good practices for steering media policy, international communication and the media landscape across Europe.

Leen d'Haenens is Professor at the Institute for Media Studies at the University of Leuven, Belgium.

Helena Sousa is Professor of Communication Sciences at the University of Minho, Portugal.

Josef Trappel is Professor of Media Policy and Media Economics at the Department of Communication Research at the University of Salzburg, Austria.

ISBN 978-1-78320-886-9

9 781783 208869

THE EUROMEDIA RESEARCH GROUP

intellect | www.intellectbooks.com