



REUTERS  
INSTITUTE for the  
STUDY of  
JOURNALISM

# WORKING PAPER

---

## Press Subsidies and Local News: The Swedish Case

---

Karl Erik Gustafsson, Henrik Örnebring  
and David A L Levy

## THE AUTHORS:

**Professor Karl Erik Gustafsson** was educated at Göteborg School of Economics where in 1989 he became the first Hamrin professor of Mass Media Economics. In 2003 he moved to Jönköping International Business School where he continued to hold the Hamrin professorship and became co-founder of its Media Management and Transformation Centre (MMTC). He served in various positions for a number of Swedish Government Commissions on media and was for ten years international reader at Helsinki Swedish School of Social Sciences. He was co-editor of a four-volume history of the Swedish Press (2000-02), and is co-author of a one-volume history in English of the press in Sweden (forthcoming).

**Dr Henrik Örnebring** has a fil kand (BA) in media and communication studies with minors in literature and philosophy from Karlstad University and Göteborg University, Sweden. He got his PhD from the Department of Journalism and Mass Communication at Göteborg University in 2001. He has lectured at several Swedish universities (including Göteborg, Södertörn University College and Halmstad). He moved to the UK in 2002 to be a visiting scholar at the London School of Economics and Political Science, and worked as a lecturer/senior lecturer at the University of Leicester and at Roehampton University prior to his appointment as the Axess Research Fellow at the Reuters Institute for the Study of Journalism. The Axess programme on Comparative European Journalism is a three-year research project funded by the Ax:son Johnson Foundation and includes among its objectives the task of a comparative analysis of the journalistic cultures of Europe with a focus on Sweden. Dr Örnebring's involvement in this publication builds on his current research on Sweden as part of the Axess project. His Axess research is reflected in the first two of the RISJ Working Paper series.

**Dr David A L Levy** is director of the Reuters Institute for the Study of Journalism at the University of Oxford and is an associate fellow in media and communications at Oxford's Saïd Business School. He has over 20 years' experience of the media sector both as a BBC reporter and programme editor and in leading major policy and regulatory negotiations and is the author of *Europe's Digital Revolution: Broadcasting Regulation, the EU and the Nation State*. Key experience includes playing a key role in the successful negotiation of the BBC Charter and in developing and applying the Public Value Test as applied to new BBC services. Before joining the Reuters Institute in 2008 he was the sole foreign member of the French cross party Commission appointed by President Sarkozy to examine the reform of French public service TV, and was commissioned by the UK regulator Ofcom to jointly edit a book with Tim Gardam for the Reuters Institute on public service broadcasting, *The Price of Plurality: Choice, Diversity and Broadcasting Institutions in the Digital Age*.

Published by the Reuters Institute for the Study of Journalism.

© Ofcom

The RISJ would like to thank Ofcom for their support for this research.

Please note this paper may be reproduced under the terms of the Ofcom licence; please go to <http://www.ofcom.org.uk/about/accoun/disclaimer/> for Ofcom's terms and conditions.

## CONTENTS

Introduction: The Swedish media market – Summary of key features

1. Key features and origins of the Swedish media landscape

2. Press subsidies

3. Local media landscapes: an overview

4. Local media landscapes: Three case studies

5. Responses to the Internet

6. Quality of local journalism

7. The importance of public intervention

## Introduction: The Swedish media market – Summary of key features

The Swedish media landscape shares some similarities with that of the UK. The newspaper sector has historically been run on free-market principles and is largely self-regulated. Broadcasting is dominated by a national licence fee funded public service broadcaster which has adjusted from a monopoly position to competing with a number of commercial broadcasters in a deregulated environment. Media ownership is concentrated in the hands of a few conglomerates that (with some exceptions) are still nationally or regionally based. There are, however, several aspects of the Swedish media and political landscape that might seem somewhat alien to the UK observer. The following are some of the differences relevant to local media that should be kept in mind when reading the rest of this report.

- Sweden has a multi-party system where seven parties are currently represented in parliament divided into two 'blocs'. The Conservative Party, the Liberal Party, the Agrarian Party and the Christian Democrats make up the right-wing bloc – currently in power – and the Social Democrats and the Left Party the left-wing bloc. The Green Party is officially non-aligned but often votes with the left.
- Local electoral participation in Sweden is high; the national average in the 2006 election was 78 per cent compared to figures of around 35 per cent in England.<sup>1</sup> Swedish turnout is helped by holding local and national elections simultaneously.
- Newspaper readership is very high in Sweden. Morning papers reach around 75 per cent of the population daily (compared to 45 per cent in the UK<sup>2</sup>) and their readership has stayed pretty constant since 1979.
- Morning newspapers are largely sold by subscription; the paper is delivered to the subscriber's home early in the morning, through a national delivery system. This is the norm, although the (evening) tabloid newspapers are sold by single-copy sales, as in the UK.
- In the UK, newspapers are either daily (published six times a week) or weekly, with Sunday papers making up a separate category. Sweden has no equivalent of the Sunday papers, newspapers' frequency varies from weekly to daily – most national newspapers are published 6 or 7 times a week, whereas regional/local papers appear 2, 3, 4 or 5 times a week.
- Fifteen municipal regions in Sweden are served by two competing local/regional newspapers, in contrast to the UK where local/regional monopolies (or indeed no local/regional newspaper at all) are the norm. In these regions, one of the newspapers is usually dominant. Swedes refer to the dominant newspaper as the 'first newspaper' or 'number one newspaper', with the competitor referred to as the 'second newspaper' or the 'number two newspaper'. Historically, two, or up to four competing newspapers in one area, has been the norm.

---

<sup>1</sup> In 2003, local election turnout was 36% on average in England. In 2004, when European elections were held the same day, it was 41%. In 2005, when it coincided with the general election, it rose to 61%: [http://news.bbc.co.uk/2/hi/uk\\_news/politics/4920536.stm](http://news.bbc.co.uk/2/hi/uk_news/politics/4920536.stm)

<sup>2</sup> UK figures for 2007, from a report commissioned for the House of Lords Communications Committee reported by *Media Guardian*: <http://www.guardian.co.uk/media/2007/dec/21/pressandpublishing>

- Local and regional papers in Sweden also carry national and foreign news. Foreign news is largely provided by wire services and fill on average one or two pages of a local daily; national news is also mostly provided by wire services but may be covered by the newspapers' own reporters, and fill a similar amount of pages.

## 1. Key features and origins of the Swedish media landscape

In the UK, as in many other countries, the historical development of the press was led by newspapers, publishers and owners based in the capital city. By contrast, in Sweden, the capital press and the provincial press were established simultaneously and both grew at a similar pace, creating a lasting tradition of strong local and regional newspapers. The roots of this development lie in the demographic and political characteristics of Sweden.

Sweden has a population of 9 million in a territory nearly twice the size of the UK. As a result it is very sparsely populated with many relatively strong local media markets separated from each other. Urban areas both lie far apart and are large enough to sustain daily newspaper publication. There is also a political tradition of local independence from central power. Home delivery of newspapers to subscribers became a standard service early on in Swedish newspaper history, something that strengthened the incumbents in local markets (the provision of home delivery acted as an entry barrier for any new newspaper publisher at the same place of issue or from neighbouring urban areas).

All these factors contributed to local markets becoming the natural starting point for newspaper publishers. The provincial press has remained strong in Sweden and is arguably growing even stronger (at a time when UK local and regional press are undergoing a profound crisis). Most Swedish dailies have enjoyed at least 115 years of uninterrupted publication.

In the UK, London-based national newspapers account for about 75 per cent of total newspaper circulation, whereas in Sweden the Stockholm papers (four morning papers and two evening single-copy sold tabloids) account for only one third of total Swedish newspaper circulation. Less than one third of the circulation of the biggest subscribed morning paper, *Dagens Nyheter*, is distributed outside the Stockholm area.

UK and Swedish broadcasting share more in common. In both countries, broadcasting is dominated by a public service organisation financed by a licence fee. Historically, broadcasting (both radio and television) has been viewed primarily as a national rather than local/regional concern, and the local level has always had to fight for a place in Sweden. The local private radio clubs that flourished in the 1920s and pioneered radio broadcasting in Sweden were gradually taken over or forced to close by the Swedish broadcasting monopoly, Swedish Radio (SR).

SR was originally organised as a company owned one third by a consortium of radio set manufacturers and two thirds by the newspaper industry. As the newspaper industry was always predominantly locally based and interested in protecting their markets, it favoured a broadcasting system that was a) national in scope and b) non-commercial. The Swedish newspaper industry was therefore a staunch supporter of broadcasting organised according to 'the BBC model' (even right-wing, pro-free market newspapers as a rule did not support commercial television in Sweden for this reason).

When public service local radio was finally introduced in 1977, a key aim was to counterbalance local newspaper concentration. However, since the 24 local radio stations that were created were all given equal resources regardless of the structure of the local newspaper market, this made it difficult to fully 'counterbalance' local newspaper monopolies in many areas.

Commercial radio by contrast was primarily conceived as a local initiative when it was introduced; privately owned local radio was similarly expected to counterbalance local newspaper monopolies and concentration of ownership. But commercial radio in Sweden failed to meet this policy goal.

Radio spectrum was auctioned to private operators and since the bids were much higher than expected most commercial radio stations simply could not afford to be local (especially as local businesses were still unwilling to use radio advertising). The small number of commercial radio stations that started as genuinely local did not last long as consolidation and concentration developed rapidly to a point where all stations were organised in national networks. Today, two media conglomerates, MTG and SBS, own all local radio stations in Sweden.

#### *Revenue streams for newspapers*

For subscribed newspapers, two thirds of their revenues come from advertising (advertisers) and one third from circulation (audiences). For the evening papers, which are sold by single copy, the revenue structure is almost exactly the reverse, with 25 per cent from advertising and 75 per cent from circulation. Advertisers favour those newspapers with the greatest household coverage in their target market; the larger the household coverage, the more attractive the newspapers. Total circulation is of secondary importance. High circulation can even be a drawback if it is sparsely distributed. For single-copy sold newspapers however, total circulation counts.

#### *Trends in advertising revenues*

Advertising revenues grew by nearly 20 per cent between 2000 and 2007, but newspapers' share of total advertising declined in relative terms from 35 per cent in 2000 to 29 per cent in 2007 (though remained constant in absolute terms at SKr 9.3bn – in current prices). As with other countries, the Internet was the greatest beneficiary, but in 2007 it was only one third the level of newspaper advertising revenue.

*Table 1: Share of advertising revenues by medium, 2000 and 2007*

	<i>% 2000 (total ad revenues SKr 26.5 billion)</i>	<i>% 2007 (total ad revenues SKr 31.9 billion)</i>
Newspapers	35	29
Magazines	10	8
Cinema	1	0
TV	15	15
Radio	2	2
Internet	4	13
Freesheets	7	8
Supplements, catalogues	11	8
Outdoor	3	3
Direct mail	12	14
<b>Total</b>	<b>100</b>	<b>100</b>

*Source: IRM, Stockholm.*

## 2. Press subsidies

### *Historical background*

The 1954 Competition Act led to radical and largely unexpected change in the Swedish newspaper industry. The Act abolished resale price maintenance and shifted pricing power from producers to retailers. This in turn shifted marketing control to the local level, and local advertising grew at the expense of national advertising (particularly of branded products). This systemic shift led to consolidation in the newspaper industry since it favoured the leading local newspaper in each region. Whereas previously even small local markets had been able to sustain three, and sometimes even four, local daily newspapers, these new pressures led to a wave of closures in the early 1950s and one or two newspapers per place of issue became the norm – with the trailing newspaper often struggling to survive.

This prompted concern both in the newspaper industry and across the political spectrum. Since local dailies dominated local news provision and local opinion formation, continued diversity of the daily press was considered vital to democracy, and something that had to be preserved. In the 1960s and 1970s a number of successive parliamentary committees were tasked with developing a suitable subsidy system. Press subsidies became a high profile issue. MPs wanted to prevent further closures and maintain competition in the industry, and the debate concentrated on finding ways to compensate the number two newspapers in local markets for their lack of advertising revenue. The first subsidy measure was introduced in 1969. The Swedish press subsidy system today is largely based on legislation passed in 1971 and 1975 but which has its origins in the forces unleashed by the abolition of resale price maintenance.

### *A system based on three elements*

The first subsidy measure was the **joint distribution subsidy** (samdistributions-rabatt). All newspapers were paid a small sum per copy distributed through a joint distribution system with their competitor(s). The measure was designed to remove the entry barrier represented by the home delivery subscription service.<sup>3</sup> The joint distribution subsidy allows the number two newspapers to use the existing distribution system of the leading newspaper, thus removing the need to create their own system. The joint-distribution subsidy – which amounted to SKr 72m in 2007 – is paid to all participating papers, not just the number two newspaper. The amount is relatively modest – it started out at 3 öre per copy and today it is 10 öre (1 UK penny) per copy.<sup>4</sup> This amounts to about 3–5 per cent of total distribution costs. The subsidy has created what is referred to as an ‘open distribution

---

<sup>3</sup> As noted, most morning papers in Sweden are sold via subscription with early morning home delivery included in the price. The subscription fee is heavily discounted: for example, the local daily *Hallands Nyheter* published in the town of Falkenberg is priced at SKr 15 for a single copy, but an annual subscription costs only SKr 1,960, a discount of 55% (a discount of around 50% for an annual subscription is the industry norm). In most other countries, taking out a subscription is more expensive than buying single copies as the cost of home delivery is added to the subscription fee. It should also be noted that 70–80% of the subscribers to a morning paper are on annual (rather than semi-annual, quarterly or monthly) subscriptions paid on a calendar year basis, creating a large cash flow for Swedish newspapers around New Year. Swedish newspaper companies as a rule have significant liquid assets at any given time.

<sup>4</sup> There are around 12 Swedish kronor to the pound sterling (figure from 16 May 2009). Each Swedish krona is divided into 100 öre.

system' in Sweden. Its impact is clear for a paper such as the business tabloid *Dagens Industri*, which would have been unlikely to have developed as a national newspaper without the joint distribution system. By using home delivery systems all over the country, it tripled its circulation (newspapers pay for transportation costs to the local markets and can then use the local joint distribution system at the same cost as others).

The second measure, introduced later in 1969, was a **government fund that offered loans on favourable terms to weak newspaper companies needing to update their technology**. Applications for loans to competing newspapers for co-operation were given precedence. However, in the early years few newspapers entered into joint production ventures for ideological reasons; liberal papers refusing to use their printing presses to print social democratic papers, for example. This resistance gradually eroded and today joint production is the norm. It is important to note that the co-operation is generally restricted to technology and production and not the editorial side. So far, only two competing newspapers in Sweden have entered into co-operation over editorial content: *Arbetarbladet* and *Gefle Dagblad* in the city of Gävle have a joint sports desk (an experiment that has proved unpopular with readers and staff).

The third measure, **production support, i.e. direct cash subsidies to the publishing business**, was introduced in 1971 by parliament. This production subsidy was reviewed by a parliamentary committee in 1972–5 and then made permanent (with some minor modifications). The measure won a significant majority in parliament, as it was supported by both the Social Democratic Party and the right-wing Centre Party (an agrarian party), the two parties whose papers were most threatened by competition. For the production subsidy to command cross-party political support, a number of important conditions were added that remain today: the single-copy sold tabloids were made ineligible for the subsidy, and so were freesheets (at the time, most freesheets in Sweden were advertising weeklies without any editorial content, but the restriction has remained in place and thus the daily *Metro* freesheet is not eligible for the production subsidy). However, paid-for weekly newspapers are still eligible.

The press subsidy system was financed by a small tax on advertising (6 per cent, later to be halved). At first, this tax was only applied to newspaper advertising, but it was then extended to all print advertising (this created difficulties for direct mail advertising, which was later made exempt from the advertising tax). The 3 per cent advertising tax has so far both covered the costs of the subsidy system and generated a surplus for the state.

This subsidy system has remained in place, largely unchanged, for more than three decades.

### *The production subsidy in detail*

The production subsidy accounts for the largest share by far of the total subsidy cost, and will therefore be described in rather more detail.

In 2007, the total amount of production support was SKr 433 million (£36 million) (as compared to SKr 72 million (£6 million) for the joint distribution subsidy).

- Number two newspapers in the metropolitan regions of Stockholm, Göteborg and Malmö receive the most production support, SKr 65.4 million, whereas regional local number two newspapers received SKr 15.3 million.
- National opinion weeklies receive SKr 4 million, regional opinion weeklies SKr 2 million.

- The remaining support is given to a large number of small, almost all local, newspapers that are published two to four days/week ('semi-dailies').
- The production support in total amounts to 2.3 per cent of newspaper industry turnover. But its targeted nature means that it covers 15–20 per cent of the total turnover of eligible number two newspapers.

Production subsidies are distributed according to the level of household coverage at the place of issue. To qualify for full production support, newspapers must have household coverage of less than 30 per cent (this cut-off point was originally set at 40 per cent), or less than 25 per cent for opinion weeklies. The amount of subsidy is calculated based on the amount of newsprint devoted to text, which must be at least 51 per cent original editorial content (that is 51 per cent of all content, inclusive of syndicated material and pictures but exclusive of all advertising). Overall circulation must exceed 2,000 copies; in practice this figure is most relevant for opinion weeklies, which receive a flat-rate subsidy. There is also a maximum amount that can be given to any one newspaper, a limit that has had to be raised gradually in order to give number two newspapers a chance to survive. However, no restrictions are placed on how the production subsidy is spent.

### 3. Local media landscapes: an overview

#### *Newspapers*

Sweden has 78 'daily' newspapers (since many newspapers in Sweden are published every other day, this includes newspapers that are published 4–7 times a week) published in 63 different places of issue. There are 15 areas with two competing local newspapers. If we include weeklies and papers published 2–3 times a week, the number of newspapers in Sweden almost doubles (154). Sweden has over 12 newspapers (4–7 issues per week) per million people; the EU average figure is just under 3 per million people.<sup>5</sup>

In international terms, the high number of national as well as local and regional weeklies is unusual. The large number of these papers is almost entirely attributable to the fact that they are eligible for press subsidies. In the Finnish market, for example (which has no such subsidy), there are as many weeklies as in Sweden, but they are all local, none of them national.

Another particular feature of the Swedish newspaper market is the small number of national papers. Only three papers are 'truly' national: the two evening tabloids, *Aftonbladet* and *Expressen*, and the business tabloid *Dagens Industri*. Two additional newspapers are generally referred to as national: the morning papers *Dagens Nyheter* and *Svenska Dagbladet*, but they would more accurately be described as Stockholm papers in terms of their audience (both papers have around 65 per cent of their circulation in the Stockholm area). Both papers brand themselves as national, however, and their editorial focus is national rather than local to Stockholm.

Table 2: Newspaper revenues by group

<i>Media group</i>	<i>Total revenues (SKr million)</i>	<i>Share of revenue (%)</i>
Bonnier	5,829	29.3
Stampen	5,057	25.4
Schibsted	3,220	16.2
NWT	1,116	5.6
MittMedia, Gävle	1,112	5.6
Gota Media, Kalmar	805	4.0
Others	2,771	13.9
<b>Total</b>	<b>19,910</b>	<b>100</b>

Source: Press Subsidy Board, Stockholm.

---

<sup>5</sup> Gustafsson, K.-E. (2007) *The Market Consequences of Swedish Press Subsidies*, Stockholm: Ministry of Culture.

### *Radio: public service, commercial, community*

Public service radio has 26 regional stations which broadcast news and other programming in regional 'windows' in one of the national radio channels (P4). The daily reach<sup>6</sup> of P4 is 51 per cent.

Community radio was introduced in 1979, mostly intended as a service to be used by local community organisations (including local religious groups, political parties, trade unions and immigrant associations) – religious groups and immigrant organisations being the most prolific community radio broadcasters. Today some 1,100 organisations offer programming via 177 radio stations, which makes community radio the most local media system but it offers no news service at all. However, community radio has achieved its goal of providing a voice and an outlet for various local community organisations with 3 per cent daily reach.

Commercial radio was introduced in 1993. As noted above, it does not provide a local service since the two networks only provide centrally produced programming, and its news is national rather than local. The daily audience reach of commercial radio is 35 per cent. Since neither commercial radio nor community radio offer any originally produced local news services, the goal of making radio a complement, or even a serious competitor, to local newspapers has failed.

### *Television: public service, commercial, public access*

Public service television (SVT) increased its number of regional stations from 11 to 18 in 2008, but there is significant co-operation across regional teams, creating what is in fact a smaller number of 'super-regions', which means the change is more cosmetic than real. These regional stations broadcast local news in 15-minute daily windows that are part of the main news hour between 7 and 8 p.m. each evening.

Commercial terrestrial television (TV4) had 16 regional stations until March 2009, when the number was increased to 24. However, this initiative did not actually mean that any additional resources were provided for local broadcasting, merely that the same staff previously covering 16 regions now have to cover 24. The regional stations produce local news bulletins that are broadcast in 'windows' as part of the main national nightly news broadcast, much like the SVT – except that the TV4 local 'window' is three minutes rather than 15. Television (both commercial and public service) is still predominantly a national rather than local medium.

Sweden also has a public access television system available to 70 per cent of all TV households. Public access television is, for example, used to transmit live debates in local political assemblies, as well as public local council meetings (only 1.5 million households can receive programming of this kind).

### *Profitability of local media*

While the main commercial TV company TV 4 is profitable, it is not possible to separate the figures for the different local broadcasting regions of TV4. So this summary focuses on newspapers.

- Average net profitability (expressed as net profit/revenues) for number one newspapers over the period 1976–2007 was 6.4 per cent.
- Profitability is linked to the business cycle; the lowest average net profitability in the period was in 1981 (1.4 per cent) and the highest in 2006 (12 per cent).

---

<sup>6</sup> Daily reach is as in the UK, based on the number of people listening to a minimum number of minutes per day.

- The ten most profitable newspaper companies in 2007 all have returns of between 20 and 40 per cent.
- As in the UK, a few small corporate groups dominate newspaper ownership. The three largest groups account for 70 per cent of the total industry revenue (2007). (See Table 2 above.)
- The largest group is the Bonnier group, based in Stockholm. They own three metropolitan dailies and three provincial dailies. Their net profit margin was 8.3 per cent in 2007.
- The second largest is Stampen, based in Göteborg. They own one metropolitan daily and eleven provincial dailies. Their net profit margin was 10.1 per cent in 2007.
- The third largest is the Norwegian company Schibsted, based in Oslo. They own two Swedish metropolitan dailies and had a net profit margin of 5.5 per cent in 2007.<sup>7</sup>
- There are also a number of locally based groups that own dailies and weeklies in one or a few different regions. The biggest of these is the Ander group (owners of *Nya Wermlands-Tidningen* in Karlstad; see the case studies in Table 5 below). The net profit margin of the Ander group as a whole was 29 per cent in 2007.

In summary, local newspapers remain highly profitable ventures – especially if they are number one newspapers and are more profitable than national papers. In contrast, number two local newspapers generally depend on the production subsidy for their continued survival.

### *Audiences*

As noted previously, newspaper readership remains high in Sweden and has only fluctuated by a couple of percentage points over the last 25 years. Local newspapers also enjoy high levels of trust among their audience and are the second most trusted media outlet after PSB television, as can be seen in the following table:

<i>Medium</i>	<i>High trust</i>	<i>Neither high nor low trust</i>	<i>Low trust</i>	<i>Non-user</i>
PSB national television	72	22	3	3
Local paid-for newspaper	62	22	5	11
Commercial national TV	59	32	7	2
PSB national radio	60	22	4	14
PSB local radio	60	25	3	12
National morning papers	35	19	5	41
News on Internet	26	35	11	28
Daily free sheets	23	36	15	26
Private local radio	18	46	19	19
National evening papers	20	30	40	10

*Table 3: Trust in different media outlets in Sweden (2008)*

*Note: national morning papers are the two morning subscription-based papers from Stockholm, and national evening papers, the two single-copy tabloids from Stockholm.*

*Source: SOM-Institute, University of Göteborg, 2008.*

<sup>7</sup> Schibsted has a lower profit margin than other newspapers in part because one of their metropolitan newspapers is the loss-making no. 2 paper *Svenska Dagbladet*.

Table 4: Reading by content of local newspapers (2007)

Content category	All	Women	Men
Local news	85	88	83
Accidents & crime	70	73	67
National news	62	59	65
Radio & TV material	60	67	52
Foreign news	60	57	64
Family news	56	70	41
Entertainment	52	60	43
Letters to the editor	50	57	43
Sports	45	27	63
Editorials	43	44	42
Local business ads	42	49	35
Business news	41	34	49
Cultural page	37	45	27
Classified ads	29	34	24

Source: SOM-Institute, University of Göteborg, 2007.

In summary, local newspapers are trusted sources of local information. While local information is in greatest demand, for most people the local newspaper is also the main source of national and foreign news. People who subscribe to a local newspaper generally do not feel they need a national newspaper to get sufficient coverage of national and international affairs.

#### 4. Local media landscapes: Three case studies

In order to provide an illustration of local media provision, three case studies are presented in Table 5: Jönköping, which has a large monopoly daily, Karlstad, with two competing dailies, and Vimmerby, with a smaller monopoly daily. Note that Karlstad is one of the 15 areas with local newspaper competition referred to earlier; in five of these places the number one and number two newspaper do not cooperate in anything except distribution (this is the case in Karlstad); in the remaining ten, the number one newspaper actually owns the number two newspaper but keeps it editorially separate.

Table 5 indicates the extremely high levels of market penetration of local newspapers characteristic of Sweden. These three cases also show the importance of the Swedish subsidy system in maintaining a diversity of local newspaper supply.

- **Production subsidies.** All number two newspapers and weeklies (freesheets excepted) get production subsidies and depend on them for their continued survival. In all cases, the production support represents a significant revenue stream. *Folkbladet Jönköping* receives production subsidies which amount to 50 per cent *more* than their own revenue; *Smålandsbygdens Tidning* in Jönköping receives production support equivalent to 50 per cent of its revenue. *Värmlands Folkblad* in Karlstad receives production support totalling 21 per cent of their own revenue; for *Karlstad-Tidningen* and *Värmlands-Bygden*, the figure is 115 per cent (i.e. the production support is more than twice the revenue generated by circulation and advertising for these papers). In the two centres with competition, the leading papers, *Jönköpings-Posten* and *Vimmerby Tidning* have such high market penetration that they are ineligible for production support.
- **Joint distribution subsidies.** In Karlstad, the main newspaper, *Nya Wermlands-Tidningen*, receives SKr 1.4 million annually of these while its competitor, *Värmlands Folkblad*, receives SKr 600,000.

Table 5: Three local case studies: Jönköping, Karlstad, Vimmerby

	Jönköping	Karlstad	Vimmerby
Population <sup>8</sup>	125,000	85,000	15,000
Daily newspaper 1	Jönköpings-Posten (liberal); daily circulation 38,100 copies, household coverage 57 per cent	Nya Wermlands-Tidningen (conservative); daily circulation 48,100, household coverage 49 per cent	Vimmerby Tidning (agrarian party); daily circulation 12,000 copies, household coverage 74 per cent
Daily newspaper 2	None; Jönköpings-Posten has a regional monopoly	Värmlands Folkblad (social democrat); daily circulation 18,500, household coverage 12 per cent	None
Weekly newspaper 1	Smålandsbygdens Tidning (agrarian party); weekly circulation 2,600 copies	Karlstad-Tidningen (liberal); owned by Värmlands Folkblad; weekly circulation 2,500	None
Weekly newspaper 2	Folkbladet Jönköping (social democrat); owned by Jönköpings-Posten but editorially separate; weekly circulation 1,800 copies	Värmlands-Bygden (agrarian party); weekly circulation 2,700 copies	None
Freesheet	Jönköping NU; weekly; weekly circulation 70,000 copies	None; used to have its own version of Metro	None
Significant online provision	Jnytt.se; originally launched and owned by an independent entrepreneur (2006); later (2007) bought by Jönköpings-Posten but kept editorially separate	By the local papers, nwt.se and vf.se	By the local paper, vimmerbytidning.se
PSB regional radio	Provision equivalent to national average, i.e. 50 hours / week, 20% news, household reach 40%	Provision equivalent to national average; however, household reach for local radio is the highest in Sweden, 44–43%	No local coverage; regional only
PSB regional	Covers two additional regions and is	Covers the Karlstad region and is taped and	No local coverage; regional only

<sup>8</sup> The population figures given are for the local urban area, whereas the circulation figures and household coverage rates are based on the larger population of the surrounding labour market region. For reference, the population of the larger surrounding region is Jönköping: 150,000; Karlstad: 175,000; Vimmerby: 30,000. The household coverage rates would therefore be somewhat higher for the Karlstad urban area proper, as well as somewhat lower for the Vimmerby urban area proper.

<i>television</i>	headquartered in a neighbouring region; local Jönköping news is taped and broadcast from Växjö	broadcast from Karlstad	
<i>Commercial regional television</i>	In name only; TV4 Jönköping broadcasts from Malmö and has no editorial team/ office in Jönköping	In name only; Karlstad is part of the much larger TV4 Göteborg region	No local coverage; regional only

## 5. Responses to the Internet

Reading newspapers online is the second most common online activity among Swedes (the most common is using the Internet to pay bills). Daily online newspaper readership is largest in the age group 30–44 years (69 per cent). Above that age group, readership is 45 per cent and below it is 61 per cent.

The first newspaper to make use of the Internet was the largest single-copy sold tabloid, *Aftonbladet* (social-democratic). In the autumn of 1994, it began publishing its culture coverage pages on the Internet. Six months later, it began publishing daily news on the Internet.

By 1996, 60 per cent of all dailies had gone online. Today that figure is 85 per cent (many small local dailies still do not have an Internet presence beyond a home page presenting the paper and with no news online). According to a Nordicom report on media trends from 2006, the costs of the online presence of Swedish dailies are not met by advertising or subscription fees (only a few newspapers still use subscription fees for premium online content). The one possible exception may be *Aftonbladet*, which has had some success with their premium online service, *Aftonbladet Plus*. The premium content offered is as a rule not news content but exclusive paparazzi pictures of celebrities (often in various states of undress and/or inebriation) and access to databases which allow users to find out the taxable incomes and property values of their neighbours.<sup>9</sup> Today, *Aftonbladet* has 4 million unique visitors to their website per day.

Web advertising has taken off in the past few years. In 2007, web advertising accounted for about 13 per cent of advertising revenues in Sweden as against the 29 per cent represented by newspaper advertising, a reduction of 6 per cent from the figure for 2000. (See Table 1 above.)

In summary, the Internet does not add much news/information at the local level, where the main services are offered by the local newspapers. The Internet is not a threat to the information role of local newspapers in Sweden. However, as with other countries, in Sweden the Internet takes away some local advertising revenue from local newspapers without giving local information in return.

---

<sup>9</sup> Information on individuals' taxable income and property values is public in Sweden, but would normally require a visit to the relevant state/local government office. The *Aftonbladet Plus* service thus merely provides centralised, online access to this information.

## 6. Quality of local journalism

Despite the high market penetration of local newspapers and the fact that the overall provision of local journalism is better in Sweden than in the UK, many researchers see failures in the Swedish system and are concerned with a perceived lack of quality in Swedish local journalism. Most notably, such criticisms have been raised by the researchers Lars Nord and Gunnar Nygren.<sup>10</sup> In a difficult-to-translate phrase, their studies of local election coverage in different parts of Sweden shows local media to be ‘too decent’, i.e. that the media focus too much on simply describing what local parties do and say, and furthermore emphasise consensus over conflict, in such a way that critical coverage of local elections and local parties is virtually non-existent. While providing accurate and unbiased information is one of the central functions of news media, the argument of Nord and Nygren is that in the case of local elections, the focus on information provision impacts adversely on the media’s ability to perform the key functions of ensuring accountability and providing critical analysis. This, Nord and Nygren maintain, is destructive for local democracy and local public debate – local media being too loyal to local politicians and political parties to be able to hold power to account. Furthermore, Nord and Nygren also single out the Stockholm region as particularly problematic from a local journalism point of view: many areas of Greater Stockholm get virtually no coverage at all of local politics, critical or otherwise, despite the fact that Stockholm otherwise is the national centre of news production.<sup>11</sup> Many of Nord and Nygren’s key conclusions have also been borne out by other academics studying local journalism – notably Hadenius and Hedman – who argue that local news media act as boosters of local political initiatives and events rather than covering them critically.<sup>12</sup>

However, it is interesting to note that Nord, Nygren, Hadenius and Hedman do not argue that this lack of quality is linked to any lack of resources devoted to local journalism (except for the Stockholm case, as described primarily by Nygren<sup>13</sup>) – indeed, when it comes to local/regional elections, local news organisations often devote considerable resources to reporting the election.<sup>14</sup> The problem, according to these scholars, instead lies in the conscious or unconscious collusion between local media and local political sources, and in a slightly different understanding of the journalistic mission in local media: factually and faithfully reporting statements made by local politicians is viewed as more important than questioning them. Again, with the exception of the Stockholm case, this is viewed as a problem that can

---

<sup>10</sup> Nord, Lars & Gunnar Nygren (2002) *Medieskugga* [Media Dark Territory], Stockholm: Atlas; Nord, Lars & Gunnar Nygren (2007) *Präktiga massmedier. De lokala mediernas valbevakning 2006* [(Too) decent mass media: local election coverage in 2006], Stockholm: Sveriges Kommun och Landsting; Nygren, Gunnar (2005) *Skilda medievärldar: lokal offentlighet och lokala medier i Stockholm* [Separate media worlds: local public spheres and local media in Stockholm], Eslöv: Östlings Bokförlag Symposion.

<sup>11</sup> Nord & Nygren 2002; Nygren 2005.

<sup>12</sup> Hadenius, Stig (1993) *Regementsdöden i medierna* [Media coverage of military base closures], SPF-rapport nr 162 [Swedish Civil Defence Board, report no. 162], Stockholm: SPF; Hedman, Lowe (2004) *Den regionala valbevakningen 2002* [Regional election coverage 2002], Granskningsnämndens rapportserie nr 14 [Swedish Broadcasting Commission reports no. 14], Stockholm: GRN: available online at <http://www.grn.se/upload/PDF-filer/info/rapport-%20den%20regionala%20valbevakningen.pdf>

<sup>13</sup> Nygren 2005.

<sup>14</sup> Hedman 2002; Nord & Nygren 2007.

or should be solved not by government intervention but rather by critical self-examination by journalists and active changing of editorial priorities.<sup>15</sup>

---

<sup>15</sup> Nygren (2005), however, has suggested that a specific directed subsidy for local journalism in the Stockholm region may be a way to address the problems he describes there, although this would be contrary to the principle of the current system, which is geographically neutral. An alternative approach would be to turn the freesheets in the Stockholm suburbs into paid-for weekly newspapers, which could well be eligible for subsidies. Interestingly the Stampen Group recently bought a group of Stockholm freesheets and they have had a record in the past of converting freesheets to paid-for papers.

## 7. The importance of public intervention

Like the UK, and indeed most Western countries, there is no coherent, all-embracing media policy in Sweden. Newspapers are as a whole regulated on a free-market basis, whereas the basis for regulating broadcasting rests on the principle of public service. The main exception to the free-market system of newspaper regulation is the press subsidy system described here, but despite the fact that this system is potentially ideologically divisive, it has remained largely unchanged over almost four decades. It has survived three left-right power shifts in Swedish government and one complaint to the EU Directorate for Competition.<sup>16</sup>

A recent recommendation issued by the EU Commission, recognises the role and function of the Swedish press subsidy system in the promotion of media pluralism and diversity. However it “found that the Swedish press aid scheme, in its current form... gives an excessive amount of aid to large press groups that publish wide circulation metropolitan newspapers, without fixing a threshold in relation to the total operating costs for publishing the newspapers”. It proposed some amendments to the system, “in order to avoid disproportionate distortions of competition and trade”, including “a gradual reduction in aid ceilings for large metropolitan newspapers and a cap on operation costs”.<sup>17</sup> It should be relatively easy for the Commission to confirm that the subsidy does not generate a surplus/profit for the receiving newspapers – since all of the subsidy goes into the production of the newspaper. In addition any impact is more likely to be focussed on the metropolitan than the regional press.

The main goal of the press subsidy system remains the maintenance of diversity of provision at the local and regional levels. ‘Diversity’ in this instance is defined as readers having a choice between different newspapers. The press subsidy system has also made market entry easier; there is at least one example of a newspaper that began as a weekly paper in 2002 and was then able to increase its publication frequency to three issues per week thanks to the subsidy system.

Production support has made it easier for number two newspapers to survive, without threatening the position of number one newspapers. At worst, competition from the number two newspapers has reduced the profit margins of the number one newspapers. Measures to avoid local monopolies and retain some level of local competition also seem to have stimulated innovation in the industry as a whole, for example, by introducing new production techniques, smaller formats, new editorial genres and new marketing techniques. Given the market pressures towards consolidation, it is surprising that the press subsidies have largely achieved their goal of maintaining structural diversity at a relatively moderate cost.

The prospects for the press subsidy system are good, since it still commands widespread political support. Attempts early on in the life of the current Conservative government to call for the ending of the system

---

<sup>16</sup> This complaint was made in February 2007 and the identity of the complainant was initially withheld (the EU Directorate may grant anonymity if, as in this case, it is requested by the complainant). Swedish public debate quickly consolidated against the complaint and demands were made that the identity of the complainant be made public. In 2008, the Bonnier group revealed that they were the complainant. The complaint was not upheld.

<sup>17</sup> See Commission Press release IP/09/940, June 17 2009, entitled ‘State aid: Commission proposes appropriate measures to bring Swedish press aid into line with Single Market’, at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/940&format=HTML&aged=0&language=EN&guiLanguage=en>

founded. While the largest single group, Bonniers, has asked that the system be extended to its successful *Dagens Nyheter* paper, the Board of Press Subsidies has rejected that. In spite of the conservative orientation of the government, the left opposition and two parties from the ruling coalition, the Centre Party and the Christian Democrats support the subsidy system, which means it commands a solid cross-party majority in parliament. And the consequences of its abolition – which it is estimated would lead to the immediate closure of 50–60 newspapers – means that for the moment it seems unlikely to end. Indeed, there have been moves to adapt the subsidy system to new technology; in 2007, the online-only newspaper Politiken.se was deemed eligible for a (reduced) production support (55 per cent of the full subsidy) as a weekly newspaper.

## WORKING PAPERS AND SELECTED RISJ PUBLICATIONS

Henrik Örnebring  
**Comparative European Journalism: The State of Current Research**

Henrik Örnebring  
**The Two Professionalisms of Journalism: Journalism and the changing context of work**

Jeremy Hayes  
**A Shock To The System: Journalism, Government and the Freedom of Information Act 2000**

Andrew Currah  
**Navigating the Crisis in Local and Regional News: A critical review of solutions**  
*published in association with Ofcom*

Steven Barnett  
**Journalism, Democracy and the Public Interest: rethinking media pluralism for the Digital Age** *published in association with Ofcom*

Tim Gardam and David A. L. Levy (eds)  
**The Price of Plurality: Choice, Diversity and Broadcasting Institutions in the Digital Age**  
*published in association with Ofcom*

John Lloyd and Julia Hobsbawm  
**The Power of the Commentariat**  
*published in association with Editorial Intelligence Ltd*

## CHALLENGES

James Painter  
**Counter-Hegemonic News: A case study of Al-Jazeera English and Telesur**

Floriana Fossato and John Lloyd with Alexander Verkhovsky  
**The Web that Failed: How opposition politics and independent initiatives are failing on the internet in Russia**

Andrew Currah  
**What's Happening to Our News: an investigation into the likely impact of the digital revolution on the economics of news publishing in the UK**

Nik Gowing  
**'Skyful of Lies' and Black Swans: The new tyranny of shifting information power in Crises**

Stephen Coleman, Scott Anthony, David E Morrison  
**Public Trust in the News: a constructivist study of the social life of the news**

Stephen Whittle and Glenda Cooper  
**Privacy, Probity and Public Interest**