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REPORT

Public Support for the Media: A Six-Country Overview of Direct and Indirect Subsidies

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with Geert Linnebank

Table Of Contents

Executive Summary

Chapter 1 – Introduction

Chapter 2 – Means and Ends of Public Support for the Media

Chapter 3 – Different Models of Public Support for the Media

Chapter 4 – Future Prospects for Public Support for the Media

Chapter 5 – Conclusion

Appendix

References

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EXECUTIVE SUMMARY

This report reviews similarities and differences in public sector support for the media across a sample of six developed democracies – Finland, France, Germany, Italy, the United Kingdom, and the United States – that represent a wide range of different media systems and different approaches to media policy.

It shows that public support for the media in all of them has remained basically unchanged for decades:

- Primarily it takes the form of licence fee funding going overwhelmingly to public service broadcasting. (This is the case in all the five European countries. In the United States, federal and state appropriations for public broadcasting constitute the second most significant form of public support for the media.)
- Secondly it takes the form of indirect support for paid print media industry incumbents. (In the United States, this form of support is more significant than funding for public broadcasting.)
- In all cases governments offer more indirect than direct support for private sector media organisations. (Only Finland, France, and Italy offer direct subsidies; in Finland and France almost exclusively for the printed press, in Italy also to local broadcasters. In all three countries, indirect subsidies are more significant.)
- There is no substantial public-sector support for online-only media organisations. (In France, the only country in which such support was available, it amounted to little more than 1/10,000th of all public support in 2008.)

Total public sector support for the media measured in euros per capita per annum range from a high of €130.7 in Finland to a European low of €43.1 in Italy. The United States, where private sector news media organisations have cut their newsrooms significantly over the last decade, is the country with by far the least extensive system of public support, amounting to an estimated total of \$7.6 (€5.2) per capita.

In terms of how support is distributed, the report identifies three models:

- Finland, Germany, and the United Kingdom all have a *dual model*, combining a high degree of licence fee-funding for public service media with considerable indirect subsidies for the private press. (The combination of a high licence fee and extensive VAT-exemptions for a comparatively large newspaper industry means that the total value of public support per capita in Finland far outstrips that of any other country covered here.) These three countries have the highest levels of total public support for the media measured in euro per capita.
- France and Italy both operate a *mixed model*, combining middling levels of funding for public service media with a blend of indirect and direct forms of support for private sector media (in France for newspapers, in Italy also for some local broadcasters). Contrary to received wisdom that paints these countries as having the most extensive system of subsidies, they have only the fourth (France) and fifth (Italy) highest levels of total intervention, considerably lower than the three other European countries.

- The United States remains an outlier with its *minimalist model*, combining low levels of support for public service media with low levels of indirect support for the private press. While the federal government in particular historically has been a trailblazer in terms of using indirect and direct support to help private sector media organisations, the total levels of support per capita are today far below those found in the five European countries.

In all six countries, indirect support for print publishers is a much more significant form of public support for the media than is commonly realised, worth hundreds of millions of euros per year. As our media systems change and people's media use switches towards new media platforms, the effectiveness of this type of intervention will decline. Those who favour public support for the media will therefore have to rethink the role of public policy and in particular how governments can support those private sector media companies that provide public goods like the kinds of accessible accountability journalism and diverse public debate that democracies benefit from.

1. Introduction

The first decade of the twenty-first century has been tumultuous for media organisations around the Western world, with potentially profound consequences in particular for the capacity of independent journalism to hold power to account and keep people informed about public affairs. Ongoing long-term social and demographic changes, technological changes in how content is produced, distributed, and used – indeed sometimes in the very character of what we consider content – and both structural and cyclical changes in the advertising revenues on which much of the media sector is heavily dependent, have rattled once-powerful incumbents across the world. The actual trends differ in important ways from country to country even between developed democracies. But there is a widespread sense, especially amongst professional reporters, that the media industries in general and journalism in particular are in trouble – as witnessed by the proliferation of panels and publications looking at their future. Both newspapers and free-to-air broadcasters, the two industries that have historically employed most journalists and generated and disseminated most news, have seen their revenues and sometimes their reach tumble even as new entrants have grown around powerful search engines and expansive social networking sites that were scarcely imaginable ten years ago.

The private companies upon which many democracies have historically relied heavily for the provision of public goods like watchdog journalism, breaking news, and generally available and accessible information about public affairs are widely seen as facing a serious crisis as a direct consequence of these developments. This has sparked renewed interest in the question of what, if anything, public intervention can do to support the media sector generally and journalism in particular.

In several countries, governments and non-profits have commissioned extensive reviews of media policies, including the *Digital Britain* report published in 2009 by the then Labour government, the *La Gouvernance des aides publiques à la presse* report, published jointly by two French Ministries in 2010, the *Das Verschwinden der Zeitung?* report, published by the German Friedrich Ebert Stiftung in 2009, and the extensive *Information Needs of Communities* report published by the US Federal Communications Commission in 2011.

This report builds on these and related efforts but goes beyond the national frame that has in many cases truncated the conversation around the future of media in general and the future of journalism more particularly. Motivated by the belief that debates over the potential role of public policy in supporting the media and journalism can profit from a better understanding of arrangements already in place

“ *What, if anything, can public intervention do to support the media sector generally and journalism in particular?* ”

elsewhere, we aim to bring some clarity to cross-national comparisons that are all too often either missing from the conversation or rife with misconceptions and misrepresentations. European newspapers are not, occasional American prejudices notwithstanding, state-funded. State and federal government in the United States have not, despite some claims to the contrary, given up completely on the idea of public sector support for the media. And though the received wisdom has it otherwise, the governments of Germany and the United Kingdom actually offer more public support for the media than their counterparts in France and Italy.

On the basis of existing country-level studies, international secondary sources, and consultation with various experts, we map out different forms of public support for the media in a sample of six developed democracies – Finland, France, Germany, Italy, the United Kingdom, and the United States. The aim is not to be comprehensive in scope or exhaustive in detail, but to provide a useful cross-national overview of the most important forms of public support for the media currently in place and bring some transparency to an often muddled debate. The six countries covered have been chosen because they represent different kinds of media systems and different approaches to media policy, but all face at least comparable challenges of declining paid newspaper circulation and fragmenting television audiences imperilling two of the traditional mainstays of our media systems, the private press and advertising-funded free-to-air broadcasting.

We cast the net wide here in terms of different forms of public support to understand a range of policies that are potentially important in an increasingly convergent media landscape, and break with the tradition of treating broadcasting, print, and online separately. This report thus covers both (a) direct funding for public service media organisations (PSMOs), (b) indirect forms of support for private sector media organisations (mostly through various forms of tax relief), (c) direct forms of support for private sector media organisations, and (d) public support for new journalistic pure-player web initiatives (where such exist). Following this introduction, chapter 2 reviews the means and ends of public support for the media. Chapter 3 analyses the support arrangements in place in the six countries considered, examining both differences and commonalities. Chapter 4 reviews some of the debates surrounding these different arrangements, and discusses their future prospects, before we provide a concluding summary. As a starting point, Table 1.1 provides an overview over the arrangements in place in the six countries and includes the best available estimates of the scale of intervention in each area.¹

¹ The information in Table 1.1 and used throughout the report has been gathered from a range of country-level studies and international sources, all quoted below. The figures these provide are not always equally solid and are not always calculated in directly comparable ways, and should thus be treated with caution. In each case, we have consulted with experts on the country in question to select the most reliable figures available. Where no data exist (such as for the value of indirect subsidies for newspapers in Germany, Italy, and the United Kingdom), we have included estimates produced by the media economist Timo Toivonen for the Reuters Institute. Details on his calculations can be found in the Appendix.

Table 1.1. Public support for the media (2008)

	Public service media funding	Indirect press subsidies	Direct press subsidies	Other forms of support
Finland	€381 million Licence fee (€216/household) for integrated PSMO YLE.	€313 million General VAT-exemption for subscription sales, advertising, newsprint, composition, and plant. General distribution support through the postal service.	€0.5 million Targeted subsidies for Swedish and national minority language newspapers.	None
France	€3028 million Licence fee (€116/household) for several PSMOs, most importantly France Télévisions and Radio France.	€801 million General reduced VAT for registered newspapers. Zero-rated professional tax for several groups of newspaper employees. General reduced rate for postal service.	€438 million General direct subsidies for distribution. Targeted direct subsidies for newspapers with low advertising base, for modernisation of plant of production, for investments in new technologies, etc. State support for the news agency AFP.	€0.5 million Support provided for 'online press services', i.e. journalistic pure players. (Increased to €20 million in 2009.)
Germany	€7265 million Licence fee (€204/household) for PSMOs ADF, ZDF, and Deutschlandradio.	€525 million General reduced VAT for single copy sales and subscriptions.	None	None
Italy	€1676 million Licence fee (€106/household) for integrated PSMO RAI.	€560 million General VAT reduction for single copy sales, subscriptions, newsprint, composition, and plant. Generally reduced postal and telephone rates. (Additional minor subsidies are provided for press services and in the form of loan facilities.)	€161 million Targeted subsidies for newspapers with at least two members of parliament amongst the owners or published by co-operatives of journalists. Targeted subsidies for newspapers in national minority or regional languages.	€184 million Diverse direct subsidies to local television in the Italian regions for 'informational activities'. Also some support for minority language broadcasters and for party-affiliated broadcasting.
United Kingdom	€4185 million Licence fee (€190/household) for PSMO BBC.	€748 million General VAT-exemption for copy sales and subscription sales (est. £594 million).	None	None
United States	€779 million Federal appropriations for CPB (\$393m). Federal grants and contracts for PSMOs (\$80m). State and local appropriations for PSMOs (\$673 million).	€804 million Various federal- and state-level tax breaks, mostly for sales revenue, advertising sales, and expenditures for expanding or maintaining circulation (more than \$900 million). Reduced postal rates for newspapers and magazines (est. \$282 million).	None	None

Sources: Public service media funding from YLE (2009) (Finland), European Audiovisual Observatory (2009) (France, Germany, Italy, and the UK), and CPB (2009) (US). Indirect press subsidies from Nieminen (2010) with further details provided by personal correspondence (Finland), Cardoso (2010) (France), Germany, Italy, and the UK are estimates by Timo Toivonen (see Appendix), and Cowan and Westphal (2010) (US). Note that the figure for France includes the estimated €400 million worth of support provided by the French postal service in accordance with art. 2 of the Act of 2 July 1990 that Cardoso mentions but does not include in his figures (we include this as it is a legally mandated and highly significant form of indirect support). Direct subsidies from World Press Trends (2009), Cardoso (2010) (France), and DIE (2008) plus IEM (2011) (Italy). In accordance with the Cardoso (2010) report we include €242 million worth of general distribution support here that some authors (Loridant, 2004; Kuhn, 2011) have classified as indirect. Other support is from Cardoso (2010) (support for pure players in France) and from DIE (2011) (support for local television and radio in Italy). When collected in other currencies, GBP have been converted to Euros at an annual average exchange rate of 1.26 for 2008 (taken from HRMS), USD to Euros at an annual average exchange rate of 0.68 for 2008 (taken from the IRS). Exchange rate fluctuations may distort comparisons.

By systematically reviewing all the main forms of subsidy available, we will show that total public support for the media is greater and more widespread than is often assumed; private print publishers in all the countries we examine benefit from extensive and often overlooked indirect support in the form of VAT exemptions or reductions and in several countries receive postal subsidies too. Some of these forms of support originate in the nineteenth century, others have been introduced during the twentieth century—few, if any, have been systematically reformed in the twenty-first.

The scale and scope of public support for the media is sometimes surprisingly opaque. While direct funding for both public service media and private sector media is usually documented in detail, the very considerable extent of indirect support provided primarily for the printed press is less well documented and rarely subject to scrutiny. The arrangements in place have historically helped the press increase its reach, helped smaller publishers survive, and helped bigger ones increase both their profits and their potential to do public good. But to a much greater extent than funding for public service media and direct support for private sector media companies, the effectiveness of inherited indirect forms of support – like tax relief for print sales, advertising, and help with print distribution – is decreasing today. Those who favour public support for diverse and independent media will therefore have to think about how the extensive commitments to promoting media pluralism shared by most democracies in the second half of the twentieth century can be renewed and adapted for the twenty-first.

2. Means and Ends of Public Support for the Media

Developments in different media industries are tightly intertwined with a broad range of public policies, including not only investments in and regulation of communication infrastructures but also legal frameworks protecting freedom of expression and ensuring some degree of freedom of information while balancing these with libel laws, state secrets acts, and protection of people's privacy. Some governments today aim to formulate more or less holistic 'information society' programmes, integrating and coordinating many different policies in the pursuit of goals ranging from economic competitiveness over social solidarity and the championing of national culture to ensuring an informed electorate and lively public debate. Despite such efforts, media policy often remains a bit of a patchwork quilt, exhibiting what the British media historian and political scientist Colin Seymour-Ure (1987) has called 'policy patchiness'.

The particular pieces of media policy we focus on here are those most directly involved in trying to address the real and perceived weaknesses of purely commercial media production today. While many would probably sympathise with former *New York Times* executive editor Bill Keller's view (2011) that journalism can at times be 'annoying, simplistic, predictable, herdlike, insatiable, imperious, sloppy and mean', media content generally, and news about current affairs more specifically, can also be seen as something of public value—or, to use the language of economists, media and journalism can be seen as public goods with positive externalities for democracies and societies at large (Hamilton, 2004). Media content is a public good in so far as it is non-rivalrous and relatively non-exclusive (one person watching a programme or reading a story does not prevent others from doing so; once in the public domain, content is widely accessible). It can have positive externalities (beneficial side effects not captured in prices paid) in that we can all benefit from each other's consumption if this makes us more knowledgeable about public affairs, remind us of our mutual interdependencies locally, nationally, and globally, and/or more likely to engage in political life in constructive ways.

Different types of media organisations provide different public goods and promote different positive externalities to different degrees and in different ways – research suggests, for example, that the presence of robust public service broadcasters foster greater and more widespread knowledge about public affairs and that the presence of a strong private press serves as a check on corruption in both government and the private sector (Curran et al., 2009; Brunetti and Weder, 2003). Economists generally agree that market production alone is likely to lead to an under-provision of public

“ Economists generally agree that market production alone is likely to lead to an under-provision of public goods like accessible accountability journalism and watchdog reporting ”

goods like accessible accountability journalism and watchdog reporting (Hamilton, 2004). This is a source of particular concern in the case of journalism, which is often deemed vital to the functioning of democratic societies. One way to address this problem is through government intervention.

In the Western world, the most common forms of public sector support for the media include direct *funding of public service media organisations* (whether state-owned or private non-profits), *indirect support for private media organisations* through various forms of tax reductions or exemptions and/or favourable rates for public utilities including telecommunication and postal services, and *direct support for private media organisations* either in the form of direct disbursements, or through subsidy of costs such as those involved in production, distribution, or in the maintenance of shared auxiliaries like national news agencies.²

These forms of support function in different ways. In the five European countries we examine, funding for public service media provides guaranteed income that underwrites one or more autonomous publicly owned media organisations (in the United States, federal and state appropriations make up less than half of the funding for public broadcasters. These are usually incorporated as private non-profits). Indirect and direct support for private media like newspapers, in contrast, does not create new, additional organisations, but helps existing ones in various ways. It comes in different forms, some of which are what is usually called ‘general subsidies’ available to a whole sector (like indirect support in the form of VAT exemptions or reductions for newspaper sales and advertising or direct support in the form of subsidies for distribution), while others are ‘targeted subsidies’ only available to a subset of media organisations (like the Finnish direct subsidies for publications in national minority languages, Italian direct support for local broadcasters’ ‘informational activities’ and the French support for ‘online press services’ that employ at least one professional journalist regularly).

These different means are meant to serve the pursuit of multiple ends, including cultural, economic, and social ones, but also all have the stated aim of fostering media pluralism and addressing perceived market failures in content production and dissemination. The legal and normative basis for public support for the media differs somewhat from country to country, but can in most cases be traced back to constitutional principles of freedom of expression and commitments to fostering a diverse public debate. These have over time been translated into different

² In addition to these forms of direct and indirect support, governments support, and have supported, media by additional degrees of separation through a much wider swath of policies including public notice laws and public sector advertising, various forms of regulatory relief, funding of journalism schools and the like, subsidy of the wider cultural industries, and through public investments in communication infrastructures ranging from the postal service to wireless broadband and beyond and various forms of regulation of access to and pricing of such infrastructures (Starr, 2004). They can also make journalism easier through freedom of information acts, whistleblower protections, shield laws affording journalists additional protection for certain forms of legal action, and through careful wording of libel laws.

pieces of legislation covering each kind of intervention, with acts concerning public broadcasting, articles in the tax code detailing exemptions for newspapers and so on.³ In some cases, the stated aims are more prosaic. The Connecticut General Assembly (2008) justifies indirect support for all print publishers thus: ‘It would be costly and difficult to collect revenue and audit tax records for out-of-state companies selling magazines and newspapers by subscription.’

Different forms of public support for the media are thus policy interventions at least partially meant to help underpin independent journalism, encourage diverse public debate, and ensure wide access to information about public affairs for all interested citizens. (Coincidentally, this also tends to include supporting media organisations that pay more attention to electoral politics and politicians than most of most electorates do.) The creation, maintenance, and governance of licence fee-funded public service media organisations like the BBC, the institution of tax breaks for newspaper subscription sales in Germany, and the disbursement of targeted direct subsidies for regional language newspapers in Italy are in most respects quite different policies and result from quite different political processes, but we compare these different apples and oranges here because they are all fruit, i.e. they are all public interventions in media markets at least nominally motivated by considerations that go beyond the pursuit of personal profit, political advantage, or professional distinction.

Critics of public support for the media are of course numerous, and have argued that state intervention threatens the independence of journalists and editors who are meant to critically scrutinise people in positions of power, distort competition in media markets (leading to suboptimal allocation of resources), and often prop up sunset industries at the expense of innovators and new entrants. (See e.g. Picard (2007) for a review of relevant critiques.)

“ *Most scholars – and indeed many journalists, media managers, and policy-makers – maintain that public support for the media can serve a range of legitimate ends* ”

³ In most of the countries we cover here, constitutional arrangements guarantee freedom of expression, the right to access public information, protect against censorship and so on. Particular forms of public support for the media are often seen as based on these provisions and take the form of separate pieces of legislation on public service media and on indirect and direct support for the press. Germany arguably has the most developed constitutional basis for its model of public support, with art. 5 of the Grundgesetz (‘basic’ or ‘foundational’ law) guaranteeing the freedom of expression, of the press, and of reporting using any means, and the right for everyone to keep themselves informed ‘without hindrance [and] from generally accessible sources’. In 1986, the Federal Constitutional Court established on this basis the principle of ‘Grundversorgung’, a positive constitutional commitment to the basic provision of the media and communications services necessary for a democratic society – this is in turn encouraged through the interstate broadcasting treaty that provides the basis for public service provision and through indirect support for the press, written into the sales tax law (UStG § 12, 2nd section, pts 1 and 2, with an annex detailing the exemptions). (Esser and Brüggemann, 2010)

But most scholars – and indeed many journalists, media managers, and policy-makers – maintain that public support can serve a range of legitimate ends that go well beyond the narrowly industrial and can help make media systems more diverse, underwrite the production of quality content and practices of accountability journalism, assist in various nation- and state-building efforts, and make important information more accessible to wider audiences (Humphreys, 2007; Goodman, 2008; Gustafsson et al., 2009; see also for relevant overviews Alonso et al., 2006; The Netherlands Press Fund, 2007; Benson and Powers, 2011). This is part of the reason why the right of national governments to intervene in media markets to promote pluralism, support content production, and increase dissemination is recognised in international agreements ranging from the UNESCO Convention on the Protection and Promotion of Cultural Diversity to various European Union treaties. Research does suggest that public support for the media cannot always achieve their stated goals, especially if strong economic, social, and/or technological trends push in other directions (Skogerbø, 1997; Picard and Grönlund, 2003; Ots, 2009). But there is no doubt that differences in media policy generally, and in forms of media subsidy specifically, help account for differences in how the media systems of otherwise similarly wealthy Western developed democracies operate (Humphreys, 1996; Baker, 2001; Hallin and Mancini, 2004; Freedman, 2008; Nielsen and Levy, 2010).

It is worth noting here that *all* developed democracies – even supposedly free-market-oriented ones like the United States – have extensive direct and indirect media subsidy arrangements in place. In 2008, federal and state governments channelled about \$1.14 billion to various forms of public broadcasting across the fifty states (Corporation for Public Broadcasting, 2009). Though it is sometimes erroneously said that the American newspaper industry operates without any government support (a misconception sustained by the most frequently used international handbook, *World Press Trends*), a research team at the Annenberg School for Communication and Journalism at the University of Southern California estimates that the total value of indirect support for newspapers and magazines in the form of a range of federal- and state-level tax breaks and reduced postal rates is at least \$1.2 billion a year (Cowan and Westphal, 2010; Nilakantan, 2010a, 2010b).

“ In every developed democracy around the world, governments make at least some effort to underpin media systems and ensure they contribute to democratic politics and civic life. ”

On top of this comes harder-to-quantify forms of support such as public notice laws and regulatory relief including exemptions from some labour and competition laws, allowing, e.g. for joint operating agreements that let competing newspapers share printing plants and delivery services. The specific forms of public support for the media differ from country to country, sometimes in important ways – but in every developed democracy around the world, governments make at least

some effort to underpin media systems and ensure they contribute to democratic politics and civic life.

3. Different Models of Public Support for the Media

Despite the changes our media systems are currently undergoing, the main forms of public support in place today remain the same as they have been for thirty years or more, and are heavily weighted in favour of long-established legacy players and industry incumbents. This much is clear from Table 1.1 above, which provides an overview over the main forms of public support for the media in place in 2008 in the six countries we look at.

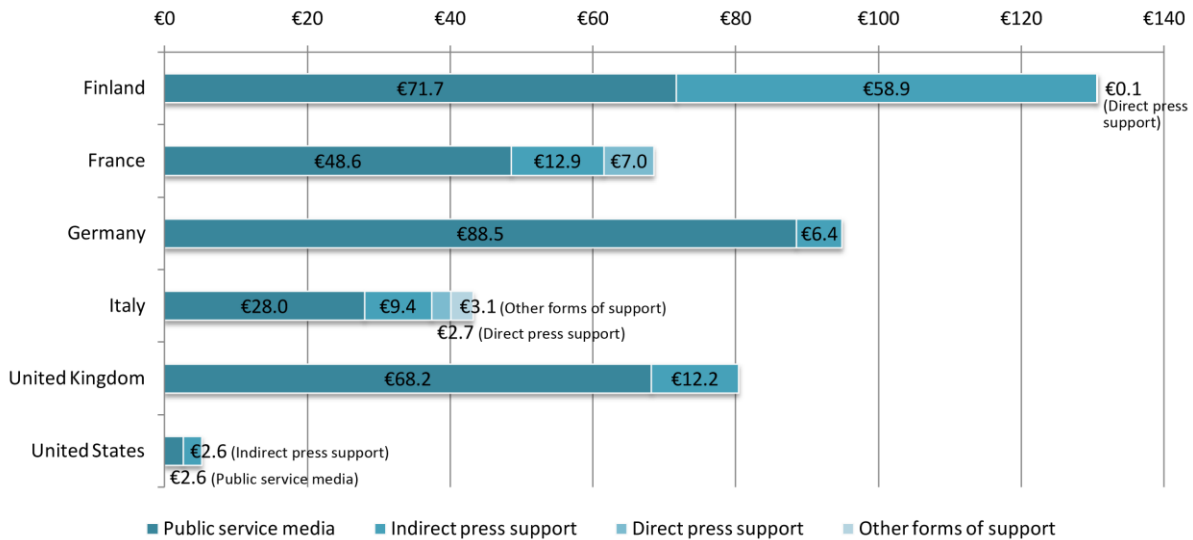
In all the cases we have examined, governments use licence fees or direct appropriations to sponsor public service media organisations with a strong emphasis on broadcasting. (Though this is done to a much greater extent in the five European countries than in the United States, federal- and state-level support for the Corporation for Public Broadcasting and the hundreds of

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local public broadcasters across the country still amounts to more than a billion dollars annually.) In all six countries examined, the indirect support offered to print publishers through various forms of tax relief and in some cases reduced postal rates makes up the second most significant form of public support for the media. (Again, support in the United States is more limited than it is in Europe, but tax exemptions for newspapers and magazines are still worth at least an estimated \$1.2 billion annually.) Only three of the six countries offer direct public subsidies for private media – in the case of Finland, for newspapers in minority languages; in France for a range of activities including modernising newspapers’ production processes and postal distribution, but also for journalistic web-based pure players (€0.5 million in 2008); and in Italy for newspapers published by co-operatives of journalists or with at least two members of parliament amongst the owners, and for local television and radio stations for investments in news. Across these three countries, the direct support for private sector media is less significant than indirect support in terms of euros per capita. In all six countries covered, the main recipients of these various forms of public sector support for the media in 2008 remained largely the same incumbent organisations who have been benefiting from them for years – primarily public service broadcasters and secondarily private print publishers. Very few new entrants receive any significant public support—indeed, in the case of Italy, entitlement to state support requires a minimum of three years of prior commercial operation, effectively precluding entrepreneurs from consideration.

In the interest of cross-national comparison of the scale and scope of public service funding for media, we break down the total estimated values of the main forms in two ways – first in Figure 3.1 in terms of current euros per capita, then in Figure 3.2 below in terms of the relative distribution of total support.

Figure 3.1. Total public support for the media (2008)



Source: as for Table 1.1.

It is clear from Figure 3.1 that support for public service media organisations (however incorporated) is the single largest factor in all these countries except the United States. The second largest type of subsidy in five countries (and the largest in the United States) is indirect support for print publishers, mostly through VAT exemptions or reductions.⁴ Direct support for the press follows in third place in two of the three countries where it is provided (Finland and France). In Italy, both the private press and private sector local broadcasters benefit from direct subsidies, in both industries to the tune of around €3 per capita per annum. Only one country – France – provides direct public support for online-only “pure player” operations, and the sums involved are negligible compared to the total scale of public intervention. (The 2008 figure of €0.01 per capita is too small to be visible in the figure above and has hence been excluded. This form of support was in 2009 increased to €0.3 per capita annually.)

The total scale of state intervention measured in euros per capita is by far the largest in Finland, which has the highest household licence fee and exempts a comparatively large and vibrant newspaper industry from the standard 23% VAT rate on subscription sales, advertising, newsprint, composition, and plant. This scale of support is not surprising. Finland is a small media market with little more than 5 million native speakers of a rather distinct language. A commitment to comprehensive and cross-platform public service plus a desire to see at least one and preferably several private sector media organisations compete in every local media market in a geographically large but sparsely populated country therefore requires

⁴ Private sector media organisations are of course far from the only companies to benefit from various forms of tax relief. The German Federal Government provided an estimated total of €25 billion in tax exemptions and reductions in 2008, and the United States Federal Government \$120 billion (€82 billion) in tax relief for corporations.

considerable public support. This has historically been forthcoming irrespective of whether the political left or the right dominated the government in Helsinki (Nieminen, 2010).

It is perhaps more surprising that Germany and the United Kingdom are number two and three in terms of total estimated per capita value of state intervention – in both cases the result of a robust licence fee-funded public service media sector combined with extensive VAT exemptions (in the United Kingdom) or reductions (in Germany) for a large private press.⁵ Both Italy and France – well-known internationally for their intricate and extensive systems of direct support for the press – actually have lower levels of total public support for the media than any of the other European countries considered here, due to a combination of much lower licence fees and the lower value of VAT relief for what is a much smaller newspaper industry. The per capita value of support for public service media alone in Finland, Germany, and the United Kingdom outpaces the total value of public support across all forms of subsidy in Italy. When indirect press subsidies are taken into account, it is even clearer that these three countries actually support various forms of media much more than their supposedly more interventionist Mediterranean counterparts do.

Unsurprisingly, the United States, which for much of the nineteenth century had a far more proactive and ambitious set of media subsidy arrangements in place than any other country, has the lowest level of public support for the media per capita – significantly lower than what is offered in the five European countries covered here.⁶ This is due on the one hand to the absence of a licence fee (public service media are supported instead through federal and state appropriations, and get the rest of their revenues from charitable donations and corporate sponsorships) and on the other hand to the uneven and relatively limited scope of indirect subsidies for print publishers. While these arrangements are in most cases modest when compared to those in Europe, they are hardly insignificant in absolute terms. The total estimated cost to the American taxpayer still amounts to over \$2.3 billion (€1.6 billion) annually. It is also worth noting here that both support for public service media and indirect press subsidies vary greatly from state to state. Whereas some offer little or no support, a state like Connecticut forgoes an estimated \$60 million a year in tax revenue through sales tax exemptions for newspapers and

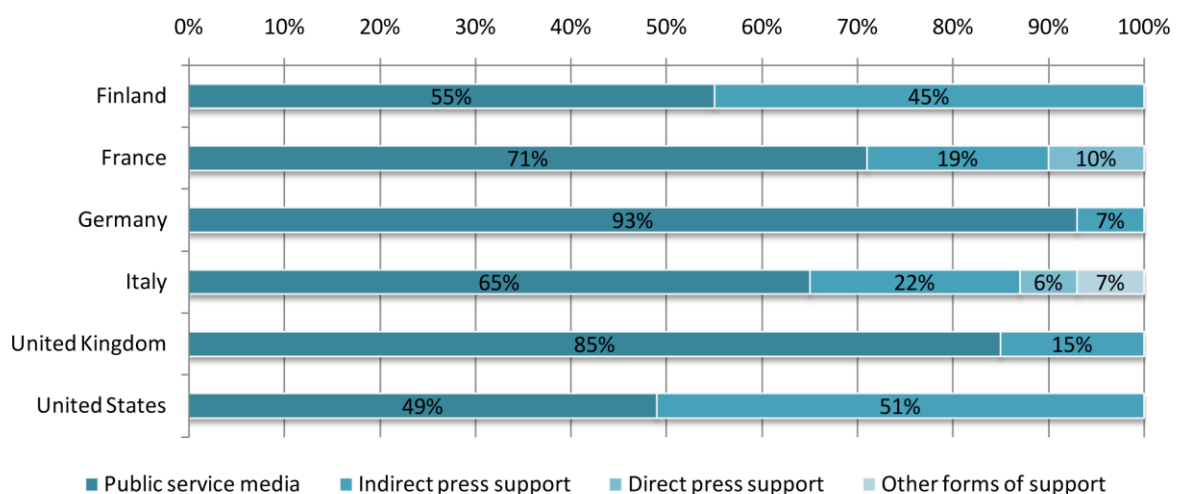
⁵ We do not discuss commercial public service broadcasters like the British ITV or fully advertising-funded public service broadcasters like Channel 4 here, nor do we consider the remaining public interest obligations that commercial broadcasters in the United States and elsewhere accept in return for their licence.

⁶ As Paul Starr (2004) and others have shown, the federal government offered massive indirect subsidies for the press throughout the nineteenth century in particular, partially through more or less politicised forms of patronage and selective rewarding of profitable printing contracts, but more importantly through generally available preferential rates for newspapers distributed through the Post Office – in 1832, newspapers made up 95% of the total weight of all mail in the United States, but only 15% of the revenue.

magazines (see Connecticut General Assembly, 2008). Offering \$17.0 (€11.6) worth of indirect subsidy per capita, the state government in Hartford is thus about as supportive of private sector publishers as are governments in Rome and in London, and more generous than the federal and state-level governments in Germany.

Turning from the scale to the overall composition of public support for the media, presented in Figure 3.2, a clear pattern emerges. In every country but the United States, support for public service media organisations makes up more than 50% of all public support for the media (more than 90% in the case of Germany). Indirect support for print publishers is the most significant form of support in the United States (at 51%) and the second-most significant form of intervention in the five other countries, ranging from 7% of total support in Germany to 45% in Finland. Direct subsidies add up to less than 0.1% in Finland, and even in France and Italy, they only make up 10% and 13%, respectively (the Italian figure is direct support for the press and local broadcasting combined). The French are alone in providing support for pure players, but even after the 2009 increase this makes up less than 0.1% of total public support.

Figure 3.2. Composition of Public Support (2008)



Source: as for Table 1.1.

The three broad models in place today remain defined by the media policy reforms of the 1970s and 1980s, which on the one hand responded to the wave of ‘newspaper deaths’ that hit many developed democracies as local markets were consolidated and on the other hand represented a political desire for deregulation of old state monopolies in broadcasting and telecommunications.

“ The three broad models in place today remain defined by the media policy reforms of the 1970s and 1980s ”

In terms of public support for the media, the three models can be characterised as follows:

- Finland, Germany, and the United Kingdom all operate with a *dual model*, combining robust, largely licence fee-funded, public service media organisations (according to the European Audio-Visual Observatory, public support accounts for between 94% (at YLE in Finland) and 81% (at the BBC) of total turnover in these organisations) with significant indirect support for a historically strong private press. They have the highest levels of public support for the media in per capita terms.
- France and Italy both have a *mixed model*, with public service media organisations that receive lower amounts of money from licence fees and government appropriations and combine this with revenue from advertising and other commercial activities (public support accounted for 70% of total turnover at France Television in 2008, 51% at RAI) and the provision of both indirect and direct support for what has historically been a weaker and less widely read private press. They have the second-highest levels of public support for the media and a broader range of different forms of intervention.
- The United States has a *minimalist model* that provides limited support for public service media (according to the Corporation for Public Broadcasting, tax-based revenue accounted for 39% of the total turnover of public broadcasters in 2007) and limited indirect support for what has historically been a strong private press. It has the lowest levels of public support for the media.

The relative significance of these different models of public support in terms of market intervention varies depending on the overall size of each sector in a given country – according to European Audiovisual Observatory figures, public funding constitutes between 18% (Italy) and 46% (Germany) of the total receipts of the broadcasting industry in the European countries covered here, and little more than 1% in the United States. The combined value of indirect and direct support for the private press is harder to compare directly to industry revenues, partially because the estimates available are less reliable and partially because of definitional issues concerning what should be included in terms of weekly newspapers, magazines, freesheets, and community papers, some with little editorial content (the sector is defined in different ways from country to country). Various forms of subsidies are commonly held to contribute more than 10% of the newspaper industry’s revenue in France and Italy, whereas the estimated €525 million in indirect subsidies in Germany amounts to less than 6% of the industry’s €9 billion-plus revenue in 2008 – clearly significant, but also clearly less in both absolute and relative terms than the scale of state intervention in the broadcasting sector in most of Western Europe, and clearly less than the scope of public support for the press offered in the two Mediterranean countries we discuss here.

4. Future Prospects for Public Support for the Media

What are the future prospects for the different forms of public sector support for the media discussed so far? And, leaving aside the additional cultural, economic, and social goals that motivate the policies pursued, what can be said at a general level about how effectively they encourage the provision of public goods like accessible accountability journalism and a diverse public debate?

All the forms of support examined, and all three identified models, are inherited from the twentieth century (or before) and heavily oriented towards supporting long-established media organisations like public service broadcasters and private paid newspapers (both of course increasingly operating online too). While some speculated at the advent of the twenty-first century that these would quickly become irrelevant, this has not been the case. Though many are suffering under severe economic pressures, most remain important and influential. Table 4.1 provides an overview of the percentage of people who report they watch at least some news on television, the combined television audience share of public service broadcasters, the reach of printed daily newspapers, and the percentage of the population who accessed news online across the six countries considered in 2008. (Radio is not included here, though it remains an important source of news for many in some countries.)

Table 4.1. Sources of news (2008)

	Finland	France	Germany	Italy	UK	US
Watch news on TV	97%	92%	96%	95%*	89%	75%
Public service TV audience share	45%	36%	44%	42%	38%	1%
Newspaper reach	79%	44%	72%	45%	66%*	45%
Accessing news online	57%	22%	21%	17%	37%	36%

Sources: TV news (* Italy from 2002) from European Social Survey 2008 (europeansocialsurvey.org) and Pew Research Center for the People and the Press Biennial Media Consumption Survey (people-press.org); public TV share from European Audiovisual Observatory (2009) and Ofcom (2010); newspaper reach (* UK from 2007) from World Press Trends (2009) and Lords Communications Committee (2008); online news from Eurostat and Pew Internet and Society.

Though people clearly do access more and more content online, it is important to keep in mind that the news and entertainment they enjoy there is still in most cases produced by legacy media companies.⁷ Therefore, the main beneficiaries of present forms of public support for the media remain of absolutely central importance to the provision of widely accessible accountability journalism in all six countries covered here. Paid newspapers remain the single most important source of original reporting, and television in general—and in Europe public service broadcasting in particular—remains the single most important source of news for much of the population.

Different forms of public support have helped these media organisations survive – most clearly of course in the case of licence fee-funded public service media organisations, but also in the case of indirectly subsidised newspapers. Research done in the 1990s by Price Waterhouse suggested that simply introducing a 6% VAT on British newspapers (then, as now, zero-rated) would have meant the end of most regional dailies and a drop in circulation for the national press of at least 10% (see McQuail and Siune, 1998: 13). Research done in Scandinavia has shown that the various forms of indirect and direct support in place in the region has encouraged diversity in local media markets by helping small and medium sized newspapers survive (see e.g. Gustafsson et al., 2009). Persistent lobbying by publishers’ associations across the Western world to keep these arrangements in place suggests that they agree that they make a difference—the European Newspaper Publishers’ Association (2011), for example, calls them ‘essential’. But as many other aspects of our media systems are changing around us, it is relevant to ask what the future holds for public support for the media – in particular for the two most important forms in place today, public funding for public service media organisations and indirect support for the private press.

Consider first funding for public service media – the most significant form of intervention in five of the six countries covered here. Without underestimating the problems public service media organisations face in terms of assembling audiences in an increasingly competitive and crowded media environment and in the form of demands that they produce more content for more platforms while maintaining high standards, it seems that the central challenge facing them today is political rather than operational. Commercial competitors coming out of both print, broadcasting, and online-only content businesses complain about unfair competition, especially on the web and increasingly on mobile platforms, and push for more narrowly defined public service remits and more limited funding. In several countries, public service media organisations have committed to limiting or scaling back their online and mobile media operations to assuage these concerns, even as many of their users

⁷ A study in the United States from 2008 estimated that 96% of all ‘enterprise reporting’ in the Baltimore media market came from traditional media and only 4% from online-only pure players. General interest newspapers were by far the most important source of reporting, producing 48% of all original news (Project for Excellence in Journalism, 2010).

continue to move towards these platforms. Since 2003, the German public service media organisations ARD and ZDF have, pressured by commercial competitors wary of their web presence, been committed to spend no more than 0.75% of their budget on online services (Humphreys, 2010). By contrast, the BBC dedicated 5% of its public service expenditures to online services in 2008, while the Italian RAI, despite calls for an expanded web presence, spent just 0.2% of its total budget on RAI NET (see BBC, 2008; Brevini, 2010).

In addition, politicians conscious of the current recessionary and deeply troubled economic environment, and in some cases either sympathetic to the concerns of commercial media or perhaps personally or ideologically opposed to the idea of public service media, are in several countries pushing to cut or at least freeze licence fees or government appropriations used for this purpose.

With the partial exception of the two very different cases of Italy, where the previous centre-left government considered privatising RAI in the hope that this would protect it from undue political interference in programming decisions, and the United States, where public broadcasting is currently under intense pressure in both Washington, D.C., and in several state capitals, the very existence of public service media organisations does not seem to be in jeopardy. This does not mean, however, that they are set to escape the current climate of fiscal austerity unscathed. In France, the licence fee has remained the same for almost a decade. In 2004, a number of the German federal states rejected a proposed licence fee hike (though they were later overruled by the Federal Constitutional Court). In Italy, the licence fee was held more or less constant from 2002 to 2006, and then only increased marginally. In the United Kingdom, the licence fee did increase every year of the last decade, but the 2010 settlement between the BBC and the incoming Conservative-Liberal Democrat coalition government involved freezing it at its current level till 2016/2017 (this is estimated to amount to a 16% cut in real terms over the coming six years). In the United States, the Republican majority in the House of Representatives is pushing to eliminate funding for the Corporation for Public Broadcasting and has already voted to ban federal funding for National Public Radio. While these measures may not pass the Senate, both major parties look set to make at least some cuts in federal appropriations for public media as part of general austerity measures. Several state governments are scaling back their appropriations for public broadcasting at the same time. Calls for increased public funding for public media in the United States,

“ *The very existence of public service media organisations does not seem to be in jeopardy. This does not mean, however, that they are set to escape the current climate of fiscal austerity unscathed.* ”

issued by media reform groups like Free Press, seem virtually guaranteed to go unheeded in the current political and economic climate.⁸

When it comes to indirect support for private sector print publishers – the second most significant form of public support in the five European countries and the most significant form in the United States – the central challenge seems operational rather than political. A few elected officials have, in countries as diverse as Finland, Italy, and the United Kingdom, floated the idea of reducing or abolishing the various measures in place, but they have in most cases backed down in the face of intense lobbying by publishers and considerable criticism from across the political spectrum.⁹ While many politicians no doubt sincerely believe that indirect support for print publishers serves the public interest and makes for a better democracy, it seems safe to assume they are also often cognisant of the still considerable political power of the press, as some have admitted from the relative safety of retirement – in 1984, the then British Chancellor Nigel Lawson wanted to extend VAT to newspapers, but was vetoed by the (by no stretch of imagination pro-interventionist) Prime Minister Margaret Thatcher, who, according to Lawson, did not want to alienate publishers (Lawson, 1992: 357–8).

The main forms of indirect support in place today, relief from VAT/sales taxes on print advertising and print sales, are present in remarkably similar form in all the countries we look at (as well as across the world in countries as different as Brazil and India). They have turned out to be politically quite resilient. But they face considerable operational difficulties, because they are premised on precisely what most newspapers in the Western World are rapidly losing – advertising sales and paid circulation. As media buyers shift their attention away from print and more and more people choose not to subscribe to or buy newspapers, not only do the publishers lose revenue – the value of their indirect subsidies also declines. Permanent and general VAT relief is a cyclical, rather than counter-cyclical, form of support. Significant as they have been, and remain today, indirect support systems

⁸ Within the EU, funding arrangements for public service media organisations furthermore has to navigate between domestic politics and Brussels. A growing number of private commercial broadcasters have complained to the European Commission that funding for public service media organisations represents state aid and distort competition, both online and in television and radio. The Commission has in response called for more clearly defined public service remits, underlined that there must be proportionality between services rendered and funding provided, and, while explicitly stating that it has ‘no objection in principle’ to mixed funding models like those in place in France and Italy (where PSMOs rely on both public funding and advertising revenues), it is encouraging a move to more transparent and potentially less distorting ‘single-funding’ models like those in place in Finland and the United Kingdom and to a lesser extent in Germany – see European Commission (2011a).

⁹ In the case of Italy, indirect postal subsidies for the press have been cut by about €100 million a year since 2008, and support for local broadcasters by circa €60 million as part of general austerity measures. The parliamentary opposition has criticised these measures and may reverse some of the cuts if they come into power (interview with Paolo Gentiloni from Partito Democratico, 2011).

built around the print platform alone will lose their effectiveness as current trends in the advertising business and in paid print circulation continue.

Historically, they have represented an effective form of public support that had the clear advantage of being able to be instituted in a viewpoint-neutral fashion that does not give politicians or government bureaucrats ways of discriminating against particular publishers. But while tax relief continues to help newspaper industry incumbents survive today, it is clear that it alone will not represent an effective form of public support if advertising revenues and print copy sales

“ Indirect support systems built around the print platform alone will lose their effectiveness as current trends in the advertising business and in paid print circulation continue. ”

continue to decline.¹⁰ Though people’s media use is changing, the definition of what merits support remains the same as it has been for years – take for instance the British Value Added Tax Act, which zero-rates newspapers, defined as publications that ‘consist of several large sheets folded rather than bound together, and contain information about current events of local, national or international interest’ – and it is not yet clear whether and how this can be extended to include relevant enterprises primarily based on other platforms. In its Warsaw Resolution from May 2011, the European Newspaper Publishers’ Association called for an extension of VAT exemptions/reductions to cover digital advertising and sales too. The European Union Director General for Education and Culture, Jan Trzuszczynski, has expressed some support, arguing that ‘content should be taxed the same way’ whether printed or digital (quoted in TMF Group, 2011).

With the two main forms of public support in place today in most democracies facing political and operational problems, direct subsidies such as those in place in France and Italy may seem an attractive alternative for those committed to public support for the media. They, in contrast to permanent tax exemptions and reductions, can work in counter-cyclical ways and offer opportunities to intervene in more precise and cost-efficient ways to support specific parts of what private sector media companies do – rather than support a whole package that contains news, entertainment, and advertising, one can in principle aim to support simply the production of content perceived as being both underprovided by the market and of public value – like news and current affairs programming – and encourage efforts to increase reach.

¹⁰ As with funding for public service media organisations, indirect and direct support for private media within the EU has to navigate not only domestic politics but also Brussels and its various commitments to oversee state aid and prevent unfair competition within the common market. Work is currently ongoing to try to harmonise VAT across the union. As part of this work, the Commission is examining both existing exemptions and reductions for private media companies, their justifications and legitimacy under EU rules, and whether and how they can be both harmonised and potentially extended to cover new media platforms – see European Commission (2011b).

In practice, however, the track record so far is mixed. Direct support for private sector media comes with both political and operational problems. Politically, it can create the perception, and sometimes the reality, of supposedly independent and critical media organisations becoming dependent upon state patronage. This is why direct public support for private media is viewed with considerable scepticism by many journalists, politicians, and outside observers. Whether it indeed does undermine the independence of news organisations depends on a whole host of factors, including the structure of the media industry in question and the state of individual news companies, the character of a country's political system, and the kind of professionalism cultivated amongst journalists. Whereas the press in Scandinavia is widely seen as having moved towards a *more* independent and adversarial stance during the period when state subsidies were introduced, watchdog groups like Freedom House and Reporters Without Borders continue to question the close relations that exist in countries like France and Italy between top politicians and government officials dispensing targeted subsidies to a select number of news organisations and the large and diverse commercial conglomerates that often own these (see e.g. Hallin and Mancini, 2004; on Scandinavia see Skogerbø, 1997; on France and Italy, see Freedom House, 2010; Reporters Without Borders, 2010). Direct support can entail operational problems too. Historically, it has been just as tied to legacy platforms as indirect subsidies (e.g. witness the considerable sums spent to subsidise postal distribution in France), and the cost-effectiveness of the most extensive systems of direct support in place in the six countries we look at – those of France and Italy – continues to be questioned by national experts (Cardoso, 2010; Loridant, 2004; 2011 interview with Antonio Pilati from the Italian Antitrust Authority). While well-designed direct subsidies implemented under the right conditions do not need to endanger journalistic independence or be ineffective, they certainly can be both politically problematic and a bad use of taxpayers' money.

“ *While well-designed direct subsidies implemented under the right conditions do not need to endanger journalistic independence or be ineffective, they certainly can be both politically problematic and a bad use of taxpayers' money.* ”

As has been made clear from the outset, funding for public service media and indirect support for print publishers make up the vast majority of public support for the media in the six countries we look at. These two main forms of support are both facing particular problems. Public service is under political pressure and there are real concerns about the knock-on effects that public service media organisations can have on their commercial competitors in an increasingly convergent media environment. The effectiveness of indirect support for print publishers is rapidly eroding as advertising and sales revenues decline. Direct support for private sector media is only available in Finland, France, and Italy, and only in the latter two cases does it make up a significant part of total public support for the media. This form is

regarded with considerable scepticism by many, and comes with both political and operational problems, especially as it continues to be closely linked in practice with established industry incumbents and with the same declining legacy platforms also supported by indirect means.

Many commentators have argued for years that current forms of public support need to be reformed in one way or other to remain effective, even as the present beneficiaries oppose any changes that could leave them worse off. While a number of attempts to rework existing arrangements have ground to a halt in several countries, and others seems mainly intent on cutting support, some governments have taken, or at least considered, tentative steps to go beyond the inherited media policy toolkit and think of other ways to support the media and the provision of public goods like good journalism.

In France, the Sarkozy government in 2009 decided to expand the existing total indirect and direct subsidies for the private press by an additional €200 million per year (an increase of about 4.7% in total public support for the media) for a three-year period to help the private press in particular deal with the impact of the global financial crisis and enable a structural adjustment to a new media environment. The reform package was mostly more of the same, but also included the above-mentioned increase in direct support for journalistic pure players and an attempt to

A Dutch Experiment

It is worth noting here an interesting – and potentially problematic – experiment from beyond the six countries we cover. In an intervention designed to circumvent the tendency for both indirect and direct public support to subsidise trucks and trees or cables and cameras rather than the public goods purported to motivate and justify intervention, a bipartisan majority in the Dutch parliament in 2009 decided to set aside funds to pay the salary of around sixty young journalists who would each sign a contract to work for one of about thirty different newspapers. The cost of this scheme is €4 million a year, or €67,000 per journalist (OECD, 2010). (A cautious comparison can be made here with the estimated total value of indirect and direct subsidies combined calculated per journalist employed by the newspaper industry in countries like Finland and Italy – which is in each case close to a €100,000.) Initiatives like the Dutch one do depend on the existence of an inherited set of news media organisations still overwhelmingly based on a print platform. But in contrast to indirect support like VAT exemptions and direct support for distribution, the support offered here is support for journalism, leaving it up to the organisations supported what the journalists will report on and how to publicise the content produced.

stimulate demand for newspaper journalism – the state would pay half of the costs of providing 200,000 young people aged between 18 and 24 with a free year-long subscription to a weekly copy of a newspaper of their choice, amounting to an estimated €5 million a year. It is too early to evaluate the effectiveness – but a comparable initiative pursued by the regional publisher Ouest France since 2006 had 12% of the beneficiaries re-subscribing after the free subscriptions ended (Bailly, 2009).

In the United Kingdom and elsewhere, proposals have been floated to set aside a small part of the licence fee to support other media than the main public service media organisations – in Britain either by providing partial funding for regional news programmes on the advertising-funded broadcaster ITV, by putting some licence fee funds in a contestable public service fund that others than the BBC should be able to compete for, or by providing support for so-called ‘independently funded news consortia’, that would in turn produce content for local commercial media (Ofcom, 2009). *Guardian* editor Alan Rusbridger, amongst others, has argued that newspaper companies should be allowed to compete for such direct public funding too if these ideas were implemented (Rusbridger, 2008). These kinds of so-called ‘top-slicing’ of the licence fee has been strongly opposed by the BBC itself and by many members of parliament, and was not made part of the 2010 settlement between the corporation and the incoming Conservative-Liberal Democrat government – but the idea is still occasionally floated (see e.g. Robinson, 2010).

5. Conclusion

Despite rapid change in our media systems and increasingly intense conversations around the issue of public support for the media, the main forms of support in place have remained largely unchanged over the last decades in the six countries covered here. Like all developed democracies, Finland, France, Germany, Italy, the United Kingdom, and the United States support different types of media organisations for a range of reasons, including cultural, economic, and social ones, but also out of a concern that the market alone will not provide for the kinds of accessible accountability journalism and diverse public debate democracies benefit from.

The main forms of support in place today differ from country to country in important respects. Finland, Germany, and the United Kingdom all pursue a dual model when it comes to supporting the media, providing both a high degree of licence fee funding for public service broadcasters and extensive indirect support for print publishers. France and Italy operate with mixed models that provide lower levels of funding for public service broadcasters and a more intricate mix of indirect and direct support for legacy media (and in the case of France, a modicum of direct support for new journalistic pure players). The United States has in place a minimalist model and provides less public support per capita than any other country considered here, primarily in the form of tax relief for print publishers, secondarily in the form of federal- and state-level appropriations for public service broadcasting. These different models have two things in common – in all six countries we have examined public support remains, first, heavily weighted in favour of legacy organisations and industry incumbents, most importantly public service media organisations and print publishers; and, secondly, is overwhelmingly built around inherited media platforms like broadcasting and print.

In all these countries, public sector support for the media has made important differences in terms of how the media sector has developed and in terms of the role the media play in society. Today, however, as our different media systems are being transformed due to a combination of long-term socio-demographic trends, profound processes of technological innovation, and more short-term cyclical changes in the economy, the future prospects and implications of the forms of support in place look uncertain.

Because the character of our media systems is changing due to forces that go well beyond the realm of public policy, simply preserving the current arrangements will not preserve the status quo. Every passing year increases the tensions between public service media organisations and their commercial competitors online, every drop in circulation undermines the ability of VAT relief and the like to underpin private sector media companies. We therefore think it is time to review and renew media policy arrangements and bring them in line with the principles purportedly behind them and with the times that we live in. This is why the growing debate around forms of public support for the media is so important. Advancing this

conversation requires both a reaffirmation of the principles behind public support for the media, clearer definitions of the goals to be achieved so recipients can be held accountable and effectiveness assessed, and an evaluation of how existing arrangements can be reformed or replaced. We hope this report will help the discussion go beyond the national frame that often constrains it and that it will help journalists, media managers, and policy-makers – and concerned citizens – involved in the debate learn from today’s support structures as they try to think about what might be done to support media and journalism tomorrow.

Appendix

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VAT reductions are used in a number of nations to reduce costs and promote sales of newspapers. They represent a significant indirect subsidy of print journalism, although their value is not reported in industry publications and national sources. To estimate their value in the three nations in this study for which no estimates could be found, calculations based on reported data were employed.

- 1) The circulation revenue in each country was counted by adding the revenues of dailies, non-dailies, and Sunday papers reported by World Press Trends.
- 2) The total circulation revenue was then proportioned subscription and single copy sales according to the division of circulation report by WPT.
- 3) The VAT for subscription and single copy sales was then calculated using the VAT applied to each type of newspaper sales (again according to WPT) by multiplying the value of sales by the VAT percentage. If the VAT rate deviated from the standard VAT rate, the value of deviated VAT was subtracted from the value of standard VAT, the difference thus being the value of the subsidy.¹¹

Based on this method, the value of the VAT reductions for circulation sales in the nations studied are:

Germany	€525 million
Italy	€250 million
UK	€748 million

These estimates can be compared with available estimates of the total value of VAT reductions for newspapers and related goods provided by the German Ministry of Finance and by the British HMRC. In Germany, the Federal Government estimates that the total value of the VAT reduction for 'books, newspapers and other products of the printing industry' and a range of other cultural industries was €1815 million in 2008 (Bundesfinanzministerium, 2010: 279) and some sources put the value above €2 billion. In the UK, HMRC estimates the zero-rated VAT for books, newspapers, and magazines cost £1400 million (€2059 million) in 2008–9 (HMRC, 2010).

Italy also provides a VAT reduction for purchase of newsprint and postal distribution subsidies. Using data from WAN and CEPIPRINT, the value of the VAT reduction for newsprint is estimated to be €63 million. The postal distribution subsidies are worth an estimated €247 million.¹² The total estimated indirect

¹¹ It should be noted that demand for newspapers may be affected by price elasticity, with higher prices due to VAT reducing sales. This calculation, however, does not attempt to estimate that elasticity and its effects on sales and VAT collection, but uses the value of the VAT reductions only on existing sales.

¹² Different Italian sources give different estimates of the value of different indirect subsidies. The Poste Italiane estimates the value of distribution subsidies is €247 million (identical with our estimate), whereas the Government puts the figure at €149.4 million (DIE 2008). See IEM (2011) for details.

subsidies in Italy thus run to €560 million. Calculations and notes on the calculation of these values are shown on the following pages.

Germany: Circulation Revenues

Standard VAT rate	19%
Sales revenues	
Subscription sales revenues	2864
Subscription VAT rate	7%
Value of reduction/exemption	344
Single copy sales revenues	1508
Single copy VAT rate	7%
Value of reduction/exemption	181
Total value of VAT reduction/exemption	525

Source: World Press Trends 2010, World Association of Newspapers and News Publishers. The latest sales figures are from 2008. The values are in € million. Conversion done according to the tables in World Press Trends.

Italy: VAT Exemption for Circulation Revenues

Standard VAT rate	20%
Sales revenues	
Subscription sales revenues	140
Subscription VAT rate	4%
Value of reduction/exemption	23
Single copy sales revenues	1420
Single copy VAT rate	4%
Value of reduction/exemption	227
Total value of VAT reduction/exemption	250

Source: World Press Trends 2010, World Association of Newspapers and News Publishers.

Newsprint Consumption

Standard VAT rate	20%
Consumption of newsprint (M ton)	751
Average price/ton	522,5
VAT rate on newsprint	4%
Value of reduction/exemption	63

Sources: CEPIPRINT 1990-2008 Demand and Supply Statistics, Newspaper and Magazine Paper Grades, June 2009. The latest consumption figures are from 2008.

Postal Distribution Subsidy

The discount rate for postal deliveries in Italy has been 40%. At the beginning of 2010, the fund set aside by the government for the postal discounts to newspapers and periodicals lacked resources, reducing the benefit to the press to 30%. The value of discount in the table is calculated using the 2009 distribution figures because they are the latest available and thus incorporates the discount rate of 40%, which was the applied rate in 2009. The distribution costs are calculated according to the delivery costs in subscription sales.

The calculation of the value for reduced postal rates was done, in the absence of actual statistics on costs of postal deliveries, by multiplying the number of newspapers sold or delivered by the average delivery costs of subscription. The value of reduction was calculated using the formula: $\text{Rate of Reduction} / (100\% - \text{Rate of Reduction}) * \text{Reduced Cost}$.

Distribution costs per copy (€)	
Subscription sales	0.14
Reduction on postal rates	40%
Total number of copies sold/distributed	2 650 000 000
Distribution costs according to subscription delivery costs	371 M €
Value of reduction	247 M €

Source: World Press Trends 2010. The distribution figures are from 2009.

United Kingdom: VAT Exemption for Circulation Revenues

Standard VAT rate	18%
Sales revenues	
Subscription sales revenues	375
Subscription VAT rate	0%
Value of reduction/exemption	67
Single copy sales revenues	3787
Single copy VAT rate	0%
Value of reduction/exemption	682
Total value of VAT reduction/exemption	748

Source: World Press Trends 2010, World Association of Newspapers and News Publishers. The latest sales figures are from 2008. The values are in € million. Conversion done according to the tables in World Press Trends.

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In addition, we have used data from the European Audiovisual Observatory, European Social Survey, Pew Research Center for the People and the Press, Pew Internet and Society, and World Press Trends.