

Public funding of high-quality journalism

A report for the ACCC

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1. Background

1.1. Objectives

The ACCC, as part of its Digital Platforms Inquiry, commissioned this report from Robin Foster and Mark Bunting of UK media advisers, Communications Chambers. We were asked to examine international approaches to public funding of the production of journalism. Our work was intended to inform the ACCC's deliberations on policy options for securing high quality journalism.

The range of schemes we examined covers: direct subsidies and grants, indirect support such as tax incentives and reliefs, and one-off and ongoing support. Direct funding for public service news media (e.g. public service TV, radio and online news) is included, alongside schemes which directly support aspects of print and online journalism.

Our report also includes a discussion of the significance and impact in different countries of philanthropy in supporting public interest journalism, and the scope for encouraging its development through direct or indirect government support.

We used a wide range of published sources to compile the report, which are referenced throughout. Examples have been drawn from countries which have similar industry and regulatory frameworks to Australia, and which allow examination of a cross-section of schemes including France, Germany, the UK, and several smaller north European countries, and the US and Canada in North America.

1.2. About the authors

Robin Foster is an economist and media policy adviser based in the UK and has written extensively on news provision, media plurality, and the impact of digital platforms on news markets. As a consultant, he has advised clients in the UK and overseas on developments in digital media, news provision and public service broadcasting. Robin is an independent member of the Ofcom Content Board, and a Panel Member at the Competition and Markets Authority, as well as Founder of media consultants Communications Chambers.

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2. Executive Summary

For this report, we have examined nine countries: the UK, US, Canada, France, Germany, Norway, Denmark, Sweden and Finland. Across all the countries surveyed, quality journalism is under pressure from well-documented and disruptive market and technology changes. Everywhere, there is growing public and political interest in finding new ways of securing the future of journalism, reflecting its perceived importance to society and the challenges faced by commercial providers.

In some countries, the notion of public support for journalism is quite new, in others there has been a long-established tradition of government support since the 1960s. Different approaches have been taken, but there has emerged a common “toolkit” of measures:

- Indirect support:

For example, a range of tax reliefs and exemptions which reduce costs to news providers and/or encourage higher consumption of news products and services.

- Direct support:

For example, direct grants which support various types of news production, marketing and distribution, or long-established public funding of public service media, such as the BBC.

- Encouraging philanthropic support

For example, government support for private donations to support news provision.

The longest established and most widely used schemes are typically based on **indirect support for traditional media**, in the form of sales tax or value-added-tax relief. These can be costly for government – for example many cost in the region of several hundred million AUD\$ a year – and obviously vary by market size. Their critics argue that they can be a blunt form of support, as it is not clear how much of the direct cost of each scheme translates into actual benefits for the newspapers targeted, and they tend not to be linked to any specific type of content. As copy sales fall, they decline in cost and value.

Recently, there have been moves (e.g. in France and the Nordic counties, with proposals to do so in the UK) to extend such schemes to digital news subscriptions, with the aim of reaching a wider group of beneficiaries (new as well as established news media), and offsetting a decline in the value of benefits to established publishers as their print sales decline.

There has been only limited use to date of direct consumer subsidies for news media subscriptions (for example a small scheme in France and proposals, recently confirmed, in Canada).

Other indirect support – for example postal subsidies for newspapers delivered to the door - are declining in value over time as consumption of news shifts to digital media.

Alongside or in place of indirect support, the countries we surveyed are turning to **more direct forms of public funding, which are seen to offer scope for better targeted support** of the journalism that they believe matters to society. These include:

- Support for research and innovation in business models, skills, distribution, marketing etc. Examples include new strategic and support funding schemes in France, new proposals in

Sweden and Norway for platform-neutral innovation grants, an Italian fund to support pluralism and innovation, and the UK Cairncross proposal for an innovation fund

- Support for what in each country is thought to be the most “at -risk” journalism – typically local news in general, local “public interest” reporting, and investigative journalism. Examples include Canada’s proposed fund to support local journalism in underserved communities, the UK’s proposed local public interest journalism fund, France’s local and community media fund and similar proposals in Sweden
- Support for journalism for indigenous communities or minority languages, where commercial provision is uneconomic – for example schemes in Canada and Finland
- Tax credits which are tied to investment in all or particular aspects of news provision.

While some have expressed concern that public funding of this sort might compromise the independence of the press, measures have been designed in various countries to address this risk, including:

- Clearly specified objectives for funding each scheme
- Use of independent bodies to oversee the scheme(s) – for example with an independent board or panel of journalists, as exists in Sweden and as proposed in Canada
- Transparent and clear criteria for determining eligibility for funding and for allocation of funds
- Periodic reviews of funding and evaluation of its impact.

Direct funding schemes vary in scale, but most are relatively small in value compared to total market size, with perhaps the exception of a few more long-established schemes in the Nordic countries.

Directly funded schemes which were designed to support general news provision are the most generous – between AUD\$60-120m a year in France, the Nordic countries and Canada (proposed). Newer targeted funds are more modest in size – typically from AUD\$5-25m a year, depending on the country and nature of the fund: for example, new targeted funds in the Nordic countries are set at about AUD\$5m a year, while the Cairncross proposals for the UK suggest an innovation fund of around AUD\$18m a year. Per capita spend on schemes tends to fall as population size increases – but in practice there seems to be a minimum credible fund size of around AUD\$10m a year.

Funds vary in design, but key features typically include: fixed terms (e.g. a fund established for 5 years), project related grants (to avoid open-ended commitments), and encouragement of matching donations/commercial contribution.

Two other approaches are widely adopted.

- First, in all the countries we surveyed, even the US, **public service media** are seen to play a role in the provision of independent and impartial news. The scale and scope of public service media news provision vary, with the UK’s BBC having most resources, while some of the smaller Nordic PSMs are facing significant budget cuts.
- Second, **philanthropic support** for journalism is receiving growing interest, with the US experience – where such funding is significant – of special interest. Countries like the UK and Canada see growth potential here and are seeking measures which will clarify the scope for

certain types of journalism to qualify for charitable and/or tax-deductible status, in the hope of encouraging an uplift in this source of support. Canada, for example, proposes to create a new category of “qualified donee” for not-for-profit organisations that produce a wide variety of news and information of interest to Canadians. Even in the US, though, philanthropic funding for journalism is modest in scale compared with the total value of commercial revenues to news media.

While there is no obvious single “right way” of providing government support for journalism, experience from the countries we have surveyed provides some confidence that useful schemes can be designed, which can deliver effective outcomes, value for money, accountability and independence from government.

3. Overview

3.1. Context

For this report, we have examined nine countries in detail. Across all the countries surveyed, there is growing public and political interest in finding new ways of securing the future of journalism, reflecting its perceived importance to society and the challenges faced by commercial providers. In some countries, the notion of public support for journalism is quite new, in others there has been a long-established tradition of government support. Different approaches have been taken, and some countries are more relaxed about government support for journalism than are others, but there seems to have emerged a common “toolkit” of measures which all countries have considered.

These approaches divide clearly into:

- Indirect support:
For example, a range of tax reliefs and exemptions which reduce costs to news providers and/or encourage higher consumption of news products and services.
- Direct support:
For example, direct grants which support various types of news production, marketing and distribution, and funding of public service media, like the BBC
- Encouraging philanthropic support
For example, government support or encouragement for private donations to support news provision.

A summary of the measures in place in each of the countries studied is provided at Figure 1, with annual costs of scheme given where available.

Figure 1: Summary of public support for news across nine countries¹

Country	Indirect support	Direct support	Proposals
UK Pop: 66m	Zero-rating of VAT on newspapers (AUD\$610m) Government advertising (AUD\$50m but in decline)	BBC Local Journalism Partnership (AUD\$15m) Public service media news (in excess of AUD\$650m)	<u>Cairncross Review proposals to government</u> : Innovation fund (AUD\$20m) Funding for local democracy reporting (AUD\$25m) Extend zero-rating of VAT to digital (AUD\$75m) Tax breaks for production (not quantified)

¹ All figures per annum. Communications Chambers estimates

Country	Indirect support	Direct support	Proposals
US Pop: 326m	Sales tax relief on newspapers (AUD\$1.3bn) Subsidised postal rates (AUD\$400m) Government advertising (in decline)	Support for public broadcast news (AUD\$70m) Philanthropic funding (AUD\$140m)	<u>No new government initiatives</u> More interest in philanthropic support for local news Examination of different approaches to ownership, including not-for-profit and hybrid corporate status
Canada Pop:37m	Sales tax relief on newspapers (AUD\$60m)	Canada Periodical Fund (AUD\$20m for community papers) Support for public service media news (AUD\$160m – mainly via CBC)	<u>New government proposals:</u> Fund for local journalism in individual communities (AUD\$10m) Refundable tax credit to support costs of journalism Refundable tax credit to support digital subscriptions to Canadian news Support philanthropic funding with new category of “qualifying donee” These three combined: AUD\$115m
France Pop: 67m	2.1% VAT rate for newspapers (AUD\$575m)	Grants for modernisation, innovation, support for non-market leading newspapers (AUD\$120m) Public service TV and radio (more than AUD\$200m)	<u>New subsidies implemented 2016:</u> New funds for strategic development, innovation and community/local media (AUD\$25m)
Germany Pop: 83m	7% VAT rate for newspapers (AUD\$930m)	No direct subsidies ZDF and ARD (in excess of AUD\$800m)	<u>No new proposals for direct or indirect funding</u> Ancillary copyright introduced 2014 with limited effect
Nordic countries Sweden pop: 10m Denmark pop: 5.8m Norway pop: 5.3m Finland pop: 5.5m	Reduced VAT rates; zero-rating in Denmark and Norway (AUD\$160-270m per country ex Finland, AUD\$60m)	Production subsidies for non-market leading newspapers, crisis support funds, innovation funds (AUD\$60-90m per country ex Finland, AUD\$1m direct subsidies for minority language media) Public service media under some pressure	Sweden: new platform-neutral subsidies to be introduced 2019 Denmark: new production subsidy for digital media, equalisation of VAT for digital and print media Norway: range of proposals incl VAT equalisation, extension of eligibility for subsidies, innovation grants and grants for at-risk journalism Finland: VAT equalisation Generally small-scale c AUD\$5m

For each type of support, we have found long-running permanent schemes and more time-limited or transitional schemes. While many schemes have focused to date on established publishers in traditional print and broadcast media, more recent support has recognised the significance of digital news, and new market entrants. We also detect a move away from schemes which support journalism in general to those which are focused on specific outcomes, and from indirect to direct support.

We discuss these trends below and in more detail in each country chapter. We observe, though, that in most countries surveyed, the level of direct government support provided and the inflow of philanthropic funding available for journalism have been quite modest compared with the total value of the news market (in terms of commercial revenues). Where they exist, VAT/sales tax reductions or exemptions, expressed as foregone tax receipts, usually represent a much greater cost.

Many of the more interesting newer schemes have only recently been implemented or are still at proposal stage, so their effectiveness remains to be seen.

3.2. Indirect support for news

In all countries surveyed, including the large markets of the US, UK and Germany, there exist long-established schemes to provide support for the press through indirect tax reliefs, whether via reduced Value Added Tax rates (in Europe) or exemption from various sales taxes (in the US and Canada). As noted in each country chapter, they can be costly, and their impact is often hard to determine.

Sales tax reliefs

For example, reduced sales taxes and their equivalent have long applied to traditional print newspapers, but circulations have continued to decline sharply, suggesting that such support has been insufficient to offset wider commercial challenges. A key problem is that they are not able to respond to cyclical or structural pressures – their value falls both during a temporary downturn and as a result of a long-term structural shift in consumption.

Moreover, it is not clear how much of the public cost of sales tax reliefs translates into income benefits for news providers. This will depend on a combination of rivalry between newspapers and overall consumer response to price changes. In a competitive market, it is entirely possible that each newspaper will have had to pass on (at least some of) the benefit of any sales tax relief to its customers and/or distributors to avoid losing sales to rivals. But research suggests that aggregate consumer demand does not always respond significantly to overall lower newspaper prices². Even if newspapers have gained from tax reliefs, those gains may not have been used to support more-valued aspects of their journalism.

The continued existence of news sales tax reliefs in our view reflects the difficulty of removing such tax benefits once they are in place, rather than any inherent value in this method of support.

Despite this, there have been recent moves in some countries, most notably France and Italy, to extend sales tax reliefs to digital news subscriptions. Proposals to do so have also been advanced in Canada, Denmark, Norway, Finland and the UK. This might make sense on grounds of fairness, platform

² For example, see the discussion in Eli Noam, *“Managing Media and Digital Organisations”*, Palgrave, 2018, page 468, and Weber and Poyar’s *“A Premium Model is Your Best Hope”*, Simon-Kuchar and Partners, 2012.

neutrality and support for the digital future, but – as noted above – may represent poor value for taxpayers.

Consumer subsidies

Rather than or alongside sales tax reliefs, some countries have considered offering direct subsidies to consumers to encourage their take-up of paid-for news. In France a three-year scheme, from 2009-2011, funded 50% of the costs of a one-year newspaper subscription for 18-24-year olds (with a view to helping them established a news consumption habit); a review found that only around 5-8% of beneficiaries subsequently took out a paid subscription (compared to typical newspaper readership of 9% amongst the target group). In Canada, current proposals include a temporary (five year) refundable 15% tax credit on subscriptions to Canadian digital news services.

We are not sure, however, that price is the main barrier to the take-up of subscriptions to digital news, given the range of innovative approaches adopted by news providers to attract new consumers, and an increasing propensity for some consumers to pay for news they value. Rather, it is that a large proportion of consumers are happy with free news and would not consider a subscription even with a much larger (than, say, 15%) discount.

Other indirect support

Other forms of indirect support for journalism to date have included postal, telecoms and transport subsidies and government advertising in the press (for example placement of so-called statutory notices). Such subsidies are of rapidly declining value and do not offer scope for future development. Postal subsidies are under pressure as postal organisations seek ways of stemming losses and, in any event, are less and less valuable to news publishers as news consumption switches from physical newspapers to digital. National and local governments are seeking more effective, online ways of placing official notices.

3.3. Direct support for news

Long-established schemes

In some countries, direct government funding of news has been long established. In the Nordic countries, for example, funding schemes date back to the 1960s, and were initially set up to help support diversity in news provision in markets deemed too small to support a sufficient plurality of news. One approach was to provide financial support to the second largest newspaper in each locality. In France, too, there have been long standing government subsidies for the national and regional press, to cover modernisation, innovation and emergency support, amounting to AUD\$120m per annum in 2015. In Canada, the Canada Periodical Fund has since 2009 provided project-related funding to weekly newspapers. In contrast, the UK, Germany, and the US have relied on commercial provision in markets which, to date, have been sufficiently large and prosperous to support a range of commercial news providers.

More focused schemes

In most of the countries we surveyed, more recent thinking has shifted away from plurality as the primary motivation for intervention, towards more focused or better targeted schemes, which aim to

tackle particularly acute problems in news provision. This is a form of “market failure” approach. These include:

- Support for research and innovation in business models, skills, distribution, marketing etc. Examples include new funding schemes in France (AUD\$25m pa), the UK Cairncross proposal for an innovation fund of AUD\$20m pa, new proposals in Sweden and Norway for platform-neutral innovation grants (c AUD\$5m pa), and an Italian fund to support pluralism and innovation, from which newspapers received around AUD\$75m in 2017
- Support for what in each country is thought to be the most “at-risk” journalism – typically local news in general, local “public interest” reporting, and investigative journalism. Examples include Canada’s proposed fund to support local journalism in underserved communities, the UK’s proposed local public interest journalism fund, France’s local and community media fund and similar proposals in Sweden
- Support for journalism for indigenous communities or minority languages, where commercial provision is uneconomic – for example schemes in Canada and Finland.

Many of these schemes are only just being established and to date there is little hard evidence of their impact.

Tax credits

In the grey area between indirect and direct support can be found tax credits which are tied to investment in all or particular aspects of news provision. A tax credit for general investment in news provision is still quite a blunt tool and unless set at a substantial level, may have little impact. Tax credit schemes can be more effectively targeted, however – for example linked to spend on the costs of journalists, or on specific investments in local journalism – and have recently been proposed in both Canada and the UK.

What can be said about these direct funding approaches in general?

Some general observations can be made about these types of scheme:

Press independence and governance of schemes. There have been some concerns about the impact of direct government funding on the independence of the press, especially in those countries which do not have a history of direct state support for news. For example, while designed in a way which should secure press independence (see later), Canada’s proposals have still been criticised by some as an attempt by the current administration to win media support. Past proposals for public funding of news in the US have met resistance due to sensitivities about press independence and freedom of expression. In France, questions are periodically asked about the allocation of state funding to newspapers and the extent to which it allows local and national politicians to wield influence over the press.

However, in other political cultures, such as the Nordic countries, long-standing state support for the press does not appear to give rise to such concerns on the same scale.

Looking at existing models and proposals, it seems to us that measures can be put in place to alleviate such concerns, including:

- Use of independent bodies to oversee the scheme(s) – for example with an independent board or panel of journalists, as exists in Sweden and as proposed in Canada
- Clarity of objectives
- Transparent and clear criteria for determining eligibility for funding and for allocation of funds
- Periodic reviews of funding and evaluation of its impact.

Although aimed at audio-visual content in general rather than news, initiatives such as Sound & Vision in Ireland and NZ On Air in New Zealand, provide working³ examples of how state funding can be allocated independently and effectively to third parties, using a transparent competitive tender process.

The BBC's Local Journalism Partnership in the UK, the Swedish Media Subsidies Council, and the Canada Periodical Fund are further examples of how news support schemes can be administered independently in practice.

Scale of impact. Direct funding schemes vary in scale, but most are relatively small in value compared to total market size, with perhaps the exception of those in the Nordic countries. Directly funded schemes which are designed to support general news provision are the most generous – between AUD\$60-120m a year in France, the Nordic countries and Canada (proposed). Newer targeted funds are more modest in size – typically from AUD\$5-25m a year, depending on the country and nature of the fund: for example, new targeted funds in the Nordic countries are set at about AUD\$5m a year, while the Cairncross proposals for the UK suggest an innovation fund of around AUD\$18m a year.

Size of individual grants. There is some variation here, too. Some existing schemes offer grants to individual recipients capped at a relatively low level (e.g. the Canada Periodical Fund offers a maximum of AUD\$26,500 per grant from its business innovation fund). Others offer significant grants over a period of time to larger news organisations or to collaborative ventures between news providers. This has been typical of philanthropic funding from the major foundations in the US. We understand that some funds make eligibility dependent on raising matching funds from the private sector or other bodies.

Duration. Longer established schemes have brought planning certainty to their beneficiaries but were originally designed to support diversity in a largely print news market, hence almost inevitably lack flexibility to respond to rapid and significant change. It is also arguably the case that their impact diminishes over time, as recipients build state support into their continuing business models, with the risk that they have less incentive to adapt and change. Where subsidies have been tied to physical distribution of newspapers, they may have been one of the factors that discouraged some news providers from switching to digital.

³ The Irish "Sound and Vision" Scheme invests around AUD\$18m a year in TV and radio programming which reflects Irish culture, heritage and experience. Funds are allocated by the independent Broadcasting Authority (TV and radio regulator), to individual programme proposals which meet its stated criteria with the help of an independent panel of experts, drawn from the creative sector. New Zealand's NZ On Air is much larger, investing AUD\$130m in broadcast and digital content in 2017/18, including for factual programmes and investigative journalism. It is an independent body; whose Board takes overall responsibility for allocating funding using a competitive tender model.

It has been argued in the light of these market challenges and the need for legacy news providers to find new business models that it would be desirable to focus public funding on fixed term or transitional measures which aim to help those news providers move to a new sustainable commercial model. This is the thinking behind the idea of innovation funds which provide support to established news providers for digitalising content and subscription management. Such proposals are based on two (arguable) assumptions – that established news providers can find a new sustainable business model, and that they are the right organisations to provide news in the future.

Eligibility. While there are good reasons to use public funding to support research, development and innovation, it is likely to be more effective, we think, if funding is available across print and digital media, and not just restricted to established providers. Questions of eligibility still arise – for example, it might be sensible to set criteria for funding in terms of ownership, quality of content published, purpose, number of journalists, audience reach, track record etc.

Nature of journalism to be supported. Views as to the nature of journalism which should be supported by public funding vary from country to country. The UK Cairncross Review focuses on “local democracy” reporting, which centres on coverage of local politics and authorities, but also highlights the importance of investigative journalism. In Canada, a key priority of the recent reforms is support for “civic function journalism” – defined as coverage of elected officials and public institutions, from legislatures, judicial or quasi-judicial bodies and city halls to school boards and supporting public services; and issues and debates related to these officials and bodies. But Canada’s tax credit proposals have a wider aim of supporting journalism and information of interest to all Canadians. In Norway the generally stated aim is to support journalism of vital importance to society and public discourse.

How broadly or narrowly these objectives are scoped has a significant influence on the scale and nature of any public support for news.

3.4. Public service media

Before leaving the subject of direct public funding, it is important to note that, in most of the countries we surveyed, significant state funds are made available to public service media organisations (formerly known as public service broadcasters) to support news output. Broadcast news is still the most important or one of the most important sources of news in each market and has a potentially valuable role to play as a generally well regarded independent and impartial source of news.

In the UK, for example, the BBC invests around AUD\$650m a year of its funding on TV, radio and online news – a far bigger direct subsidy than anything proposed in the UK for other news media support. While PSM is arguably not well placed to address shortfalls in local news and investigative journalism, it can make significant contributions to news provision more generally. Support for public service media is not consistent across the countries we surveyed. While the CBC in Canada and the Corporation for Public Broadcasting in the US seem to have weathered attempts to cut their funding in recent years, there is pressure to reduce public funding to PSMs across Europe, and those which also rely on commercial income have seen declining advertising revenues. Their expansion into online news has not been welcomed in some European markets and has been actively constrained in others.

3.5. Philanthropy

Philanthropic support for journalism has been seen in several countries as a means of meeting some of the shortfalls in market provision, and the US is often held out as an example of what can be achieved with the right structures and tax incentives. Philanthropic funding of news in the US has reached around AUD\$140m a year (based on data from 2010 to 2015), although this is for a market around 13 times the size of Australia in population. In the US, large charitable foundations have invested considerable sums in public service media in general (largely public TV and radio), and in various forms of journalism. Major not-for-profit journalism organisations have benefited, especially those with high profile investigative and campaigning output. Philanthropic funding is smaller in scale in every other country we have examined and tends to be primarily used by new not-for-profit entrants such as *Correctiv* in Germany, which received the biggest grants in Germany of recent years, of AUD\$5m over three years.

Factors which might influence the level of philanthropic funding for journalism include the extent to which private donations to news organisations are eligible for tax relief and foundations are permitted to invest in journalistic endeavours. Tax deductibility is usually connected to whether or not news organisations can qualify for charitable status. In our survey, we have found that there is a marked lack of clarity across jurisdictions on this point. In both Canada and the UK, it has been suggested that this lack of clarity should be addressed by government. Even in the US, there is an ongoing debate about this issue, and the higher level of philanthropic support for journalism there may be as much a matter of greater demand (as an increasing number of news providers have sought not-for-profit status and voluntary funding) and a more favourable culture of voluntary donations, than a more relaxed tax regime.

As reported in our US country chapter, it should be noted also that philanthropic support for news brings its own problems of accountability and influence, has often focused on more eye-catching national initiatives, and to date has been less successful in providing support for more modest local, journalism. Moreover, opting for not-for-profit status – as some news providers in the US have done – does not solve their underlying problems of sustainability and viability.

3.6. Features of effective schemes

We conclude that there is no single “right way” to provide government support for journalism. Much depends on the overall objectives defined for any such support, and on individual market circumstances – for example prospects for commercial news provision, the extent to which governments are trusted not to interfere in press independence, the willingness of private individuals and foundations to invest in not-for-profit journalism, and the presence of existing models such as public service media.

Nevertheless, experience from the countries we have surveyed provides some confidence that useful schemes can be designed, which can deliver effective outcomes, value for money, accountability and independence from government. Successful schemes appear likely to display some or all the following characteristics:

- Clear focus on a specific objective (e.g., a specific type of “at-risk” journalism, or initiatives designed to help develop more sustainable business models). This is exemplified by moves in

France, Italy and the Nordic countries away from general production subsidies in favour of innovation funds. Canada's proposed fund for local journalism in underserved communities provides a further example. Such schemes are (at least in theory) more flexible, better targeted and easier to evaluate.

- Careful analysis of the problem to be addressed and the ability of alternative interventions to tackle it. For example, many of the initiatives considered in this report were only proposed or introduced following a substantial, independent assessment of the prospects and needs of the news media, including the UK's Cairncross Review, Canada's Shattered Mirror report, and the Norwegian Media Pluralism Commission. Regular evaluation helps ensure schemes deliver their intended objective and should provide flexibility, although many schemes are too new to assess how effective this is.
- Openness to digital as well as established media and institutions. Funding should, in our view, be tied to the provider's ability to deliver the policy objective, not a particular business or distribution model. This can be seen in Sweden and Norway's platform-neutral innovation grants and proposals to extend the scope of Canada's Periodical Fund to digital outlets. Limiting support to the print media risks both excluding online providers who could make a valuable contribution to policy goals and discouraging traditional media from modernising their business models.
- Distribution via grants to identifiable, fixed term, projects, based on clear criteria and transparent decision-making processes, as demonstrated by the Swedish Media Subsidies Council, the BBC's Local Journalism Partnership, Canada's proposed five-year support programme, and corporate initiatives such as Google's Digital News Initiative. Such an approach may help mitigate concerns about the impact of direct funding on the independence of the press, although this is also likely to depend on the nature of the local political system and journalistic culture.
- Administration by an independent body, operating within a clear framework for governance and accountability. For example, the allocation of grants by independent public bodies in Sweden and Denmark may have helped avoid the perception of political interference in the media – in contrast with France, where the Ministry of Culture is responsible for allocating grants, despite concerns about the close relationships between politicians and corporate media owners.
- The scope to leverage non-government sources of funding, for example in Canadian and UK proposals to open up access to charitable tax incentives to some forms of journalistic activity aligned with policy goals.

We are less persuaded of the case for significant levels of new indirect and general support, given their potential cost, lack of focus, and scope for diversion into output of low public value.

4. The United Kingdom

4.1. Context and overview

The UK, with a population of 66m, has a lively, diverse, and often highly opinionated media market, supported by around £4.2bn a year of revenues (advertising, subscriptions, and public funding).⁴ These revenues currently support 10 daily national newspapers, around 1000 local and regional newspapers, and prominent news services on TV and radio, including a substantial news provision by public broadcaster, the BBC. In fact, TV is usually cited as by far and away their “most used source of news nowadays” by UK survey respondents⁵. The BBC and most print newspapers also now have a significant digital presence, accounting for many of the top twenty online news brands, measured by consumption, alongside a range of smaller UK-focused online news and opinion sites.

As in many developed markets, though, UK news provision is undergoing major changes in revenues, readership, and modes of consumption. Over the decade to 2017, average daily circulation of national newspapers fell by 45%, while that for regional newspapers fell by 50%. Total revenues declined by 45% over this period, with local/regional newspapers suffering much bigger falls than national papers. Digital advertising growth has failed to offset print advertising decline, for reasons common to many developed markets.

The result has been significant cutbacks in spend on journalism, and a marked drop in the number of journalists employed in the sector. – from 23,000 in 2007 to 17000 in 2017.⁶ While national newspapers have seen only one title disappear during this period, the local newspaper sector has been marked by a series of closures and mergers.

As print news consumption has fallen, online has become the UK’s main source of news⁷, ahead of TV, with the smartphone becoming the most used device for online news, overtaking the computer/laptop. In parallel, search engines and social media companies have become important gateways to news stories and brands, with mixed consequences for news providers’ revenues and brand recognition.

Against this background, many established publishers have been seeking alternative revenue sources, particularly forms of online subscription. To date, the so-called “quality” newspapers such as the Times and the FT have been more successful in attracting online subscribers than mass market and local publishers. The Guardian is notable for its change of strategy from a largely free online site to an increasing dependence on donations and subscriptions for its revenues. In contrast, the mid-market Daily Mail and the tabloid Sun are still largely reliant on advertising revenues. Few local/regional newspapers have successfully tapped into subscription revenues. All commercial news providers face strong competition from the BBC, which provides an extensive and highly trusted free (at the point of

⁴ Data from Mediatique’s report for the UK Department for Digital, Culture, Media and Sport, [Overview of Recent Dynamics in the UK Press Market](#), April 2018, plus Communications Chambers estimates. Mediatique also reports that these revenues supported investment in editorial content of £1,835m in 2017.

⁵ 79% cite TV news as their most used platform, [News Consumption in the UK](#), Ofcom, July 2018

⁶ Data from the Mediatique report for DCMS

⁷ Reuters Institute for the Study of Journalism (RISJ), [Digital News Report 2018](#)

use) news service and has established itself as the top news brand for both traditional media (TV, radio and print) and online⁸.

The main public policy issues arising from these developments in the UK include:

- Fear that continuing revenue pressures (and the cost cutting in news provision which they have prompted) will impact adversely on the quality of journalism available to the public, especially those unable or unwilling to pay for news
- Concerns about the future sustainability of some specific high cost elements of journalism, such as investigative journalism and local reporting
- Worries that the BBC, as the most used source of news across a range of media, is too powerful a voice and risks crowding out commercial news provision
- Concerns about implications of any further market concentration on the plurality of news provision at both national and local levels.

The recently published Cairncross Review⁹, an independent review commissioned by the UK Government, addresses these challenges and, amongst a series of recommendations, proposes some new measures which call for funding and other public support. We return to these later in this section.

4.2. Public support for journalism to date

The UK is in some ways an example of extremes. For many decades, commercial print news providers have fiercely defended their independence from the state and have often enthusiastically pursued their own political and corporate agendas, subject only to a self-regulated code of conduct. They have, however, received some indirect financial support in the form of tax reliefs. In contrast, the UK's public broadcasting system represents perhaps the biggest direct public intervention of its kind in the world, with the BBC's licence fee income supporting an extensive publicly-funded news service.

In more detail, these are the main existing support schemes in the UK:

Zero-rating of VAT on newspaper copy sales prices

The main indirect subsidy for UK newspapers takes the form of zero-rating of Value Added Tax (VAT) – a type of sales tax - for the category of books, periodicals and newspapers. The VAT rate for newspapers therefore is 0%, as opposed to the standard rate of 20% on most other goods, which means that newspapers do not have to add 20% VAT to the copy price of their newspapers¹⁰. This relief was introduced in the UK in 1973 when the VAT system was first introduced, as a way of reflecting the perceived public value of widespread consumption of news.

Our estimate is that the public cost of this relief was around £340m of VAT income lost to the Treasury in 2017¹¹ as a result of newspaper zero-rating. How much of this yields a benefit to newspapers depends on assumptions made about the counter-factual. For example, if 20% VAT is removed, and

⁸ In terms of weekly usage, RISJ *op. cit.*

⁹ DCMS, [The Cairncross Review: A sustainable future for journalism](#), February 2019

¹⁰ See [UK Government guidance on VAT rates](#) on different goods and services.

¹¹ Based on newspaper copy sales income of £1.7bn in 2017 and VAT standard rate of 20%. Note, this assumes no reduction in sales volumes in the counterfactual – with VAT- case, and hence is likely to be the maximum cost.

their copy price falls by that amount (due to market pressures) , newspapers are no better off than before, unless they see some uplift in sales volumes as a result. Some sales increase might be expected, but it is impossible to estimate with confidence how much¹². Nor is it possible to estimate with any certainty how much of the tax “windfall” would be invested in quality journalism.

Looking ahead, newspapers and other publishers have become increasingly exercised by the fact that this VAT relief does not apply to their digital services and content and have strongly argued for such an extension.

BBC Local Journalism Partnership

In 2017, an initiative called the BBC Local Journalism Partnership¹³ was launched, with the aim of providing public support for certain types of local journalism, in response to rising concerns about local job cuts and resultant shortfalls in reporting of local court cases, local government proceedings, and other local public bodies. It arose from a commitment in the latest BBC Charter for the BBC to establish more partnerships and is funded by the BBC to the sum of £8m a year, with a commitment for the next 11 years.

The scheme, which was formed in partnership with the News Media Association (the news media industry body), has as its aim the support of 150 journalists (termed “local democracy reporters”) funded by the BBC (from the TV licence fee), and employed by a range of eligible news organisations. In addition, the BBC is expected to make available archive video footage and audio news content from a so-called “news hub” to local news media websites and contribute a set of data journalism tools to its local press partners.

Eligible news organisations are those which can demonstrate quality and a previous track record of public service journalism. 60 organisations have signed up, representing around 700 titles, although in practice most of the contracts so far have been won by the largest local news publisher groups.

The scheme has undoubtedly already helped support the employment of local journalists, who have a clear remit for local public interest reporting. And first reports suggest a significant amount of new content has been generated and shared among scheme participants. So far, therefore, the scheme seems to be achieving the objectives set for it. However, early critics have noted that it is hard to monitor the real “additionality” of the appointments made (i.e. have they simply replaced existing resources?), and some have questioned the BBC’s approach to allocating the funding¹⁴. The demand from the general public for this type of local reporting is unclear, although its proponents argue that just the fact of its existence helps to place the activities of local authorities under scrutiny, hence its public value.

¹² Previous studies have found newspaper demand to be relatively price inelastic, suggesting that a VAT reduction would not have a significant effect on sales. See for example the discussion by Alpo Luostarinen, in a paper for the Aalto Business School, 2015: *Increase of VAT on newspaper subscriptions, Effects on the Finnish newspaper market*

¹³BBC: *Local News Partnerships Annual Review 2017/18*, at <https://www.bbc.co.uk/lnp/>

¹⁴ These points are summarised in the Cairncross Review, *supra* note 9

Cairncross suggested that the scheme should be used as a basis for further intervention in this area of journalism, but that it should first be reviewed with a view to recommending improvements where necessary.

Public service media

Much the biggest public support for news in the UK comes in the form of funding, via the licence fee, for the BBC. The BBC received some £3.8bn licence fee income in 2017, of which around £350m¹⁵ is invested directly in news and current affairs provision across all platforms.

The BBC provides a comprehensive news bulletin service across its main linear broadcast TV and radio channels, a 24-hour TV news channel, a 24-hour news and sport radio network, a range of local and regional radio stations, and a new TV channel specifically for Scotland. It also provides the most used online news service in the UK. According to Ofcom, the BBC is by far the single biggest source of news in the UK (accounting for 32% share of the market measured in terms of references across TV, radio, online and print) and the BBC One TV channel is the UK's single most important source of news¹⁶.

While publicly funded, by and large the BBC maintains a high degree of independence from political interference, although there is scope for indirect political pressure to be applied at periodic funding and Charter reviews. Recent regulatory changes, which have enhanced Ofcom's role, have helped increase transparent and independent scrutiny of the BBC. The BBC's own editorial codes, backed up by independent regulation from Ofcom, are designed to ensure, as far as is possible, impartial, balanced and accurate reporting and analysis.

In discussions of media plurality in the UK, the BBC is often cited as a safeguard against lack of diversity/plurality in the commercial news sector, and as a guarantor of sustainable quality in the provision of news at a time when the rest of the sector is facing deep resource cuts.

However, even the BBC faces challenges as it considers the future of its news provision:

- Its own resources, although more stable than those of the commercial news sector, are under pressure, which means that newsgathering costs are under close internal scrutiny
- While it is strong in national and international news, the BBC does not have equivalent depth of resources at local level – and indeed was prevented a few years ago from extending its local news services for fear of unduly harming local commercial news providers
- Its very success raises concerns about the BBC's voice and values being too pervasive in the supply of news to UK citizens – more extreme critics have accused the BBC of representing an elitist, London-centric liberal view in recent coverage of Brexit, for example
- Commercial news rivals claim that the BBC's online news service, being free to users, is crowding out their own efforts as finding a viable online subscription model.

Nevertheless, in any discussion of the future of news in the UK, it is hard not to conclude that the BBC has a significant role to play for some time to come.

¹⁵ Communications Chambers estimate based on various BBC planning statements. The other UK public TV channels spend about £105m a year on news together

¹⁶ Ofcom, *op. cit.*

Other existing support schemes

It is worth here mentioning three other aspects of support for journalism in the UK.

First, in common with other countries surveyed for this report, there still exists a requirement for local authorities to publish “statutory notices” (about planning consultations, local elections, bye laws etc) in the local press. It has been estimated that this results in income of around £26m a year to local print newspapers¹⁷. As pressure mounts on local authorities to find more efficient ways of communicating such notices, it is likely that this indirect subsidy will decline in importance.

Second, as political pressure on the two main digital platforms has mounted, Google and Facebook, have both voluntarily established their own (albeit limited) schemes for helping to sustain journalism in the UK:

- Google established its Digital News Initiative in Europe in 2015 with a €150m fund and has to date invested around two thirds of this across Europe¹⁸. Some of this has reached the UK, where it has supported diverse projects, including the Press Association’s development of an automated story-writing tool called “Radar”, the Bureau of Investigative Journalism’s network of local journalists working on big data issues, and a “Local News Engine” – software designed to facilitate reporting of court and local planning cases
- Facebook announced¹⁹ at the end of 2018 that it was launching a support initiative for local community journalists in the UK, with a one-off £4.5m fund. This will support training of local journalists for a year in partnership with a group of the main local news publishers, and the National Council for the Training of Journalists.

Third, there are emerging not-for-profit sources of journalism, sometimes accessing philanthropic support:

- The most well-known and long-standing is the Scott Trust, a not-for-profit organisation which was established to support the Guardian in the UK and worldwide, using profits generated by other media enterprises owned by the Trust. Most recently, the Guardian has successfully trialled the use of voluntary donations and membership fees to generate financial support from individuals for its journalism, alongside advertising income and more traditional subscription revenue streams
- Other not-for-profit news organisations have been established in recent years, including most notably the Bureau of Investigative Journalism, set up in 2010. The Bureau concentrates on investigative journalism projects which require in-depth resources over a sometimes-lengthy period. Its work has appeared in most of the major news outlets in the UK. It is funded from donations made by individuals and foundations and had an income of just over £1m in 2017 (including 45% from foundations, 30% from individuals).

¹⁷ UK Local Government Association

¹⁸ [“Google has pledged more than Euro 94m to digital media projects over three years”](#), Press Gazette, June 21 2018

¹⁹ [“Facebook pledges £4.5m to fund 80 new UK community journalists in a global first”](#), Press Gazette, November 19, 2018

A barrier to philanthropic support for journalism in the UK is seen by many to be the current inflexibility of UK rules concerning charitable status for journalistic enterprises, even those which are run as not-for-profit enterprises, and which have little or no commercial income. Charitable status could bring two key benefits: various business tax reliefs for any organisation granted such status, and tax-deductible status for donations made by individuals or foundations to the organisation.

In brief, charitable status depends on meeting one of the purposes set out in the UK Charities Act and demonstrating that the endeavour is for public benefit. Charities cannot be political in the sense of, for example, supporting a political party. Journalism itself is not seen in UK law as a qualifying purpose for charitable status, although broader educational purposes can be so considered as can the advancement of citizenship or community development. Few journalism-related endeavours have so far convinced the UK Charities Commission that they are sufficiently “educational” to qualify for charitable status, although one exception is the organisation Full Fact, which offers fact checking services to news providers and platforms like Facebook. “Which”, a consumer advice magazine, also has charitable status. Note: the UK Bureau of Investigative Journalism mentioned above has applied for but failed to attain charitable status, so it does not receive tax reliefs and cannot offer tax deductibility on any donations.

These constraints are found across other key countries surveyed – see later. A more extensive account of the technicalities associated with journalism and charitable status in the UK (and other countries including the US, Canada, Ireland and Australia) can be found in a Reuters Institute report published in 2016.²⁰

4.3. Recent thinking and proposals for future schemes

There has been much recent debate in the UK about what, if anything, can be done to protect quality journalism from possible further decline. The Cairncross Review has put forward a range of new proposals for addressing some of the challenges facing quality journalism in the UK²¹.

The proposals roughly divide into two categories: those which are designed to help make the market for news work as effectively as possible, and those which require active government support or measures to address some specific market failures – namely the undersupply of what Cairncross calls “public interest” news. The Review’s definition of public interest news is quite limited – focusing on investigative journalism and local “democracy” reporting (i.e. reporting of the activities of local government, public bodies, courts etc) which the report argues will be undersupplied even in a reasonably competitive market.

The first category – helping the market work better – includes proposals to review competition in digital advertising, new codes of conduct to ensure there is a better balance in the relationship between news providers and platforms, and a review of the market impact of the BBC’s online news.

²⁰ Reuters Institute and Yale Law School, “[The impact of charity and tax law/regulation on not-for-profit news organisations](#)”, Picard, Belair-Gagnon and Ranchordas, March 2016

²¹ For a summary of the Cairncross review, see this article in Nieman Lab, by Joshua Benton: [www.niemanlab.org/2019/02/a-major-british-government-review-proposes-some-light-regulation-of-google-and-facebook-and-perhaps-new-limits-on-the-bbc/](#)

The second category is more relevant to the focus of this report, as it includes various suggestions for direct and indirect public funding or support, including:

- Innovation funding
- Direct funding for local news
- New forms of tax relief.

Innovation funding

Cairncross notes that there is a strong tradition of government support for various forms of R&D and innovation funding across many economic sectors, as these activities often will not be supported in the market to the level which is in the wider public interest. Governments, the report says, can help accelerate the development and diffusion of innovations that do not solely benefit the recipient but have the potential to make industry-wide differences. The Review therefore proposes an innovation fund, with a budget of £10m a year for the next four years. The fund would focus on key areas such as business solutions for local journalism, artificial intelligence to improve quality of reporting, subscription management, and initiatives aimed at encouraging younger audiences.

While the principle of an innovation fund is admirable, some have argued that it is not clear why the major news publishers cannot themselves pursue many of the suggested innovations. The level of funding proposed may be insufficient to facilitate major advances in areas where the main commercial providers have so far failed to make progress.

Direct funding for local news

Cairncross hopes that innovations will in time result in new viable models for local news provision but argues that immediate gaps in local journalism need to be plugged in order that local public institutions are held sufficiently to account. To do this, The Review proposes that the existing Local Journalism Partnership, outlined above, should be reviewed for its effectiveness, and then expanded. Public funding should be increased from the current £8m a year (although Cairncross does not say by how much) and added to by encouraging private funders to join, such as Facebook.

Institute for Public Interest News

Both funds would ultimately be administered by a new independent body, The Institute for Public Interest News, which would be constituted to ensure independence from government, and to build expertise and understanding of the issues and problems facing journalism.

While there is clear merit in supporting the type of local reporting identified by Cairncross, the value of this initiative depends ultimately on the survival in good health of local news provision in general. Those journalists whom it funds will only be effective if they work within a news infrastructure which has a chance of reaching wider audiences, including those who would not usually tune in to local government issues. In other words, this proposal, laudable though it is, risks being irrelevant if the wider decline in local news cannot be halted. As with the proposed innovation fund, the amount of public funding proposed is small and unlikely to bring about radical change in its own right.

New forms of tax relief

Cairncross thirdly suggests action on two indirect fronts: extending VAT relief to digital news and tax breaks for certain types of journalism.

The first proposal is to extend the current zero-rating of newspaper sales to digital subscription news services. At present, a print copy of the Times is zero-rated, but subscription to the electronic version of the Times (online or app) incurs VAT at 20%. Extension of the VAT relief is proposed on grounds of fairness, reducing tax complexity, and encouraging wider take-up of digital news, with hoped for spill-over effects.

A report for the Publishers Association by Frontier Economics²² estimated that, given projected digital news sales trends, a zero-rating for VAT would result in revenue forgone by the UK Treasury of £40m a year by 2022. If this enabled a price reduction in digital news subscriptions and subsequently led to an increase in demand for digital news, there could be some relatively modest uplift in revenues for digital news providers – but likely not much more than a couple of percentage points of current total subscription and circulation revenues.

The second proposal is to introduce tax breaks for the production of journalism, either through modification to the rules and practice affecting charitable status for news, or by more explicit news-related tax breaks. Neither proposal is costed or evaluated in terms of its likely financial impact on news provision.

Cairncross argues that philanthropic support for journalism could be encouraged, creating a brand-new revenue stream, if donors could be certain of tax relief on their donations, which would be provided by charitable status. Charitable status would also bring some business tax reliefs to qualifying news organisations. The report acknowledges, though, that most general types of news provision are unlikely to qualify for charitable status, even if the rules are modified, as they are run as commercial for-profit enterprises, they cover a diverse range of content (sport, competitions, celebrity gossip etc), and are politically partisan – all of which are difficult to square with even a more relaxed approach to the UK's charitable status rules. Perhaps more feasible would be to create an extra but limited charitable purpose of “not-for-profit public interest journalism” to add to existing accepted charitable purposes, alongside clarification of the criteria which news organisations would have to satisfy when being considered for such charitable status. These criteria could cover both process (steps to ensure accuracy, lack of political bias, scope for public redress etc), and types of output (perhaps investigative journalism, information about local community institutions and their activities etc).

If this sort of change is not feasible, Cairncross finally proposes consideration of options for corporate tax relief, along the lines of reliefs currently offered to parts of the UK creative sector (film production, games and animation, for example). Reliefs could be designed to apply to certain types of news expenditure – investigative journalism or local reporting, for example.

The Cairncross Report acknowledges, however, that the more the press comes to rely on public funding, the less enthusiastic it might become at scrutinising government. Direct funding may pose

²² Frontier Economics, “[Assessing the Case for Zero-Rating of VAT on Digital Publications](#)”, A report for the Publishers Association, October 2018.

bigger risks than indirect tax reliefs, but both in the long run may encourage a closer relationship between the press and government than is in the public interest.

4.4. Observations

The UK currently provides only a limited number of models of public support for journalism and it is only recently that an expanded need for public support has been acknowledged across the sector.

Direct public funding of BBC news is bigger than any other public intervention and has by far and away the most impact. Although support for and effectiveness of public broadcasting varies from country to country, it is the case in the UK that it has provided an effective model for channelling public support into news provision and has been successful online as well as in traditional broadcast media.

Public subsidies for commercial news provision in the UK have been limited and mostly indirect. The zero-rated VAT concession is quite costly in terms of tax receipts forgone and is tied to legacy newsprint, which is in long-term decline. While indirect tax reliefs of this nature have the advantage of keeping public support distant from political interference, they are not well targeted at the types of journalism most at risk, and therefore are potentially quite blunt mechanisms. While it may seem obvious, as proposed in Cairncross, to suggest extending such reliefs to digital news, the benefit of so doing (in terms of impact on news production) risks being quite limited.

There is growing interest in alternative direct approaches, alongside or instead of such indirect support. Various submissions to the Cairncross Review argued for direct public funding of local news and explained how such systems might work (ensuring independence, clear eligibility criteria etc)²³.

The UK, prompted by the Cairncross Report, may well consider extending future levels of public support for journalism. The main pointers from Cairncross, though, are that direct interventions are likely to be focused on quite limited aspects of journalism (investigative and local reporting), rather than on support for the sector as a whole and will call for only small-scale funding.

²³ See for example the submission to Cairncross from the Media Reform Coalition.

5. The United States

5.1. Context and overview

The US, with a population of 326m, has the largest news media market of western developed economies, with a long-established commercial newspaper sector, and extensive, TV, radio and online news provision. Its main daily newspapers were set up largely as metropolitan-based titles (Washington Post, Boston Globe, Los Angeles Times etc) and often had a lucrative monopoly of newspaper advertising in each of their own territories. Alongside the major metro papers, there exists a multiplicity of regional and local newspapers (some 1400 daily and 7000 weekly community newspapers)²⁴. More recently, metropolitan newspapers like the New York Times have used their digital versions to establish a bigger national (and international) presence, competing head-to-head for readers with smaller US metropolitan titles.

The US was the first major news market to experience the full impact of digital disruption on copy sales, revenues and news consumption. Online is by far and away the main source of news in the US, with 73% of consumers saying they use online news sources²⁵ (ahead of TV at 45% and print at 21%). Digital native news providers have achieved some resonance in the US, with brands such as HuffPost, Yahoo News and BuzzFeed News featuring in the top 10 online news brands alongside more traditional news providers such as the New York Times Online.

US newspaper consumption and income has been in long term decline. Over the past decade²⁶, circulation of daily newspapers has dropped by 40% to around 30m copies, while combined advertising and circulation revenues have declined by 52% to US\$26.7bn. The fall in advertising revenues alone is even starker, at 60% over the decade. The US news sector has therefore experienced earlier than most changes in consumption patterns, the role of social media, and declining revenues, which have all impacted on the viability of journalism.

The outcome, especially in smaller metropolitan and local markets, has been closures, consolidation and severe cost-cutting. The Pew Center reports that employment in major newsrooms across the US has fallen from 73,810 in 2007, to 39,210 in 2017. TV has been affected as well as print news, with sharp falls in viewership for the main network news bulletins, although local TV news still attracts audiences and revenues (benefitting especially from political advertising in key election years). An increase in news consumption following the election of President Trump appears now to be fading, with news consumption falling from its 2016/17 levels²⁷.

While the outlook for advertising as a sustainable source of finance for news provision continues to be bleak, there have been some signs of success for those who have sought to develop new models of funding journalism. The New York Times, Washington Post and Wall Street Journal have built successful subscription models and expanded their reach across the US²⁸. Some local community newspapers

²⁴ Data from US National Newspaper Association

²⁵ RISJ Digital News Report, 2018, US section

²⁶ *Pew Research Center factsheets*, 2007-2017

²⁷ RISJ Digital News Report, 2018, US section

²⁸ See for example the Nieman Lab NYT interview: www.niemanlab.org/2019/02/newsonomics-can-the-new-york-times-avoid-a-trump-slump-and-sign-up-10-million-paying-subscribers/

have adopted lower-cost operational models which can survive on a mix of local advertising, local subscriptions and donations. And there has been significant growth in not-for-profit models and philanthropic support for certain types of journalism. In contrast, the prospects for mid-market regional and small metropolitan news providers look uncertain, local news in general is facing significant financial pressures, and the newer digital native news providers are also facing challenges to their advertising-financed models.

There has been little recent thinking by US government or related bodies about measures to support news media. An internal policy paper at the FTC²⁹ examined a range of options for tax reliefs and direct public funding, but our understanding is that this was not followed up. Even in a climate favourable to public intervention such proposals were likely to meet significant resistance from those wary of encouraging links between an independent press and the government.

Since the last election, the political climate has changed. Direct state support for journalism is unlikely to be on the agenda for the time being, and there is continuing scrutiny of existing forms of public support, for example that which is channelled through public TV and radio.

5.2. Public support for journalism to date

Direct support for public service media

The US has mostly avoided direct subsidy of media activities, but an exception to this is funding provided for public service TV (PBS) and radio (NPR and APM).

The Public Broadcasting Act of 1967 created and provided funding for the Corporation for Public Broadcasting (CPB) which oversees both PBS and NPR/APM, and the large number of local stations which make up the public media networks. The stated objective of CPB³⁰ is to provide programmes that inform, enlighten and enrich the public, and this includes news and related programming at national and local levels. According to its website, CPB provides funding to:

- 408 grantees representing 1,162 public radio stations
- 164 grantees representing 359 public TV stations.

The CPB invests around US\$450 to 475m a year (its annual budget varies), of which 65% goes direct to local/community stations, 25% for national programme support, and the rest for system support (digital, copyright, research, admin etc). In addition, roughly the same amount again is provided by individual states and other public grants. In total, public television receives around US\$750m a year from these various sources, while radio receives US\$250m a year³¹. This is a much lower level of state funding per capita than is provided in the UK (around US\$3 per head in the US, compared with the equivalent of US\$75 in the UK).

Not all this funding goes towards the support of news, of course. Some of the grants to individual stations will help fund local news. The CPB reports that, in 2017, in addition to its general TV and radio

²⁹ US Federal Trade Commission Staff Discussion Draft "*Potential Policy Recommendations to Support the Reinvention of Journalism*", 2010

³⁰ Corporation for Public Broadcasting, "*Goals and Objectives as Adopted by the Board of Directors*", 2017

³¹ Data from Corporation for Public Broadcasting, and websites of NPR and PBS

grants, it invested US\$13m to support local and national news organisations and content, including the PBS Newshour, and programmes such as Frontline.³²

Other specific recent grants from the CPB have included a new investigative journalism initiative launched in 2017. This involves US\$1.5m in funding to American Public Media (APM), working with four partners: Southern California Public Radio, Kansas City Public Media, New York Public Radio, and Public Broadcasting Atlanta. APM is the second largest producer of public radio in the US, and its programming is carried by nearly 1000 stations. The funding is meant to support collaboration between APM's investigative and documentary group and these four local stations, with sharing of research data and reporting, and support for new reporting resources locally. The aim is to generate stories which will "resonate regionally or nationally". In recent years, the CPB claims to have invested some US\$30m to support similar collaborative ventures across different stations, creating 127 new newsroom positions.

We have not been able to find a precise figure for the total US public funding contribution to broadcast news, but it is almost certainly less than 5% of total public broadcasting funding – that is, around US\$50m a year (including the special initiatives referred to above).

There is a further important source of funding for public media in the US – philanthropy. Public radio and TV in the US are encouraged to seek additional funding from members and donors. In recent years, around 60% of total funding for public media in the US has come from private sources – individuals (the largest category), businesses and foundations. We return to philanthropy in general later in this section.

Tax reliefs

There has been a long history of tax breaks for print newspapers in the US. Two types are commonly available at state level:

- An exemption from sales taxes on the sale of newspapers and magazines (and in a few cases on the sale of advertising, too)
- An exemption from sales taxes on items such as newsprint, ink, machinery and other equipment used in newspaper production.³³

In 2010, a report³⁴ estimated that these reliefs cost around US\$900m a year in terms of total tax forgone, with the sales tax exemption accounting for two thirds of this total. Since 2010, newspaper circulation revenues have remained stable as copy sales decline has been offset by increased copy prices, so the total cost of this benefit is probably little changed. As explained earlier, the actual benefit of the copy sales tax relief to the US newspaper sector will depend on the extent to which lower copy prices stimulate higher sales. Sales tax in the US is around 8.5% on average, so this relief saves consumers around 15-20 cents a copy.

³² Corporations for Public Broadcasting, ["Public Media Journalism"](#),

³³ As explained in the FTC staff discussion report, referred to above.

³⁴ USC/Annenberg, Center on Communications Leadership and Policy, ["Public Policy and Funding the News"](#), Cowan and Westphal, 2010

Other subsidies

Postal delivery of newspapers is still a significant distribution mechanism in some parts of the US, and throughout recent decades the US postal service has given preferential rates for newspaper delivery. Up to the 1960s, newspapers received a 75% discount on postal delivery rates, but in response to continuing financial challenges in the postal service, these have been cut back to around 10% (representing less than US\$300m a year) and are likely to remain under pressure.

Newspapers also receive support from government public and legal notice requirements – most newspapers receive some revenue from this source, but smaller newspapers benefit disproportionately. The US National News Association estimated that public notices account for around 5-10% of small newspapers' revenue. Many states have enacted laws to allow them to transfer public notices to the web, however, so the value of this support is in steep decline.

Philanthropy

Philanthropic support for news provision in the US has been seen by many as a means of funding the sort of quality journalism which the commercial market can no longer provide. However, philanthropic support is not without its own challenges, which include issues of transparency and accountability, as well as concentration of both sources and recipients of funding.

Over the past decade, the US news market has seen a rapid rise in the number of not-for-profit news organisations. Many have been smaller digital start-ups, specialists (e.g. in investigative journalism) and community or educational news outlets. Many of these not-for-profits rely on voluntary funding but even so the majority do not qualify for charitable/tax-deductible status.

A small number have been formed by potentially insolvent for-profit newspapers, as an attempt to sustain otherwise loss-making titles. The most notable example is that of the Philadelphia Inquirer³⁵. This is one of the earliest examples of an existing large US city newspaper adopting a new ownership and funding model, which has involved a transfer of assets to an existing charitable foundation, the Philadelphia Foundation.

The Inquirer has a long and well-regarded history, but in recent years had been losing readers, revenues and journalists. Successive owners had failed to find a sustainable business model. In 2016, the then current owner, Gerry Lensfest, transferred ownership of the entire group (then known as the Philadelphia Media Network, PMN) to a subsidiary of the Philadelphia Foundation, a local charitable foundation established in 1918. This subsidiary, TPS Special Assets Fund, is charged with managing illiquid assets on behalf of the Foundation. In what is a complicated arrangement, we understand that PMN still operates on a for-profit basis, but as a "public benefit corporation" so that any profits are channelled to the non-for-profit Special Assets Fund, and hence to the Foundation. Also, the newspaper's directors can, with their new ownership status, pursue public interest goals alongside profits.

In parallel, Lensfest gave an endowment of, initially, US\$20m to set up what became known as the Lensfest Institute for Journalism, with a wider brief of finding sustainable long-term business models

³⁵ On its own, the move from a for-profit to a not-for-profit enterprise does not solve any of the underlying problems of a loss-making newspaper, but it can make it easier to attract donations. See [The Atlantic](#)

for local journalism. This in turn has prompted further donations to the Institute. Funds from the Institute could also be used to support investments in the Philadelphia Inquirer and its associated outlets, which are described as a test-bed for new ideas.

There are a few other examples of US newspapers now owned by not-for-profit foundations or educational trusts, such as the Tampa Bay Times (Poynter Institute) and the New Hampshire Union Leader (Nackley S Loeb School of Communications) – both institutions which were established by former publishers of those newspapers. Another model – for example, that pursued by the Seattle Times, is to seek community and foundation funding for specific projects – such as its Education Lab, supported by the Gates Foundation.

Some see these models as offering promise for other city and local news groups in the US. Others note that new ownership structures can be complex and may not tackle the long running financial problems of the newspapers themselves, other than perhaps to remove some direct short-term financial pressures from management. The industry is watching the outcomes with interest, although it will take some time for clear results to emerge.

This is not to dismiss the potential importance of tax-deductible status for supporting journalism. Some US news organisations have been able to claim tax-deductible status, which enables them to access certain business tax reliefs, but more importantly puts them in a better position to attract voluntary donations.

But the process for claiming tax-exempt status is not straightforward. For a US news organisation to qualify for tax-exempt status, it must show the tax authorities that it satisfies one of the purposes listed under Section 501(c)(3) of the IRS code: charitable, educational, religious, scientific or literary purpose. Newsgathering and reporting are not listed purposes but may in some circumstances be considered to have educational or literary purpose. News organisations seeking tax-exempt status must show that they operate primarily to serve their stated purpose in a non-commercial capacity. Finally, they must not engage in certain types of political discourse or affiliation (such as participating in political campaigns and lobbying activities) but can report on political matters.

The Council on Foundations, which represents many charitable foundations in the US, defines not-for-profit media as “organisations that seek 501(c)(3) tax-exempt status as public charities and serve a valuable role in educating citizens through in-depth public interest reporting, including journalism, news reports, explanatory journalism, solutions journalism, and specialty journalism, in order to elevate important social topics, particularly at the local level”.³⁶

The CoF notes however that much confusion still exists regarding news media eligibility for charitable status. It is by no means certain that news providers will all be able to argue successfully that they meet these criteria. The US tax authorities have been criticised by some for being inflexible and outdated in their approach to news. Areas of uncertainty include:

- Whether general news provision can qualify for tax exempt status (the position seems to be clearer for more specialist and arguably educational journalism)

³⁶ See the discussion at the Council on Foundations website: <http://www.cof.org/nonprofitmedia>

- The extent to which a news organisation can pursue commercial income, and include non-tax-exempt content alongside its main tax-exempt purpose
- Coverage of political issues – the IRS maintains, for example, that tax-exempt news providers must provide political information in a full and fair manner and avoid intervening in or participating in any political campaign on behalf of any candidate for public office.

According to some observers³⁷, this confusion has led to news providers seeking hybrid organisational and ownership approaches to try to circumvent the restrictions. These include, for example, the establishment of separate not-for-profit investigative journalism units by commercial news providers, and charitable foundations which have qualified for tax-exempt status investing in for-profit news outlets (in which case some of the foundation's benefits can be passed on to the news provider). Foundations, however, may be more reluctant to invest in journalism which does not have clear charitable purpose. Various efforts, so far without success, have also been made to persuade the IRS to modify and clarify its codes, so that tax-exempt status for news is more easily attained.

Notwithstanding these constraints, and possibly because the culture of private philanthropic support for public interest activities is more ingrained in American life than elsewhere, US foundation funding for news has been on the rise.

How significant, though is foundation funding of news? According to a recent report by the Shorenstein Center at Harvard, and Northeastern University's School of Journalism³⁸, US\$1.8bn grant support was directed into media content, including news, between 2010 and 2015. Of this total, the inflow of funds to news was slightly less impressive. Outside of public radio and TV, total funding of news amounted to US\$332m (to national news not-for-profits, local news not-for-profits, and university-based journalism). Public media received around US\$800,000, but much of this related to arts, music, culture or entertainment. It seems likely, based on this report, that philanthropic funding of news in the US has provided around US\$100m a year for the 5-year period covered by the survey. Certainly, nice to have, but not a game-changing amount in a sector which still has total annual commercial revenues of over US\$25bn.

The Shorenstein report makes some important observations about the characteristics of such philanthropic funding. They found that money tends to follow money, with foundation funds often flowing to those news organisations which have already successfully tapped into funding. Just four investigative journalism units, they say, received over 80% of total grant funding. Examples of successful non-for-profit news organisations include investigative outlet ProPublica, the Center for Public Integrity and "verticals" like Kaiser Health News. Local news continues to suffer from shortfalls in funding, but some foundations are turning towards more local support, and not-for-profits like ProPublica have added a local focus – in its case through a local reporting network.

There are also only a few foundations involved in news out of the over 6000 charitable organisations they surveyed, giving rise to the concern that philanthropic support may be insufficiently diverse. This could be a problem if foundations seek to promote interests of concern to them, calling into account

³⁷ For example, as set out in the Reuters report from Picard et al: "The impact of charity and tax law/regulation on not-for-profit news organisations" – US chapter, 2016, *op cit*

³⁸ Shorenstein Center on Media, Politics and Public Policy, "Funding the News: Foundations and Non-profit Media", 2018

journalistic independence and integrity. Some have claimed that foundation funding of news in the US can be characterised as “elites talking to elites”.

The Shorenstein report concludes that a better understanding of the foundation sector and its motivations is crucial to determining the future effectiveness and funding of not-for-profit news.

5.3. Recent thinking and proposals

The current administration indicated initially that it planned to cut the budget for the Corporation for Public Broadcasting. However, Congress has taken a different view, and annual funding levels for the CPB have been sustained until 2021 at US\$445m.

Others, though, acknowledge the importance of public interest news, and have proposed a range of approaches for supporting its provision.

Among those proposals advanced by academics, foundations and others are:

- More funding for the CPB, especially if earmarked for support of local TV and radio news
- Establish a national fund for local news, funded, perhaps, from levies on digital platforms
- Tax credits for news organisations for every journalist they employ
- Legal changes to encourage new forms of news organisation which can pursue social purpose alongside private profit. These include “benefit” and “flexible purpose” organisations as well as so-called “low profit limited liability companies” (L3Cs).³⁹

In the current US political climate, it is unlikely that such proposals (excepting perhaps the last) stand much chance of early implementation.

5.4. Observations

While the US news sector has benefited in the past from various tax exemptions and reliefs, these are likely to decline in value over time as digital news replaces print. There are no current proposals to extend or increase such reliefs.

Direct support for news has been discussed by commentators from time to time but has little political momentum. While public broadcasting has retained its federal funding for the time being, it is by no means on a secure long-term footing and is relatively modest given the overall size of the US media market. And the limited public funding that is available for radio and TV is expected to cover all genres, not just news.

Of most interest for the purposes of this report is the growth of not-for-profit news providers, and a growing role played by philanthropic support for various types of news provision, which has supported some valuable initiatives in investigative journalism, and may offer some promise in future at a local level. Perhaps surprisingly, the rules around tax-exempt status for news provision are little clearer in the US than in some other countries covered for this report, suggesting that it is cultural and market

³⁹ Without going into great technical detail, the general principle here is to find a hybrid structure which enables directors of the organisation to lawfully pursue both social purpose and profit goals. While not necessarily tax exempt themselves, such vehicles might be ideal for some types of news provision and could be attractive to charitable foundations seeking vehicles through which to invest in support of news.

differences that have helped drive the increase in philanthropic funding for news in recent years. Some have speculated that such funding has already reached a peak but, in any event, it is quite modest compared with the decline in news revenues experienced over the past decade.

An interesting development, which seems to be true of both philanthropic funding and the limited amounts of public funding for news in the US, is to use funding to encourage collaborative efforts between a number of different news providers – for example local TV stations or newspapers, so gaining greater return per \$ invested. In public radio and TV, public funding can in turn help organisations attract additional private donations.

6. Canada

6.1. Context and overview

Canada, with a population of 37m, a bilingual media environment, and a market wide-open to media from across the border, has experienced challenges to its national and local media more than most similar-sized developed countries. Its newspapers are facing severe financial difficulties, commercial TV continues to face competition from US content, and public service media have often struggled to win the case for sustained public funding. In response to concerns about the future sustainability of high-quality Canadian journalism, a major review of options for the future was carried out in 2017⁴⁰ and the government in early 2018 announced a range of financial and other measures aimed at providing support for news provision. The 2019 Budget confirmed and added detail to these proposals.

Canada's newspaper sector has evolved around major metropolitan-based daily newspapers (in Toronto, Montreal, Vancouver, Halifax etc.), and many local and community papers. In 2017, there were 84 paid-for daily newspapers (and 14 free dailies) and 1083 community titles. Total circulation of daily newspapers was 5.2m in 2017, a drop of 12% since 2008. Total advertising revenues in 2017 were Can\$1.8bn, a fall of 54% since 2008⁴¹. Circulation revenues were around Can\$690m⁴².

Community newspapers saw a decline in advertising revenues of 36% over the same period, to Can\$776m.

As in the US, online is now the main medium for sourcing news, used by 76% of news consumers (TV is next at 67%, with print trailing at 31%). TV tends to be the most trusted source of news, though⁴³.

Given Canada's geographic proximity to the US, it is not surprising that CNN, Yahoo, HuffPost and BuzzFeed feature highly in the top 10 news brands (English, all media). But Canadian news providers still attract the most consumers: the top 3 brands in traditional media are CTV, Global and CBC (all Canadian TV broadcasters), and in online the top 2 are the online news services provided by the CBC and CTV. The CBC's prominence underlines the importance in Canada of the public broadcaster, CBC, in providing news from a Canadian perspective, despite experiencing many years of real terms decline in public funding.

The news market is quite concentrated. Amongst daily titles, the Globe and Mail is market leader, but a large share of the rest of the metropolitan daily newspaper market is controlled by just two companies: Postmedia and Torstar. In community newspapers, too, over 500 titles are owned by just five groups. There are two main daily French language newspapers – the Journal de Montreal and Journal de Quebec, while La Presse, formerly a key print news provider, is now digital only.

Despite attempts to gain economies of scale and scope across their newspapers, the main newspaper groups have continued to post significant losses. So far, no Canadian news provider has found a sustainable digital strategy, although the major daily titles continue to explore approaches to

⁴⁰ By the Public Policy Foundation, which published its report under the title "[The Shattered Mirror](#)"

⁴¹ Data from industry association News Media Canada

⁴² Data from [Statistics Canada](#)

⁴³ RISJ [Digital News Report](#), Canada section, 2018

subscription funding. The newspapers, through their industry association, News Media Canada, have lobbied strongly for government support for the news media sector, proposing a Can\$350m/year fund of financial aid to secure their future, to be managed by a newly set up “Canadian Journalism Fund”, and to be reviewed after 5 years.⁴⁴

Around the margins of the sector, there have been some developments in the provision of not-for-profit news, including the Conversation Canada, an offshoot of the Australian equivalent, while La Presse has been re-engineered as a not-for-profit operation, run by a new social trust.

The next few years will see the impact of the government’s new support measures as they are rolled-out, but few are confident that the sums of money involved are enough, on their own, to solve the major financial and competitive problems still faced by commercial news providers.

6.2. Public support for journalism to date

Direct support for public media

The Canadian Broadcasting Corporation, including Radio-Canada, is the main Canadian public broadcaster. It is part-funded by the government on an annual basis, receiving a Can\$1,208m public grant for the year 2017/18, representing 68% of its total income. The CBC also receives some advertising revenues (18% of its total income) and subscriptions for specialist services, alongside some ancillary income streams (14%)⁴⁵. Its public funding per head is around one third of the level received by the BBC in the UK.

Over the past 20 years, CBC’s annual public funding has remained relatively flat in nominal terms but has declined by around a third since 1991 in real terms⁴⁶. Its advertising revenues and subscription income have also been under pressure.

CBC runs two network TV channels (English and French) with flagship news programmes and bulletins, a dedicated TV news channel, 4 radio networks and an online news service. CBC does not publish the total amount of public funding invested across all its news content, but its television news spend was reported to be around Can\$123m in 2017.⁴⁷ CBC’s news output is well regarded by many of its users, and its online services perform well, although there is a minority of commentators who accuse the CBC of being too liberal and left-leaning in its news reporting. The CBC is currently in discussion with the government about its future funding and has submitted proposals to move from its existing hybrid public/commercial funding model, to be a fully publicly funded enterprise.

⁴⁴ See: nmc-mic.ca/news/public-affairs/canadas-newspaper-industry-unites-advocate-canadian-journalism-fund/

The Canadian Journalism Fund, they propose, would replace the existing Canada Periodical Fund, and would support “Civic News” and “Business Innovation”. Various eligibility criteria would need to be met.

⁴⁵ CBC/Radio-Canada Annual Reports and financial statements

⁴⁶ Nordcity, “[Analysis of Government Support for Public Broadcasting](#)”, prepared for CBC, 2016

⁴⁷ Canadian Radio-television and Telecommunications Commission, “[Communications Monitoring Report](#)”, 2017

Indirect support for news provision

In common with many other markets, Canadian news providers have enjoyed relief on provincial sales taxes for copy sales of print newspapers. In provinces which have moved to a harmonised sales tax (provincial plus federal sales taxes), newspapers are still exempt from the provincial sales tax element of the HST. Across most of Canada, this can be worth around 8% of the copy price. Given total newspaper sales of Can\$690m. this implies sales tax forgone of around Can\$55m a year. The actual benefit to newspapers is likely to be less than this.

A unique feature of the Canadian market is the extensive reach of US-based media with ads targeted at Canadian readers. To help address this, Canadian newspapers have benefited from a tax rule which was introduced to favour Canadian publications/broadcasters over their rival US counterparts in the sale of advertising. This rule (Section 19) prevents any expenditure on advertising by Canadian companies in foreign print newspapers, periodicals and broadcasting from being an allowable cost for tax purposes⁴⁸. The rule does not apply to digital media, however, leading to a sizeable loophole – some 90% of digital advertising in Canada is, it is argued, now placed with foreign digital services and platforms. Recently, the news industry has lobbied for the measure to be extended to digital media.

In common with many other countries, Canada's federal and provincial governments have been important purchasers of advertising space in traditional newspapers. Recently, income from this source has been in decline as advertising of official public notices has been switched online. Community newspapers are particularly affected by this trend.

Canada Periodical Fund

This fund was established by government in 2009⁴⁹ to provide direct financial support to projects put forward for consideration by print magazines, *non-daily* community newspapers and digital periodicals. Support is offered in three main schemes: Aid to Publishers (ATP) – content creation, distribution, online development or business development; Business Innovation (BI) for new technologies, digitalisation, professional training and business tools; and Collective Initiatives (CI) across the sector, including marketing and research. Applicants for funding can bid for up to 75% of the costs of a project and are assessed against specified eligibility criteria. The fund is not always fully allocated each year.

The fund supports around 800 titles a year, and in the 2010-15 period allocated around Can\$80m a year to recipients. Community newspapers received about a quarter of this funding. A cap is placed on the amount of each individual grant – for example Can\$25,000 on grants for business innovation.

In a review of the performance of the 2010-15 fund⁵⁰, it was concluded that this type of support was more important than ever, but that it should be made more flexible – for example to fully recognise the value of digital as well as print community news provision and readership.

⁴⁸ Section 19 of the Canada Income Tax Act allows tax deductibility for ads placed on Canadian conventional print and broadcast media, but not foreign print and broadcast media, although it currently allows tax deductibility for ads on all digital media, Canadian or foreign.

⁴⁹ Replacing an earlier press subsidy scheme dating back to the 1990s

⁵⁰Canada Evaluation Services Directorate, "[Evaluation of the CPF, 2010-2015](#)"

6.3. Recent thinking and proposals

Canada has in the past two years seen the publication of a major government-commissioned report into the future of news media – the Shattered Mirror – followed by a series of government proposals for various types of financial support for journalism. We look at each in turn.

The Shattered Mirror

The Shattered Mirror, a report from Canada’s Public Policy Forum, identified some familiar trends in commercial news provision (declining circulations and revenues etc.) and highlighted Canadian consumers’ low propensity to pay for online news alongside relatively little local innovation in digital news. It noted Canada’s unique problem associated with being a relatively small domestic market next to the much larger US, that 13 of the top 20 news sites online were foreign, and that local news was at risk. A comprehensive package of measures would be needed to address these concerns, it argued. Among a long list of proposals, several involved increased government support for news provision, including:

Extending sales tax exemptions to digital news subscriptions, and to advertising spend on digital news sites and apps, as long as they meet Canadian content requirements (it was suggested that this would cost the Federal Treasury some Can\$50m a year) In addition, ensure Canadian advertising on foreign digital services is no longer tax deductible – and use the proceeds to fund a new Journalism and Democracy Fund (see below).

Remove obstacles to philanthropic funding. This recommendation had two elements:

- Amend Canada’s charity laws and regulations to allow not-for-profit news organisations producing “civic function”⁵¹ news to qualify as recipients for support from philanthropic foundations and become charities themselves
- Overhaul the rules around policy advocacy by charities to allow for non-partisan civic function journalistic activity.

Review the Canadian Copyright Act’s fair dealing rules to strengthen rights of news originators to control their intellectual property.

Create a “Future of Journalism and Democracy Fund”. This would aim to provide early stage financing of digital news ventures, directed at those operators who supply civic function journalism. The fund would be administered at arm’s length from government to preserve its independence. A start-up investment of Can\$100m was proposed.

Establish a local mandate for the Canadian press (CP) agency. A new local CP initiative would employ 60-80 local journalists on an open source basis, with their work widely available to local news providers. This would require funding of Can\$8-10m a year to come from the Journalism and Democracy Fund

⁵¹ The report defined such journalism as: the coverage of elected officials and public institutions, from legislatures, judicial or quasi-judicial bodies and city halls to school boards and supporting public services; issues and debates related to these officials and bodies; and the ability of communities to know themselves for civic purposes

Establish an indigenous journalism initiative, to support those covering indigenous government institutions, public affairs and community matters. This would include support for training and sponsorship of new journalists, to be financed by the Journalism and Democracy Fund to the tune of Can\$8-10m a year.

Greater emphasis on the CBC's mandate to inform the nation. A relatively vague encouragement for the CBC to give a higher priority to news, including local news, which might require internal re-allocation of funds.

The Canadian' government's proposals

Some of these proposals have been adopted by the Canadian government, which has also added a couple of new ideas of its own. Four measures were announced in connection with the 2018 Budget⁵²:

- A fund of Can\$50m over five years to support local journalism in under-served communities
- Access to charitable tax initiatives for eligible news organisations
- A new refundable tax credit to support news organisations
- A new refundable tax credit for subscriptions to Canadian digital news media.

Further information on each of these and how they will in practice be implemented is contained in the March 2019 Federal Budget.

New direct funding: The 2018 Budget contained proposals for Can\$50m over 5 years to support local journalism in underserved communities. Independent not-for-profit organisations will have government support to create open source news content under a creative commons licence. This is intended to allow local news organisations to access the content produced for free, helping to sustain local news coverage as local providers struggle with reduced resources.

Refundable tax credit: From 2019, it was intended to introduce a new refundable tax credit, which aims to support Canadian news organisations - both for-profit and not-for-profits – that produce news and information of interest to Canadians. The tax credit will be linked to labour costs associated with producing news

New expert panel: In parallel, the government stated that it would explore new models to oversee support for Journalism in Canada, which would need to observe two key principles:

- Be arm's length and independent of the government. It was proposed that an independent panel of journalists would be established to define and promote core journalism standards, define professional journalism, and determine who would be eligible for funding
- Be focused on the creation of original news content.

The panel would oversee direct funding and determine eligibility for the proposed tax credit system.

Access to charitable tax incentives: It was announced that the Government would explore new models that would enable private giving and philanthropic support for trusted, professional, not-for-profit journalism, including local news. This is expected to be done by creating a new category of "qualified

⁵² Department of Finance Canada, Fall Economic Statement, "[Investing in Middle Class Jobs](#)", 2018

donee”, comprising not-for-profit journalism organisations that produce a wide variety of news and information of interest to Canadians. Such qualified donees would be able to issue official donation receipts which allow donors to benefit from tax incentives for charitable giving and would also be able to receive funding from registered charities.

Refundable tax credit for subscriptions to Canadian digital news media: to help encourage the financial sustainability of Canadian digital media news organisations, the Government decided to introduce a temporary 15% tax credit for qualifying subscribers of eligible digital media. The aim would be to encourage take-up of subscription funded Canadian digital news media, by making such subscriptions more affordable for consumers.

The Canada Federal Budget of March 2019⁵³ confirmed a 5-year programme of support for journalism, covering three programmes:

- A refundable labour tax benefit for qualifying organisations (est. cost Can\$360m over 5 years)
- A non-refundable tax credit for subscriptions to Canadian digital news (est. cost Can\$138m over 5 years)
- Allowing eligible not-for-profit news organisations to qualify for charitable donations (est. cost of Can\$96m over 5 years).

The benefits are only available to “qualifying Canadian journalism organisations” producing original news. Various minimum standards are set out for organisations to qualify for “QCJO” status, and an independent panel will be established to develop detailed eligibility criteria, oversee the process of establishing eligibility and making final decisions. No details have yet been given about the make-up or operation of this panel. The total cost of the above three types of tax incentive is estimated by the Canadian government to be Can\$595m over a five-year period.

6.4. Observations

The Canadian Government has produced an interesting set of measures which are designed to address at least some of the challenges facing the Canadian news sector – some direct funding to support the most at-risk forms of news, proposals to encourage more philanthropic support for news, tax credits to help employment of journalists, and some incentive for consumers to take-up subscriptions.

Direct funding of not-for-profit local journalism is well-targeted at an at-risk area, but the amounts are modest, and eligibility and allocation processes are yet to be fully worked out.

Both the local fund and production cost tax credits require the establishment of new administrative processes and resources to ensure fair and independent allocation of the support. Outline ideas have

⁵³ See the details contained in the Supplementary Information of the March 2019 Canada Federal Budget plan, under the heading [Support for Canadian Journalism](#)

been advanced for ensuring funding decisions are made independently of government, but critics who worry about press independence will no doubt scrutinise the extent to which more detailed proposals, when published, address their concerns.

As regards support for philanthropic funding, this will benefit not-for-profit news organisations most, but the additional funding streams generated may be quite modest.

Tax credits for consumers taking digital subscriptions are an alternative to extending sales tax relief to digital sales, but slightly more generous. News providers will benefit if it encourages an increase in subscription take-up – Canada’s consumers are still reluctant to pay for digital news. It could be argued, however, that news providers are already adept at offering flexible entry-level pricing packages for to attract consumers to their digital news, and it is not clear that a further 15% tax credit will make digital subscriptions much more attractive. Arguably, it may only benefit those consumers who are already likely to take out a subscription.

7. France

7.1. Context and overview

French news media are widely used, with 95% of the adult population reading at least one daily newspaper or magazine at least monthly. Total average daily circulation in 2016 was 7.8m, of which 6.0m were paid. The biggest outlet by circulation was the regional newspaper *Ouest France*, with paid circulation of 680,000 copies; two other regional publications have a daily circulation over 200,000. *Le Figaro* is the leading national daily (306,000 circulation in 2016), with the other leading paid nationals being *Le Monde* and *Les Echos*.

TV remains the main source of news, and, like the US, rolling TV news continues to be significant. There are four 24/7 news channels; the most recent, the publicly owned channel *Franceinfo*, only launched in September 2016.

Nonetheless, in common with other markets, online access has become increasingly important. In 2018, 56% use a computer to access news, slightly fewer (51%) use a smartphone, while 20% use a tablet. The mobile news revolution happened a little later in France than some other developed markets, but mobile use is steadily growing while computer and tablet use is broadly flat. Two in five use Facebook for news (41%), while 22% say they use YouTube for news.⁵⁴

As in all other developed media markets, the French press has experienced severe economic challenges in recent years. Total print media revenues, including magazines, fell 40% from a little over €10bn in 2006 to €7.1bn in 2016; PWC estimated newspaper-only revenues of €3.5bn in 2014, but current levels may be less than this. Readership of print media has fallen by more than half since 2013 (46% to 20% weekly).⁵⁵ The growth of digital advertising, and programmatic in particular, has benefited the big platforms, albeit slightly later than in English language markets. Weekly magazine *Marianne* was declared insolvent in early 2017, daily newspaper *La Marseillaise* filed for bankruptcy and many publications have laid off staff.

Nonetheless there are green shoots. The digital subscription model is showing signs of slow progress; 11% say they paid for news in 2018, an increase of just one percentage point over 2017, putting France 20th for payment out of the 37 countries monitored by the Reuters Institute. *Le Monde* achieved an operating profit in 2018 with a 44% increase in digital subscriptions, which overtook print subscriptions for the first time.

Three new outlets launched in 2016, online and in print (*Soixante-Quinze*, *Les Jours* and *L'Imprévu*). There has been some growth in alternative sources of funding, with some providers running successful crowdfunding campaigns. There has also been some philanthropic investment, with the Bill & Melinda Gates Foundation the biggest donor identified in a recent study by the European Journalism Centre.⁵⁶ It provided €1.4m to *Le Monde Afrique* over three years; €354,000 to Fondation EurActiv Politech to support coverage of global health and development policy in France, Germany and Belgium; and

⁵⁴ RISJ, [Digital News Report 2018](#)

⁵⁵ *Ibid.*

⁵⁶ Anne-Lise Carlo, [Philanthropic Journalism Funding in France](#), European Journalism Centre, June 2017

supported French journalism projects through the European Journalism Centre. However, most grants are much smaller-scale, less than €100,000.

These innovations are small beer, though. France's media sector has become smaller, more concentrated and more corporate in recent years. Canal+, Bertelsmann, Buygues and Lagardère, the four largest multimedia groups, control 75% of the cross-platform media market.⁵⁷ Industrial conglomerates and telecoms firms own many of France's most significant publications; Dassault owns Le Figaro, Amaury owns L'Equipe, and LVMH owns both Aujourd'hui en France and Les Echos.

Underlying these economic pressures is a deeper malaise: an apparently greater dissatisfaction with mainstream news than in some other markets. Just 35% say they trust in news overall – an increase in five percentage points over 2017 – but putting France 29th for trust, out of Reuters Institute's 37 markets. Trust in 'news I use' is barely any higher, at 41%. Trust in social media is lower (19%).

The *Charlie Hebdo* shooting in January 2015 placed media freedom at the heart of an intense debate about the proper response to extremism and the controversial declaration of a state of emergency, which culminated in new anti-terrorism legislation in 2017. The debate about the role of the media is also coloured by concern about the perceived spread of online misinformation and disinformation, and the role of foreign actors in the 2017 presidential election. President Macron made fighting 'fake news' a major policy focus of his early months.

This is the context for the French media policy agenda of recent years:

- Widespread concern about the role of platforms, especially Facebook
- New legislation against fake news
- Reform of public service media.

7.2. Public support for journalism to date

Support schemes in existence

France has an extensive patchwork of direct and indirect support schemes. In 2015, all press subsidy schemes amounted to €1.4 billion per annum. The Reuters Institute, in a study published in 2011, assessed that the various forms of direct and indirect subsidy to French media organisations contributed more than 10% of newspaper revenues in 2008.⁵⁸

Total grant funding is voted annually by the French Parliament. Grants are available for, amongst other things, modernisation of working conditions and technical innovation projects. As in the Nordic countries (see later), France directly subsidises newspapers that are not in market-leading positions. Radio broadcasters also have support available to them. Indirect subsidies include VAT reductions, business rate exemptions, preferential postal and telecommunication tariffs and beneficial tax and social security contributions for journalists.

⁵⁷ Centre for Media Pluralism and Media Freedom, [Media Pluralism Monitor 2016 - Country report: France](#), December 2016

⁵⁸ RISJ, [Public Support for the Media: A Six-Country Overview of Direct and Indirect Subsidies](#), 2011

Support is generally reserved for publications registered with the Joint Commission on Publications and News Agencies (CPPAP), a co-regulatory body which administers subsidies and decides on eligibility for the reduced VAT rate; this has been controversial, for example with publications ruled non-compliant, who have accused CPPAP of censorship.

Support for the French press has ebbed and flowed. The Sarkozy government added an extra €200m funding per annum for three years to existing subsidies, including a small amount of direct support for online publishers. This funding also sought to stimulate demand for newspapers by subsidising half the cost of a free 12-month subscription to a weekly copy of a newspaper for 200,000 18-24-year olds; this scheme launched in 2009 and operated for three years. A 2012 government review found that between 5-8% of those who benefited from the scheme subsequently took out a paid subscription, compared to typical penetration of newspaper readership amongst the target age group of 9%. The review equivocated: “a pessimistic approach would lead one to think that the subsidy has no noticeable effect. An optimistic perception asserts that disaffection with news would be more accentuated without the aid.”⁵⁹

The prime beneficiaries of French support continue to be traditional press publishers. Of the direct subsidies of €77m awarded in 2015, 93% went to printed publications and 7% to online-only providers.

Reform of public service media

France maintains separate public service broadcasters for TV and radio. France Télévisions operates five public service television channels, funded primarily by revenue from licence fees with a minority contribution from advertising and sponsorship. Its total income in 2017 was €2,914m, of which €267m was spent on news (excluding sport). Radio France operates national and regional stations. The state also has shares in broadcasters including *TV5 Monde*, *Euronews* and *Arte*.

French public service broadcasting has come under considerable pressure in recent years. In 2009, a public broadcasting law passed that prevented it from carrying advertising in the evening and overnight. The government announced funding cuts in 2017 and 2018, and President Macron has criticised the management and organisation of the public media, favouring a multi-media and cross-platform model, with greater integration, cost reductions, better programmes and reformed management structures. The two smallest public TV channels, France 4 and France O, are planned to close.

Charitable donations

France has a generous regime of tax deductions on charitable donations. Although not specifically targeted at journalism, these have enabled some not-for-profit publishers to benefit. Under the so-called Aillagon Law of 2003, companies can receive tax breaks for up to 60% of their charitable donations or 0.5% of their annual turnover, whichever is lower; French citizens can deduct up to 66% of their donations to accredited charities from their tax bill, up to a limit of 20% of their total taxable income. Fundraising platforms *Presse et pluralisme* and *J'aime l'info* allow donations to qualifying media outlets and projects, receiving €5.6m by 2016 and a little over €300,000 in 2016 respectively.

⁵⁹ Michel Balluteau, [Inciter les jeunes à la lecture de la presse écrite: Bilan de l'opération 'Mon Journal Offert' et des autres actions aidées sur fonds publics](#), Ministry of Culture and Communication, 2012

Nonetheless, as the European Journalism Centre puts it, and as described above, “in France the presence of philanthropy in media is at its beginnings;” such sums are small relative to the scale of public subsidy and commercial income in the French market.

VAT reductions

France levies VAT on newspapers at 2.1%, compared to a standard rate of 20%. We estimate this subsidy to cost roughly €360m per annum.⁶⁰ Along with Luxembourg, France was the first country to extend VAT reductions to digital publications, in 2015. This was deemed incompatible with European law by the European Court of Justice.⁶¹ Nonetheless both France and now Italy continue to align VAT rates for printed and digital publications.

7.3. Recent thinking and proposals for future schemes

State support for the media is controversial in France. Julia Cagé, in her 2016 book *Saving the Media*, noted that “press subsidies in France are overly complex and burdened by contradictory objectives.”⁶² She suggested replacing them with a simpler, more automatic system under which subsidies would be based on newspaper’s gross revenue or circulation, and would only be available to general-interest newspapers, considerably reducing the cost.

Press freedom advocates have also criticised, on the one hand, the proximity between corporate and political interests and the media, and on the other, political hostility towards journalism.

August 2016 reforms to press funding

In the aftermath of the attacks on *Charlie Hebdo*, several reforms were introduced in August 2016. Eligibility for the media subsidy scheme was extended to all publications, not just mainstream newspapers. A number of funds were established or expanded:

- The Strategic Fund for the Development of the Press (FSDP) was established to provide support for innovation projects and support for francophone nations’ media projects
- The Support Fund for Emergence and Innovation in the Press (FSEIP) was created, with a first-year budget of €5m to support new media companies, media incubators and support for innovative research
- The Fund in Support of Community and Local Information Media (FSMSIP) was allocated €1.6m for 2017 to support local news companies operating on any platform

Grants are awarded by the Ministry of Culture, albeit advised by dedicated steering committees for each fund. For the most part, they are only available to organisations that are registered with CPPAP (although some grants under the FSEIP are available to new providers, not yet registered).

⁶⁰ Based on updating a 2010 official French analysis of the cost of the VAT reduced rate in 2008, we estimate the benefit of this to newspapers themselves to be only around €160m

⁶¹ The 2006 VAT Directive requires electronically supplied services, including publications, to be taxed at standard VAT rates (although this is now being considered for review, see below)

⁶² Julia Cagé, *Saving the Media: Capitalism, Crowdfunding, and Democracy*, 2016

These reforms do not appear to have significantly simplified France’s patchwork of media support measures. Nor were they accompanied, as far as we can tell, by systematic attempts to evaluate the outcomes or impacts of public support.

Law on ‘fake news’

In November 2018, France passed legislation ‘against the manipulation of information’ which empowers judges to order the removal of ‘manifestly’ inaccurate or misleading allegations during election campaigns. It is, to the best of our knowledge, the only country which has required public authorities – in this case, the courts – to determine what constitutes ‘false information’ and order its removal. The law also empowers the French media regulator, the Conseil Supérieur de l’Audiovisuel (CSA), to prevent, suspend or terminate the broadcasting of television services controlled by a foreign state in the event of an infringement of the French state’s fundamental interests. During campaign periods, platforms must report any sponsored content, the name of the author and amount paid.

Although the government claims that the law is aimed at “deliberate attempts to manipulate information and will have no impact on journalistic work”, critics are concerned about the potential chilling effects on free speech and the precedent of state control over journalistic content. The law was highly controversial, being rejected by the Senate twice before approval by the Constitutional Council in December 2018.

7.4. Observations

France has the most extensive and best-funded portfolio of press support measures of all the countries examined for this report, although this is partly offset by its relatively meagre funding of public service media. This support is not without its critics, who argue both that it has failed to preserve a vibrant, pluralistic press landscape, and has inculcated a culture of dependence within French media organisations.⁶³

However, our main conclusion is that it is hard to find clear evidence of the impact this support has made. Neither the adequacy of public support for French media nor the return on public investment is systematically assessed, or if it is the results are not made public. The combination of indirect and direct funding seems likely to have sustained at least some increase in journalistic activity, both in terms of number and range of sources and in newsgathering spending, than would otherwise have been the case. There is some evidence that French consumers are more reliant on ‘traditional’ media (particularly TV, also to some extent printed publications) than elsewhere. But that and public support do not appear to have made it easier for French media to make a transition to new sustainable business models for digital journalism, nor prevented drastic declines in industry revenues and disinvestment in journalism.

⁶³ Lardeau, M. and Le Floch, P., *France: Press subsidies – inefficient but enduring*, in Paul Murschetz (ed.), *State Aid for Newspapers: Theories, Cases, Actions* (2014)

8. Germany

8.1. Context and overview

Europe's most populous and largest economy, Germany is also the continent's largest media market. It has a strong national and regional press, well-funded national and regional public broadcasters, a highly competitive commercial TV sector and extensive regional and local radio. Most major towns and cities support at least one daily newspaper, and many have two or more.

TV remains the main source of news, used by 74% weekly, although this number has been drifting down in recent years.⁶⁴ Online has largely stabilised as a source of news, with 65% using it weekly in 2018; use of the internet for news is low by international standards.⁶⁵ Newspapers remain a primary source of information for just over a third of the population (37%). In 2018, 28m Germans lived in households with a daily newspaper subscription, although that number is declining. There are five newspapers with national reach - *Bild*, *Süddeutsche Zeitung*, *Frankfurter Allgemeine Zeitung*, *Die Welt* and *Frankfurter Rundschau*.

Germany's newspaper market has been relatively robust. Paid average daily circulation is still over 15m copies, or 209 per 1,000 adults, significantly higher than in the UK (152 per 1,000) or France (109 per 1,000); it is Europe's biggest paid newspaper market by far. Circulation has declined, as in other countries, falling by 29% between 2006-2016. However, this was a slower rate of decline than any other major European market bar France.⁶⁶ Total annual revenue is over €7bn. Income from newspaper sales is higher than advertising.

Perhaps because of this stability, German newspapers have been somewhat slow to adapt their business models. Advertising remains the main source of digital revenue; fewer than one in ten pay for online news.⁶⁷ However, use of ad-blockers is rising, and experiments with subscription offers are becoming more numerous, for example, *Der Spiegel's* launch of a subscription package, *Spiegel+*, with exclusive content in 2018.

Trust in the media is relatively high in Germany, at least compared to France, the UK and Spain; consumers are less likely to report having come across 'completely made-up' stories than in any other country studied by Reuters Institute. In a Pew Research Center study of eight European countries, Germany was second only to the Netherlands in overall trust, and more Germans said they trust the news media 'a lot' than in any other country studied.⁶⁸

8.2. Public support for journalism to date

Germany does not have a tradition of direct intervention in the commercial news sector, with few direct subsidies or funding sources open to publishers. Like most other developed economies, it does

⁶⁴ RISJ, [Digital News Report 2018](#)

⁶⁵ RISJ, [Digital News Report 2017](#)

⁶⁶ WAN-IFRA, *World Press Trends 2007 and 2017*

⁶⁷ RISJ, [Digital News Report 2018](#)

⁶⁸ Pew Research Center, [In Western Europe, Public Attitudes Toward News Media More Divided by Populist Views Than Left-Right Ideology](#), May 2018

impose a reduced VAT rate on the sale of newspapers, but this is less generous than in many other markets (the rate applicable is 7%, higher than all other major European jurisdictions). We estimate this as costing €580m per annum by 2016.⁶⁹

Public service media

Germany does maintain an extensive public service broadcasting system, with a combination of national and regional services on TV and radio. It has two public service TV broadcasters: ARD, which is a consortium of nine regional broadcasters and primarily publicly funded, and ZDF, a national TV service (although also owned by the states), which is independently run and funded by a mix of public funding and advertising. ARD is the most used and most trusted news service in Germany, by some distance; 32% of all German adults describe it as their main source.⁷⁰ The regional broadcasting services also maintain their own regional and local radio stations, and seven of them operate regional TV networks. There is also a separate national radio network, *Deutschlandradio*, which is jointly controlled by ARD and ZDF.

One notable feature is the significant restrictions on German PSBs' online activity. A court ruling at the end of 2017 supported publisher complaints that ARD's popular Tagesschau app is too 'press like' because it contains too much text.

In 2013, the complex German licence fee system (which charged homes according to their number of radio, TV or computer devices) shifted to a flat household charge, helping insulate the public broadcasters against the decline in traditional TV viewing, albeit in the face of considerable criticism and legal action which was eventually resolved, in favour of the household levy, by the German Federal Constitutional Court in July 2018. Total PSB funding derived from the levy is in the region of €8 billion per annum.

94% of Germans use PSB services every week. The two public channels account for around a quarter of all TV viewing, and ARD and ZDF continue to be Germany's most used news sources, followed by regional or local newspapers.⁷¹

Philanthropic support

There are more than 21,000 German charitable foundations, many of which contribute to projects with journalistic elements. Only 120 foundations express specific support for journalism in their objects; the total monetary value of their activity is unknown, according to a 2017 assessment.⁷²

Supporting journalism is not in itself recognised as a charitable purpose, and so, as elsewhere, journalistic projects must be linked to one of the aims that is in order to qualify. The same assessment concluded: "although a growing number of non-profit journalistic initiatives are emerging in German civil society, at present many struggle to obtain charitable status...regional and local journalistic initiatives have especially struggled...since their charters may not neatly align with any of the listed

⁶⁹ Based on updating estimates in RISJ, *supra* note 58

⁷⁰ Pew Research Center, [News Media and Political Attitudes in Germany](#), May 2018

⁷¹ RISJ, *op. cit.*

⁷² Thomas Schnedler and Günter Bartsch, [Philanthropic Journalism Funding in Germany](#), European Journalism Centre, May 2017

recognised goals set out in the tax code.”⁷³ Those that do qualify benefit from exemption from corporation tax and trade tax; a reduction in sales tax; and tax deductibility of donations.

The biggest grant of recent years appears to be a €3m award (over three years) to not-for-profit investigative journalism initiative, *Correctiv*, from the Brost Foundation. This grant funded the small (c 20 staff) organisation’s set-up and operational costs between 2014-2017. It still seems significantly reliant on big grants, with a further €450,000 coming from Brost Foundation in 2017 and Omidyar Network Foundation contributing €640,000 in 2018. In 2017, four funders accounted for half its total revenue of around €2m.

This funding model is a source of cost and risk, with effort having to go into writing funding proposals and accounting for delivery, and apparently continuing dependence on at least one big annual grant. However, *Correctiv* has diversified its mix of funders somewhat, receiving 15 grants over €10,000 in each of 2017 and 2018. It is also seeking to build a “supporters community” and was reported to have 2,500 paying members at a minimum of €120 per annum (€60 for students) – although this is some way short of its original target of 5,000 members by the end of 2015.

Otherwise German philanthropic funding tends to be small-scale, dispersed, project-specific and primarily targeted at not-for-profit organisations. Magazine *Krautreporter* was supported by a €50,000 grant from the Rudolf Augstein Foundation. The Robert Bosch Foundation funded reporters in the field up to €5,000 per grant. ZEIT Foundation supports independent journalism in Eastern Europe, with three annual awards of up to €15,000. Other grants of similar scale are available for training, research and travel. At a rather bigger scale, the Schöpflin Foundation is providing a one-off grant of €25m to fund a ‘Non-Profit Journalism Centre’, working with *Correctiv*; the idea is to provide a physical space and up to 200 jobs to create an infrastructure for independent, collaborative, not-for-profit journalism. The project is still early-stage and its duration is unspecified: building started in 2018 and a project manager recruited in early 2019.

8.3. Recent thinking and proposals for future schemes

The recent German policy focus has been on measures to ‘rebalance the playing field’ between publishers and platforms, initially through the ill-fated ancillary copyright for publishers, and more recently, and somewhat indirectly, through the Network Enforcement Law (NetzDG).

Ancillary copyright

Germany introduced an ancillary copyright regime in 2013, known colloquially as a ‘link tax’. It gave German publishers a right to demand payment from news aggregators and search engines for quotations from their content. Short excerpts or ‘snippets’ were exempted from the right; it was initially unclear what precisely a ‘snippet’ constituted, but the German patent and trade mark office subsequently determined that a ‘snippet’ contained a maximum of seven words.

The experiment was not generally deemed a success, at least from the publishers’ perspective. Google refused to pay for licences under the new right, instead publishing only headlines of articles and requiring publishers to waive their right to compensation in order to be fully opted into its platform.

⁷³ *Ibid.*

Facing reported declines in traffic from Google Search of up to 40%, and Google News of 80%, the publishers acceded to Google's terms.⁷⁴

A similar ancillary right has been one of the most hotly contested aspects of the proposed revisions to the Europe-wide Copyright Directive (Article 11), which at the time of writing is not fully resolved despite nearly three years of debate. It therefore remains to be seen whether action at a European level will have a different impact to that of country-specific law, although the European Commission's own analysis, released following freedom of information requests, suggested that the financial benefit of the new right may be small.⁷⁵

Network Enforcement Law

At the start of 2018, Germany's new law aimed at combating illegal content on social networks came into effect. The law requires platforms that allow users to share content with other users to maintain a procedure for handling complaints about unlawful content and produce a report every six months on how they have done so. They are required to block or remove 'manifestly' unlawful content within 24 hours of receiving the complaint; they are allowed seven days to decide on less clear-cut cases, or longer if they refer the decision to a recognised self-regulatory body. Fines of up to €50m can be imposed, not for failure in individual cases, but for a systematic failure to introduce adequate complaint management systems to comply with the objectives of the law.

There is no special protection for professional journalism under NetzDG; its scope is restricted to illegal content, including insult, slander or defamation, but not other kinds of misinformation or partisan content. Equally, if media companies are themselves found to have published allegedly illegal material, this could be blocked by platforms under the terms of the law. Almost immediately upon the law's introduction, it received criticism for resulting in the blocking of content from politicians and satirical magazines.

8.4. Observations

The German market has switched to digital news somewhat more slowly than English speaking markets; this may be due to a combination of its well-financed system of national and regional public service broadcasting, trusted and widely read newspapers, and, arguably, a more cautious attitude to experimentation with new technologies in general.⁷⁶ It certainly seems plausible that this has done more to preserve plurality and distinctive indigenous German journalism than the ancillary copyright intervention or Germany's relatively limited public support for the press.

Philanthropic funding faces many of the challenges identified elsewhere in this report but is beginning to support a range of interesting but relatively small initiatives.

⁷⁴ Reuters, [Germany's top publisher bows to Google in news licensing row](#), 5 November 2014

⁷⁵ European Commission Joint Research Centre (unpublished), [Online News Aggregation and Neighbouring Rights for News Publishers](#)

⁷⁶ Hasebrink, U. and Hölig, S, [Lagging Behind or Choosing a Different Path? Information Behaviour in Germany](#), in RISJ, Digital News Report 2013

But there are also downsides, in the form of a relatively more conservative and static news market, which has been slightly slower to be transformed, for good and ill, by the digital innovations of many English-speaking markets.

9. Nordic markets

9.1. Context and overview

The major Nordic countries, despite their relatively small size, sustain both reasonably well funded public broadcasters and a commercial press; perhaps in part due to extensive public subsidies and VAT relief. Figure 2 provides a summary of the newspaper market in each country. The Swedish market is the largest, with an adult population of 8.2m, annual newspaper revenues of €1.8bn (excluding subsidies) and daily average circulation of paid newspapers of 1.5m in 2016.

Denmark is heavily dominated by public service media: it has two public TV broadcasters, DR and TV2, which together account for over half of all TV viewing and reach more than 60% of the 4.8m adult population weekly. DR is also present on radio. The press is small and fragmented, relative to other countries; in 2016 there were only 32 daily newspapers in Denmark, a figure unchanged since 2000, whereas there were over 160 in both Sweden and Finland. On average, daily paid circulation was a fraction over 1m copies in 2016. Annual revenue was €1.1bn.

Norway has the most extensive newspaper sector, with 227 daily titles in 2016, and annual revenues of €1.3bn. The number of Norwegian newspapers has increased since the start of the millennium.⁷⁷ Total average daily paid circulation was 1.4m copies.

The Finnish media market lies between Norway and Denmark, with newspaper revenues of €1bn per annum supporting 174 titles, achieving circulation of 1.1m.

Figure 2: Nordic newspaper markets: key data, 2016⁷⁸

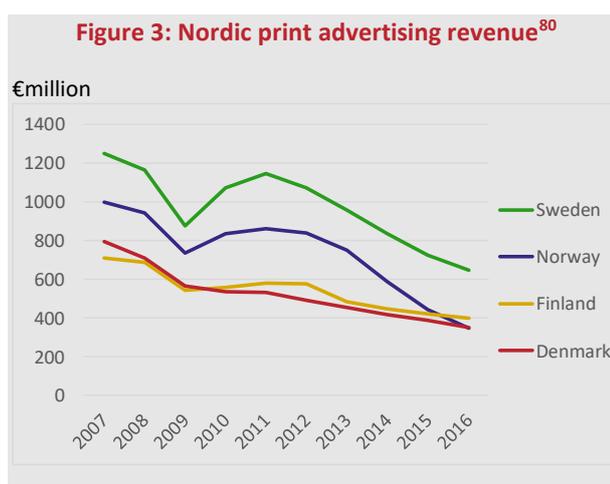
	Sweden	Denmark	Norway	Finland
Adult population (000s)	8,175	4,778	4,294	4,597
Newspaper total revenues ex subsidies (€m pa)	1,766	1,096	1,275	1,000
Number of paid-for newspapers	164	32	227	174
Average daily paid circulation ⁷⁹	1,444	1,090	1,368	1,130
Paid daily circulation per 000	177	228	319	246

⁷⁷ Nordicom, [Newspapers in the Nordic Media Landscape](#), 2017

⁷⁸ Sources: World Bank, WAN-IFRA World Press Trends 2017, Nordicom *op. cit.*

⁷⁹ Although World Press Trends publishes the circulation data reported here, we believe these are estimates which are not always consistent with other sources. Many Nordic newspapers no longer have audited circulation figures. In Denmark, most newspapers stopped measuring circulation from July 2014. In Finland and Sweden, there are no audited circulations for several of the leading newspapers

Advertising revenue for the Nordic press has been in steady decline for the past decade, as Google and Facebook have taken an increasing share of advertising across the region (Figure 3). Newspapers' share of the advertising market (including their digital advertising) ranged from 19% in Norway and Sweden to 34% in Finland, in 2016. Sales income has exceeded advertising revenue in Denmark since 2013, and in Norway since 2015.



Denmark, Sweden and Finland are the EU's most digitally advanced countries, as assessed by the European Commission (on five dimensions – connectivity, digital skills, use of the internet, integration of digital technology and digital public services).⁸¹ Norway (not a member of the EU) scores similarly on these dimensions.⁸²

Over 80% of the Nordic population use online news weekly, with smartphones the most used device for news. The Nordic countries also lead the way in paying for online news, although trends vary by country.⁸³ In Norway, for example, in 2017 the proportion of internet users with digital news subscriptions grew (15% to 20%) by more than the number of print subscriptions fell (44% to 42%) – suggesting that overall access to news subscriptions rose, as a proportion of the population.⁸⁴ Sweden and Finland also saw increases in payment in 2017. However, in Denmark payment for online news has plateaued since 2015 at 15%.

Trust in the media is higher than the European average, at least in Sweden and Denmark. The Pew Research Center found overall trust in the news media in Sweden equal to Germany, with Denmark slightly behind; lower levels of trust were found in France, the UK, Spain and Italy.

9.2. Public support for journalism to date

Press support

The Nordic countries all have some degree of publicly funded press support. Many of the schemes date back to previous technological eras; for example, the Swedish and Norwegian subsidies were introduced in the 1960s, in response to earlier fears about the loss of diversity in local and regional journalism.

All the leading Nordic economies apply reduced rates of tax to newspaper sales, or, in the case of Denmark and Norway, no VAT at all. Most also provide various forms of direct subsidy. We estimate⁸⁵

⁸⁰ Nordicom, *op. cit.*

⁸¹ European Commission, *Digital Economy and Society Index*, 2018

⁸² Nordicom, *Media Trends in the Nordic Countries*, no. 2 2018

⁸³ RISJ, *op. cit.*

⁸⁴ Statistics Norway, *Norwegian Media Barometer*

⁸⁵ Data on Nordic newspaper circulation is patchy, see note 79; estimates of the value of VAT reductions are therefore somewhat speculative

these subsidies to be equivalent to 10-16% of newspaper commercial income, except for Finland, whose subsidies are less generous. VAT reductions generally account for 65-80% of total subsidies (excluding Finland).

By country, the public cost of subsidies in 2016 (the last year for which comprehensive data were available) were:

- Sweden: roughly €200-220m, of which around €54m was direct subsidy
- Denmark: roughly €150m, of which direct subsidies accounted for just under €50m
- Norway: roughly €200-220m, of which €38m were direct subsidies
- Finland: roughly €40m, almost all VAT relief

Sweden's press support scheme aims to safeguard media diversity in the daily newspaper market. It has three components:

- Operating aid – the largest element of the scheme – given to newspapers or ‘newspapers published in a digital format’ that are not market leaders (value €41m in 2018, with the biggest beneficiary, *Svenska Dagbladet*, receiving almost €4m)
- Distribution support aims to promote collaboration between newspapers and to stimulate as wide availability as possible; it is a subsidy per distributed copy, with a falling scale for newspaper with large circulations (value €4m in 2018)
- Development support helps print publishers migrate to digital services (€4m in 2018)

Subsidies are awarded by the Media Subsidies Council (until March 2019, known as the Press Subsidies Council), which is part of the Swedish Press and Broadcasting Authority. The Council reviews applications and decides whether the criteria for subsidies have been met. To qualify, publications must normally be published more than twice per week, have content mainly written in Swedish and be mainly distributed within Sweden. At least 55% of the total editorial content must be produced in-house. Specialist publications are excluded, as are publications with less than 1,500 paying subscribers (except for minority language publications). The cost of the scheme is partly met through a tax on broadcasters’ advertising revenues.

Denmark also historically subsidised newspapers not in market-leading positions, including a distribution aid scheme. Press subsidies were reformed in 2013, with distribution aid replaced by support for editorial production, and all types of news media made eligible, including online-only outlets. It now has an extensive range of subsidy schemes with different specific purposes:

- Editorial production subsidies provided to printed and written internet-based news. The value of the subsidy is linked to each outlet’s editorial cost in the previous year; aid can be up to 35% of that cost, up to a ceiling of 17.5m kr (€2.4m) in 2018 for local and regional media, and 11m kr (€1.5m) for national media. Beneficiaries must employ a minimum of three journalists and offer at least 50% editorial content; one-sixth of all content must be independent journalism produced in-house
- A supplementary scheme provides additional support to smaller, national printed newspapers which produce content of significance to society and democracy. These beneficiaries must be printed at least four days per week, with total circulation of less than

40,000 copies, comprise at least 75% editorial content and produce one-third of the publication's total content in house⁸⁶

- A crisis support package provides redevelopment aid, again to print and online media, to prevent imminent closure and help ensure the outlet's survival
- An innovation fund, which provides project support for the establishment and development of media organisations, both for new entrants and for redevelopment of existing providers.

Subsidies are awarded by a dedicated Media Board, which is independent, although its seven members are appointed by the Minister for Culture. It judges applications with reference to criteria set down in legislation, including the projects' ability to increase media diversity and provide societal and cultural information that supports democratic debate, and to exploit new platforms and technologies. Value for money is evaluated by an external auditor.

The **Norwegian** press subsidy scheme was introduced in 1969. As in Sweden its purpose is to maintain a diverse newspaper market, especially at local level. To that end, the scheme funds the second-largest newspaper, by circulation, in each city; the biggest part of the subsidy is production support, as in Sweden. To qualify, newspapers must pay no dividend to their owners (and consequently several the country's leading publications do not receive any subsidy), and advertising must make up less than 50% of their content. Subsequently, grants for specific purposes were introduced, including for political news, publications targeted at minorities.

The scheme is operated by the media regulator, the Norwegian Media Authority, whose responsibilities include media literacy, radio and television content regulation, cinema age ratings and media ownership rules as well as press subsidies. It has attracted political controversy at times, with significant cuts made in the 1980s and 1990s and subsequently reversed. Further cuts were threatened by a centre-right government elected on a commitment to review press support in 2013, although its planned cuts were dropped after protests from the press and the opposition left parties.

We have not found evidence of significant concerns about the impact of these subsidies on media freedom or political influence on publishers. These countries regularly rank near or at the top of press freedom indices. The Reuters Institute found that the Scandinavian press was "widely seen as having moved towards a more independent and adversarial stance during the period when state subsidies were introduced."⁸⁷

Finland ended direct subsidies for most media in 2007, having previously provided funding to subsidise transport, delivery and other costs, and maintained subsidies from political parties to affiliated newspapers. It retains limited direct subsidies to newspapers in minority languages (worth €0.5m in 2016). It maintains a reduced VAT rate on newspaper subscriptions of 10% (although prior to 2012 subscriptions were zero-rated); single copy sales are liable for the standard VAT rate of 24%.

Public service media

The four main Nordic countries have public broadcasters established broadly on the BBC model, albeit on a smaller scale: publicly owned organisations, independent of government, providing integrated TV

⁸⁶ At the time this aid was notified to the European Commission, the Danish government said only five newspapers would be eligible for this scheme

⁸⁷ RISJ, *supra* note 58

and radio services (except in Sweden, where the TV and radio broadcasters are separate), online services since the mid-1990s, funded by a licence fee (around €230 per year, except Finland, which introduced a hypothecated income-based tax in 2013), without advertising. Denmark and Norway have a mixed model, with other companies with mandated public service obligations.

In Denmark, the 2018 media policy agreement saw an attempt to diversify public service spending further, with DR (the country's main public broadcaster) seeing funding cut by 20%, and the licence fee replaced by spending from tax revenues. Additional support was made available for commercial news providers (see below) and new independent channels.

9.3. Recent thinking and proposals for future schemes

In recent years the major Nordic countries have all refocused their press support schemes. There has been a partial shift away from general production and distribution support, towards more targeted schemes. Most have extended eligibility for subsidies in whole or in part to online publications.

Increased support for private media and digital media

The **Swedish** government announced two new platform-neutral subsidies in 2018, to be introduced in early 2019, subject to EU approval. Initially these will run in parallel to the existing press subsidy scheme, which is being increased, but only for a 'transitional period'. The two new schemes aim to strengthen local journalism, and to expand support for innovation and development (the latter is expected to replace current development subsidies for newspapers in time). Applying media must sign up to journalistic ethics codes and be generally accessible to the whole population.

In June 2018, as part of a new five-year media plan, the **Danish** government announced its intention to make digital news media VAT-exempt, in line with treatment of printed newspaper sales, subject to this being compliant with EU regulations. In the meantime, a production subsidy rising to 68m kr (€9m) annually was made available to qualifying digital media, whether standalone or linked to a print publication. The plan also tightened the terms of Denmark's innovation funding, restricting it to support for the establishment of new services and testing of new business models; support for existing media's transition to new technology is no longer provided.

The **Norwegian** government appointed a commission to review economic measures to promote media pluralism and set objectives with respect to pluralism, in 2015.⁸⁸ Its scope was broad, including public service broadcasting as well as the news media, and the totality of government media policy. The Commission's 2017 report identified a 'significant risk' that "journalism that is essential for the public discourse may diminish before sustainable business models are developed." It made several proposals to bridge this perceived gap, recommending that most should be implemented for a limited period, and their impact evaluated; they received some criticism for their high cost.⁸⁹ The most relevant measures include:

- extension of VAT exemption to all news and current affairs media, and including purchase of single articles from VAT-exempt publications via micropayment schemes

⁸⁸ Media Pluralism Commission, [Norwegian media pluralism - A stronger media policy for the public](#), March 2017. It is not clear what response, if any, the Norwegian government has given to these recommendations

⁸⁹ Media Reform Coalition, [Norwegian report on media diversity takes citizens' perspective](#), 31 March 2017

- exemption for Norwegian news media from paying the Social Security Contribution, as a temporary measure for 4 years
- proposal to eliminate special subsidy for second-ranked publications, levelling up subsidies for all publications
- a reduction in the proportion of operating costs that beneficiaries could recoup in grants
- introduction of a new grant scheme for media that are free of charge to the user, allocating 20m krone (a little over €2m) annually, for 4 years
- grants to promote innovation projects (30m kr, just over €3m, annually for 4 years, with a possibility to increase)
- grants to stimulate journalism of vital importance to society and the public discourse, including subsidies to ethnic and linguistic minority media (20m kr, €2m, annually)

The **Finnish** government also announced in 2018 its intention to reduce VAT on digital media to parity with printed versions, as soon as amended EU rules make it possible. It extended its existing support programme for newspapers to new entrants and online publications, and earmarked €1.5m for state aid to the national news agency, STT, to ensure its continued availability and support to ‘stabilise’ its business model. These initiatives were to be funded through existing government departmental appropriations, however, not additional funding.

Cuts to and constraints on public service broadcasting

Several Nordic countries have recently made cuts or changes to public service media interventions:

- A Swedish parliamentary committee on public service broadcasting recommended that the ‘core business’ of the country’s three public broadcasters should be ‘audio and audio-visual’ – an attempt to limit their impact on text-led commercial news providers – and that they should not publish bespoke material for social media platforms.⁹⁰ In November 2018, the parliament approved the Swedish government’s proposal to replace the TV licence fee with an individual ‘public service fee’, payable by all Swedish taxpayers through the tax system (but into a ring-fenced pot).⁹¹ (Iceland and Finland already have tax funding for public broadcasting, dating back to 2009 and 2013 respectively)
- DR’s funding will be cut by 20% from 2019, with its broadcast TV channels reduced from six to three by 2020 (with two channels going online-only), and its radio channels from eight to five. DR was instructed to prioritise news, regional affairs, content for children and young people, education and Danish-produced drama and culture. Denmark is also in the process of replacing the licence fee with tax financing, with full abolition planned for 2022
- The Norwegian government developed a proposal to ensure presence of a commercial broadcaster, providing news, with a headquarters and newsroom in Bergen, Norway’s second city.

Grants for minority language media

As mentioned above, Finland provides dedicated grants to minority language newspapers, although on a very small scale. The Nordic Council of Ministers, an official body for inter-governmental

⁹⁰ Nordicom, *supra* note 82

⁹¹ Government Offices of Sweden, [New financing of public service adopted](#), 16 November 2018

cooperation between Denmark, Norway, Sweden, Finland, Iceland, the Faroe Islands, Greenland and Åland, ran a grant scheme for journalism and media production for minorities in the Baltic countries between 2017-18. Grants of up to €10,000 were available to increase quality and appeal of local, national or regional journalism on any platform in the Baltic countries.

9.4. Observations

Press subsidies are a long-standing feature of Nordic media markets; despite periodic political challenge, the underlying principle of press support does not appear to be under threat, and in some cases, subsidies have been expanded in recent years. This does appear to have helped sustain diversity,⁹² particularly where funds have been targeted at the second-largest providers in each market and to publications aimed at minorities. However, this approach has become controversial, with market leaders protesting that they are also suffering as a result of digital disruption and should be eligible for support, and several countries shifting their support in this direction.

As the Reuters Institute points out, the Nordic model provides evidence that public support for private media need not undermine the independence of news organisations, but this depends on a host of factors: the structure of the media industry, the economics of individual news companies, the character of a country's political system and the professional culture of journalism.⁹³

The tradition of private media support perhaps also accounts for a greater degree of ambivalence about public media than in some countries. Public service broadcasters have been encouraged, or required, to become more focused and avoid direct competition with private media. It is not yet clear whether this will be enough to defend Nordic media firms against the threat of digital disruption, although their linguistic and cultural specificity may help insulate these markets to some extent.

There is a track record of cooperation between the Nordic countries on media support via the Nordic Council of Ministers. While this seems a sensible response to similar challenges confronted by relatively small markets, the scale of this activity to date may not be sufficient to make a significant impact.

⁹² Helle Sjøvaag and Truls André Pedersen, [*The effect of direct press support on the diversity of news content in Norway*](#), *Journal of Media Business Studies*, 15:4

⁹³ RISJ, *supra* 58

10. Other European initiatives

10.1. Overview

A few other countries have press subsidy schemes which have recently been refocused to support innovation. The tradition of European support for the press is well recognised, including at European level, with state aid cases generally been treated favourably by the European Commission if the public service rationale is robust.

10.2. Italy

Like France, Italy maintains substantial direct and indirect press subsidies. A substantial new source of funding was established in 2016 with approval of a dedicated fund for pluralism and information innovation. The fund was allocated €182m for 2017, of which €68m was reserved for interventions to support local radio broadcasting. Newspapers received €47m and RAI received €28m. The sums awarded to newspapers were equivalent to around 2.5% of total newspaper revenue.

10.3. Netherlands

As a small market, the Netherlands is more like the Nordic model than the French, Italian or German, with a press pluralism fund that dates back to 1971. Traditionally, the fund supported newspapers in temporary economic trouble, including with loans. More recently, it has shifted its focus to innovation projects. Following an expert commission review in 2010, a newspaper innovation project can be subsidised up to half of its budget.

10.4. European institutions

The European Commission has supported initiatives to promote quality journalism in light of growing concern about misinformation and disinformation, in particular by encouraging member states to consider horizontal aid schemes to address market failures hampering the sustainability of quality journalism and support measures for specific activities, such as training for journalists, service and product innovation.⁹⁴

It announced in 2018 that it would also “explore increased funding opportunities to support initiatives promoting media freedom and pluralism, quality news media and journalism, including skills, training for journalists, new technologies for newsrooms, and collaborative data-driven platforms.”⁹⁵ However, direct European funding for journalism is relatively small-scale. For example, the proposed Creative Europe budget for 2021-2027 includes €160m over the six year period for SMEs in the cultural and creative sector, with support for quality journalism only one aspect; this compares to €1,081m proposed for audio-visual projects (films, TV programmes and video games).⁹⁶ In 2018, the Commission also provided around €1.9m for production and dissemination of news on European Union affairs, funding four projects to start in early 2019.

⁹⁴ European Commission, [Communication: Tackling online disinformation: a European Approach](#), COM(2018) 236, 26 April 2018

⁹⁵ *Ibid.*

⁹⁶ European Commission, [Press release: EU budget: Reinforcing Europe's cultural and creative sectors](#), 30 May 2018

The Commission has proposed to revise the 2006 VAT Directive to allow (but not require) member states to align VAT rates between print and digital publications. The proposal is under discussion and will require unanimous assent from member states. As noted above, the fact that alignment is disallowed under the current regulation has not prevented several member states from doing it anyway.

The Council of Europe has also called for European states to develop strategies to support professional news media and quality independent and investigative journalism, including online media.⁹⁷ Both financial and non-financial support are recommended, including support projects relating to journalism education, media research, investigative journalism and innovative approaches to strengthen media pluralism and freedom of expression.

The Council stresses the importance of effective governance of subsidy schemes, making three recommendations:

- Support measures should be based on “predetermined, clear, precise, equitable, objective and transparent criteria”
- Support should “administered in a non-discriminatory and transparent manner by a body enjoying functional and operational autonomy, such as an independent media regulatory authority”
- Regular reports should be published on use of public funds.

⁹⁷ Council of Europe, [Recommendation on media pluralism and transparency of media ownership](#), 7 March 2018