

STUDY

Requested by the CULT Committee



Europe's media in the digital decade

An action plan to support recovery
and transformation in the news
media sector



Culture and Education



Policy Department for Structural and Cohesion Policies
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Europe's media in the digital decade

An action plan to support recovery
and transformation in the news
media sector

Abstract

The Media Action Plan released by the European Commission in December 2020 is the first policy document explicitly setting out a vision and dedicated initiatives for the news media sector. This paper discusses the current situation of the sector and its revenue streams, the important impacts of the COVID-19 pandemic, and the main public and private funding models to support the sector.

This document was requested by the European Parliament's Committee on Culture and Education.

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LIST OF ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CCS	Cultural and Creative Sectors
CMPF	Centre for Media Pluralism and Media Freedom
CULT	Culture and Education Committee
EC	European Commission
EIF	European Investment Fund
EP	European Parliament
KESMA	Közép-Európai Sajtó és Média Alapítvány (Central European Press and Media Foundation)
PSM	Public service media

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EXECUTIVE SUMMARY

KEY FINDINGS

- The necessity of an independent, robust and diverse news media sector is a cornerstone of the European Union democracies.
- The combination of the COVID-19 impact with the need to adapt to the digital shift puts the sector at risk, and initiatives to support the news media sector are certainly timely.
- Nonetheless, funding for the news media sector requires complying with a set of key principles to ensure that the support provided does not lead to political interference or hamper the diversity of news media outlets.
- Finding a right balance between public and private funding is needed, while considering the diversity of operators in the news media sector.
- Transparency in the way funding is allocated and channelled is an important prerequisite for the design of news media support schemes, as well as maintaining independence and safeguarding editorial responsibility of news media outlets.

The Media Action Plan released by the European Commission in December 2020 is a timely initiative, considering the important impacts of the COVID-19 pandemic. It is the first policy document explicitly setting out a vision and dedicated initiatives for the news media sector, including specific funding lines.

A sector affected by the digital shift and evolving business models

The European news media sector is at a turning point due to the digital shift and its impacts on the business models of the sector. Digital revenues are growing fast but are not yet fully offsetting the revenue losses from printed press. Between 2014 and 2017, the turnover of the European written press subsector declined at a CAGR of 0.33% leading to a turnover of EUR 73,275 million in 2017.

The rise of digitisation and technological changes during the past decades have challenged the conventional practices of media organisations and journalists worldwide.

Digital advertising is quickly becoming the main source of revenues for both news broadcasters and publishers, although paid subscriptions are still a major source of income in the sector.

Public and private funding for the news media sector

Whilst the news media sector does require support, there is a direct link between funding, ownership, and independence of the news media sector and public trust. Public funding for the news media sector thus needs to strike a careful balance across these aspects. Public service media broadcasters have a longstanding history of public funding across the EU, and specific guidelines have been set up to ensure.

The printed press sector benefits from much fewer dedicated support schemes, but several models are emerging:

- Direct support to the press sector as in Austria, via grants or indirect measures (e.g. reduced VAT rate),
- Generating revenues for the press sector via advertising paid by public authorities as in Romania or Hungary, although this may generate potential risks of political interference.
- Support provided to specific projects (e.g. in the Netherlands) where it is easier to ensure that no interference is caused to the editorial independence of news media outlets. This support may deal with skills development of journalists or be earmarked to specific topics such as new business models or digitalisation of news services.

Encouraging private investment may also represent a way of supporting the sector while avoiding political influence over the media. The Creative Europe Guarantee Facility, for example, has already unlocked more than EUR 28 million in bank loans for the news media sector.

The impact of COVID-19 and support measures set up for the news media sector

The CCS and the news media sector are hard-hit by the COVID-19 pandemic and a large majority of news media companies expects a significant drop in revenues in 2020-2021. It is difficult to analyse how the news media sector could tap into general support measures, although it is expected that general schemes for partial unemployment or compensation for losses in revenues cover the news media sector companies. However, freelance journalists and small media companies with variable revenues are likely to receive lower compensations.

Several EU countries have set up dedicated measures for the news media sector (e.g. in France, Denmark, Austria, Sweden and Estonia). These measures include reduced VAT rates, support to news media consumption, support to journalists and direct funding to address the loss of advertising revenues.

Looking ahead – the 2021-2027 perspective

The European Commission has put forward proposals for the recovery of the European economy, such as the “Recovery and Resilience Facility” or InvestEU-based initiatives. All these schemes, and other future EU programmes such as the Horizon Europe or Digital Europe programmes can be accessed by the news media organisations, if they find the right entry points. The NEWS initiative presented as part of the Media Action Plan can help to connect the dots between the different opportunities available and support the news media sector in adapting to the “new normal”, at a time when it directly needs it.

1. INTRODUCTION

KEY FINDINGS

The Media Action Plan released by the European Commission in December 2020 is a timely initiative, considering the important impacts of the COVID-19 pandemic on the news media sector. It is the first policy document explicitly setting out a vision and dedicated initiatives for the news media sector, including specific funding lines.

The news media sector is also facing important evolutions linked to the digital shift and its impact on the business models of the sector. The rise of digitisation and technological changes during the past decades have challenged the conventional practices of media organisations and journalists worldwide.

The European Media and Audiovisual Action Plan was released in December 2020, amidst a pandemic of an unprecedented scale that hit very hard the audiovisual and news media sector. The Media Action Plan aims to “boost European media and help maintain European cultural and technological autonomy in the Digital Decade”. It is structured around three main pillars:

- 1) “Recover: what the Commission plans to do to help audiovisual and media companies to weather the current storm and provide liquidity and financial support;
- 2) Transform: address structural issues by helping industry face the twin transitions of climate change and digitisation, in the context of fierce global competition;
- 3) Enable and empower: setting the conditions allowing more innovation in the sector, whilst ensuring a true level-playing field, and empowering citizens to access content more easily and take informed decisions.”¹

Whilst the audiovisual sector has benefitted from a long time from dedicated policies and support measures at EU level², the news media sector is a fairly recent policy area. As such, this Action Plan is an important landmark when it comes to designing EU policies and programmes towards this sector.

It comes at a timely moment, when the news media sector has been hard-hit by the COVID-19 crisis, and is also affected by the longer-term trend of the digitalisation of the news media sector. News publishing saw its advertising revenues drop between 30% and 80%³ and TV by 20%⁴ in the second quarter of 2020.

It should be noted that the news media sector encapsulates both companies from the audiovisual sector (e.g. news channels and TV or radio broadcasters and their related production companies or services), and from the press sector (print and digital). This means the news media sector operates in different markets, with different degrees of horizontal and vertical concentration. It is also quite disparate in terms of scale across news media companies, with a small number of large media

¹ European Commission (2020) Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation. Brussels, 3.12.2020; COM (2020) 784 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0784>

² See for example European Commission (2018) Mid-term evaluation of Creative Europe Brussels, Commission staff working document. 30.04.2018 SWD (2018) 159 final

³ <http://www.newsmediaeurope.eu/news/covid-19-and-the-news-media-journalism-always-comes-at-a-cost/>

⁴ EAO, Ampere Analysis, October 2020

conglomerates, and a myriad of SMEs (e.g. local and regional newspapers) and freelancers (e.g. journalists). As noted in the Commission's Action Plan, this market structure has a bearing on the type of challenges faced by news media operators: SMEs face severe liquidity issues and unemployment has increased. Many media professionals and journalists – especially those in precarious employment conditions and freelancers – have found themselves with no income⁵.

This Background Analysis⁶ aims to provide background information on key aspects related to promoting the financial sustainability of, and unleashing innovation in the news media sector (including printed and online press, radio, and audiovisual services) in the context of the Digital Decade. This analysis will focus in particular on:

- a. The different financing models of the news media sector, analysing the main types of revenues.
- b. The current (pre-COVID) models of public and private support for the news media sector.
- c. A summary of key short-term support measures applied within the COVID-19 context for the news media sector.
- d. A more forward-looking approach, analysing the perspectives for news media funding in 2021-2027.

We will consider these different aspects in light of key trends affecting the news media sector, many of which were exacerbated by the COVID-19 crisis. The news media sector is undergoing significant changes in terms of business models. The revenue streams of media companies and the ecosystem in which they operate has become less straightforward than 30 years ago.

The rise of digitisation and technological changes during the past decades have challenged the conventional practices of media organisations and journalists worldwide. Competing in the new digital world requires traditional news media companies to transform by designing and rapidly industrialising new content and develop tailored services that enrich the consumers' experience and creates a unique value proposition online.⁷ Additionally, online advertising revenue is captured to a large extent by large digital companies such as Google or Facebook, which control large advertising /data ecosystems on the Internet. News media companies operate in this crowded space, alongside data brokers, advertising agencies, and advertisers.⁸ Traditional advertising revenues are in decline and newspapers have been particularly hit by the revenue challenges. Digital revenue streams have not yet come close to recouping the print revenues. While the majority of news publishers is now betting on reader revenue becoming their most stable stream of revenues as advertising remains volatile, this also means that more information is disappearing behind paywalls, which possibly brings in a decline in the access to relevant information.⁹

⁵ European Commission (2020) Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation. Brussels, 3.12.2020; COM(2020) 784 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0784>

⁶ This Background Analysis is completed by the Briefing on 'Media Action Plan: Key challenges related to media pluralism, media freedom and democracy' and the Policy Recommendations Briefing on Media Action Plan. These three research papers were commissioned by the Policy Department as a part of concomitant expertise aiming to support the work of the CULT Committee on the own initiative report on 'Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation'.

⁷ Donders K, Enli G, Raats T, et al. (2018) Digitisation, internationalisation, and changing business models in local media markets: an analysis of commercial media's perceptions on challenges ahead. *Journal of Media Business Studies* 15(2): 89–107. DOI: [10.1080/16522354.2018.1470960](https://doi.org/10.1080/16522354.2018.1470960).

⁸ Doyle G (2013) Re-Invention and Survival: Newspapers in the Era of Digital Multiplatform Delivery. *Journal of Media Business Studies* 10(4): 1–20. DOI: [10.1080/16522354.2013.11073569](https://doi.org/10.1080/16522354.2013.11073569).

⁹ Newman, N. (2020). Journalism, Media, and Technology Trends and Predictions 2020. Oxford: Reuters Institute for the Study of Journalism. Available at: https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2020-01/Newman_Journalism_and_Media_Predictions_2020_Final.pdf

These trends are reflected across all types of news media companies:

- **For TV or radio broadcasters:** most of the traditional audiovisual news media players do not have the required resources to invest in these transformations, according to a recent research conducted by Accenture and Ovum.¹⁰ Despite the opportunities unlocked by digitisation, only a handful of players reached an advanced stage of the digital switch-over. Digitalisation actually fuelled concentration and vertical integration which resulted in a handful of established broadcasters running more channels than before¹¹ or a few digital giants being increasingly active in all segments of the value chain (from production to consumer delivery), preventing new entrants from easily accessing the audiovisual news media market.
- **For print news:** digitisation has equally threatened the print news industry's readership and relevance. The increased dominance of mobile devices and internet access accelerated the trend towards online consumption of content, including news, at the expense of traditional printed newspapers and magazines. Digitisation also poses challenges in terms of preserving the authenticity of the media production chain and the credibility of the final product.¹² Conversely, digitisation opens up opportunities for the print media industry to save on printing and distribution costs, as well as to better understand their audiences through data collection. Digitisation of the traditional news industry has encouraged the interconnectedness of business operations and news reporting by harnessing consumers' feedback in the customisation of the final product to meet demand and thus minimise costs. Producing content that is determined by behavioural data can generate more views and contribute to a leaner reporting staff.¹³

All these trends have a bearing on the financial sustainability of the news media sector and its needs in terms of short-term and long-term financing. The challenges briefly presented are of course exacerbated by the COVID-19 pandemic and the ensuing economic consequences.

¹⁰ Accenture, Ovum, *Fuel the Core of Your Media & Entertainment Business*, 2019 https://www.accenture.com/_acnmedia/pdf-97/accenture-digital-transformation-media-businesses.pdf

¹¹ Open Society Foundations, *Digital Journalism: Making News, Breaking News*, 2014

¹² MJ, 'Not Your Grandma's Newspaper – Restructuring the Journalism Value Chain to Digitally Engage Consumers' in *Harvard Business School, Technology and Operation Management*, 2017 <https://digital.hbs.edu/platform-rctom/submission/not-your-grandmas-newspaper-restructuring-the-journalism-value-chain-to-digitally-engage-consumers/#>

¹³ *ibid*

2. FINANCING MODELS OF THE NEWS MEDIA SECTOR

KEY FINDINGS

The European news media sector is at a turning point. Digital revenues are growing fast but are not yet fully offsetting the revenue losses from printed press. Between 2014 and 2017, the turnover of the European written press subsector declined at a CAGR of 0.33 % leading to a turnover of EUR 73,275 million in 2017.

Digital advertising is quickly becoming the main source of revenues for both news broadcasters and publishers, although paid subscriptions are still a major source of income in the sector. In 2019, the money spent on digital advertising in the United States surpassed spending on traditional ads (print media and TV) for the first time.

Several trends also present a more positive outlook for the European news media sector:

- There is a high demand for news media content, and 4 out of 5 Europeans access news media on a daily basis in a variety of formats (printed, online, via radio or TV).
- Online access enables online news to gain a wider outreach and lowers the entry barriers for new players.
- The publishing sector in Europe is strongly characterised by vertical integration (e.g. large public broadcasters, media conglomerates). These large groups have a structuring effect on the European industry and their ability to innovate and remain competitive will be instrumental for the wider European ecosystem of SMEs.

The introduction section briefly outlined some key trends and challenges in the news media sector. In this section, we will analyse in more details the different types of revenues of news media companies, analyse the key financial challenges they face, with a view to examine the relevance of policy measures set up to support the news media sector in the next chapters.

2.1. Revenue sources in the news media sector – overview

In order to adequately shape policies and initiatives for the news media sector, a more in-depth understanding of the different market players active in the news media sector is required. We delineate our overview across the different segment of the news media sector: printed press, online press and news broadcasters.

2.1.1. Printed press

The print media industry generates revenue by selling printed copies (newspapers, newsmagazines) to readers on the one hand and advertisement space to advertisers on the other hand. Often, the production of news is cross-subsidised with ad sales or other commercial activities, typically present in larger media conglomerates (formed by broadcasting and print media companies).¹⁴ Newspapers increasingly generate revenues by producing and selling other types of information formats, such as books, or organising events and conferences.

¹⁴ OECD, *The Value Chain and Economics of the Traditional Newspaper Industry*, 2010

Table 1: Turnover evolution in the written press subsector in the EU

Turnover of the printed press sector (in EUR million)						
	2013	2014	2015	2016	2017	CAGR (2013 - 2017)
Publishing of newspapers	36,944	36,714	37,755	35,385	34,492	-1.70%
Publishing of journals and periodicals	33,454	32,582	32,596	30,232	29,239	-3.31%
News agency activities		6,000	6,000	6,814	6,530	2.86%
Printing of newspapers	3,863	3,644	3,231	3,048	3,015	-6.01%
Grand Total	74,260	78,940	79,581	75,480	73,275	-0.33%

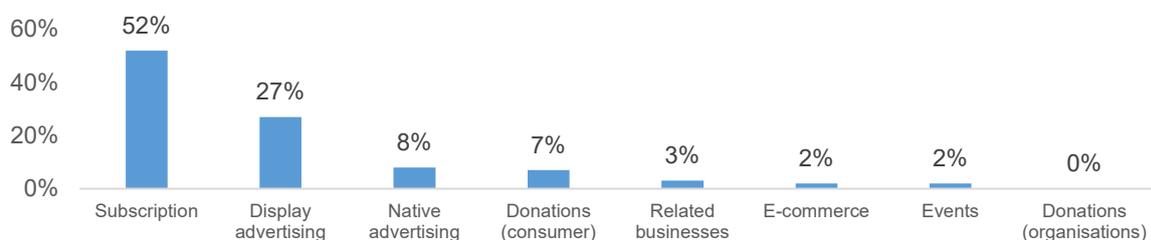
Source: Eurostat

Despite being one of the oldest and widespread form of media, the global print advertising market has shrunk during the past decade, due to digitalisation of media. Between 2013 and 2017, the turnover of the European written press subsector declined at a CAGR of 0.33 % leading to a turnover of EUR 73,275 million in 2017. The only activity which saw its turnover increase was “News agency activities” with a 2.86 % CAGR.

As a result, companies are now spending more on digital advertisements as opposed to print. According to a report published by IMARC Group, the global print ad market reached a value of USD 98.1 billion in 2018, declining at a CAGR of 2.3 % during 2011-2018.¹⁵ Nonetheless, print advertising still accounts for a significant share in the global advertising market. A large portion of the global population still subscribes to print newspapers and magazines.¹⁶

2.1.2. Online press

There are several major sources of income for news media companies, mainly consisting in advertising and subscription revenues. According to a survey by the *Reuters Institute* the repartition of global revenues is the following:

Figure 1: News media main revenue - focus 2019

Source: Reuters Institute

¹⁵ IMARC Group, *Global Print Advertising Market Report & Forecast 2019-2024*, 2019, <https://www.imarcgroup.com/print-advertising-market>

¹⁶ Jasmine Enberg, 'Global Digital Ad Spending 2019', eMarketer 2019, <https://www.emarketer.com/content/global-digital-ad-spending-2019>

Digital advertising

Selling advertising space remains an important revenue stream in the news media industry, even online. The digital advertising market has been steadily growing in past years. The global ad spending in the online environment has increased from USD 265 billion in 2017 to USD 365 billion in 2020 (a 9.4 % year-on-year growth) and is forecast to reach USD 426 billion by 2023.¹⁷ However, paid ads undermine the readers' experience and news outlets seek alternative monetisation solutions (see below).

Affiliate digital marketing (e-commerce)

This monetisation method is suitable for media outlets focused on niche topics that can advertise connected products on their platforms and subsequently act as intermediaries between their audience and the advertised product, sold on a different platform. The publishers receive a percentage for every successful deal made. While paid ads generate revenues for the number of views, affiliate marketing functions on the basis of a 'pay per action' model.

Paid subscriptions (paywalls)

Digital news media companies often use subscriptions to monetise their content online. A paywall ensures that readers cannot get full access to content without paying a subscription fee. This model is amongst the most commonly used by news media companies, and includes several possibilities:

- A 'hard paywall' can give access to up to 2 free articles.¹⁸ Alternatively this model only displays an article title and a few introductory paragraphs before prompting the reader to subscribe.¹⁹ This model is commonly used by specialised publications, such as financial titles. For instance, two thirds of the Financial Times's 900,000 subscribers were digital customers in 2018 and subscriptions had overtaken advertising as the chief source of revenue, representing around two thirds of the total.²⁰ However, the introduction of a hard paywall can result in an important loss of digital audiences.
- A 'metered paywall' allows users to read a certain number of articles for free prior to prompting readers to purchase a subscription. This model has grown very popular and is used by hundreds of newspapers around the world, as it allows readers to experience the type of content and the way it is delivered by the media company, before engaging in buying a subscription. For the metered paywalls, determining the right paid content threshold and the audience's willingness to pay is very important to maintain or increase the audience. For instance, *Le Monde* seems to have found a good balance between free and paid content. In 2018 it changed the metering system to allow 37 % of its articles reserved for subscribers only, after a previous 33 % of blocked content turned out to be too low and had a negative effect on reader figures.²¹ The French publisher has grown its digital subscriptions by 20 % to 180,000 subscribers in 2018 thanks to increasing the number of free articles, as well as improving its technological platform.²²
- Unlike the hard and metered paywalls, the 'freemium paywall' divides free and paid access by types of content rather than by the number of visits. For instance, since 2014,

¹⁷ Statista.com

¹⁸ 'Paywalls: Are they effective?' In *IO Technologies*, <https://iotechnologies.com/blog/monetization-paywalls>

¹⁹ '3 kinds of Paywall For Your Digital Publications', in RealViewDigital <http://www.realviewdigital.com/3-kinds-paywall-digital-publications/>

²⁰ Eric Johnson, 'Financial Times CEO John Ridding explains how to make people pay for media', in *Vox*, 2018, <https://www.vox.com/2018/4/5/17200016/john-ridding-financial-times-ft-online-subscriptions-paywall-nikkei-peter-kafka-recode-media-podcast>

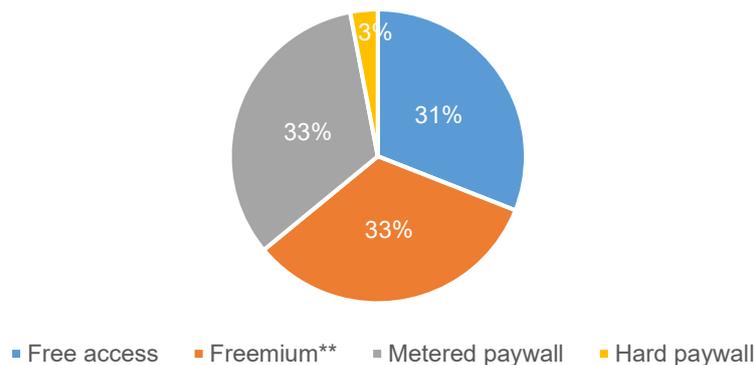
²¹ Nic Newman, 'Overview and Key Findings of the 2018 Digital News Report' in *Digital News Report 2018*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

²² Lucinda Southern, 'How Le Monde site tweaks helped increase subscriptions by 20% in 2018', in *Digiday*, 2019 <https://digiday.com/media/le-monde-site-tweaks-helped-increase-subscriptions-20-percent-2018/>

The Guardian uses a three-level subscription monetisation model, which allows its readers to access a range of events and activities. The first level is a freemium model which gives free access to events, news and bookings. The second-level access implies a monthly subscription with discounts and priority bookings for events. The third level is a more expensive subscription which includes a 'backstage pass' to newsroom tours, print site visits and insight into the editorial process. The third level helps to overall shape *The Guardian* community by giving the possibility to members to host their own *Guardian Live* events.²³

Figure 2: Pay models worldwide in 2019

Share of pay models in newspapers worldwide in 2019



Source: Reuters Institute²⁴

According to the *Reuters Institute*, 69% of the newspapers globally have applied some type of pay models by 2019, which is a small increase from 64.5 % in 2017. Hard paywalls are extremely rare, while freemium models and metered paywalls are evenly divided (33 % each).

Crowdfunding

A growing number of online publications now rely on (regular) payments or donations. This has become a way of funding particularly for non-profit organisations – and less for individual journalists, although there are few successful examples. Many of these undertakings are found in investigative journalism.²⁵

2.1.3. News broadcasters

In the context of increasingly vertically integrated media conglomerates and new distribution windows that are constantly emerging, the broadcasting industry can generate multiple revenue streams, rendering the economy of TV and radio networks increasingly complex. The vertical integration of media companies has favoured the in-house production of flow programmes and especially newscasts. It is common that a TV or news programme is produced, distributed and aired by the same media conglomerate, which entails several associated costs and revenues:

²³ 'Guardian launches new three-tier membership scheme', in *The Guardian*, 2014, <https://www.theguardian.com/media/2014/sep/10/guardian-membership-scheme-patrons-kings-cross>

²⁴ See further: <http://www.digitalnewsreport.org/publications/2019/pay-models-2019-update/#table-5>

²⁵ <https://europeanjournalists.org/wp-content/uploads/2019/02/EFJ-Report-Digital-Journalism-and-New-Business-Models-new-design.pdf>

Advertising

Advertising is the most immediate revenue stream and the only one that goes directly to the broadcast network/media conglomerate, being of high importance for network programmers.²⁶ It is directly linked to ratings – programmes with the highest audience are the ones that generate the highest advertising revenue. Newscasts have generally good ratings, as they present information of general interest to a wide category of audiences. Therefore, advertising revenues generated by news programmes are generally high, as advertising space is easily sold during newscasts. Advertising revenues generated by newscasts typically increases during prime-time and during important social, economic or political events.²⁷

Online streaming

The two most popular online streaming business models are over-the-top (OTT) services (based on subscriptions) and pay-per-view (PPV) services. OTT and PPV offer access to film and TV content produced specifically for the service, including newscasts and other information shows. An increasing number of radio shows are also available via online streaming. Online distribution of TV content generates revenue in two ways: licence fees (streaming rights) and online advertising revenue. Newscasts streamed online typically bring profit from online advertising.

Online advertising has grown rapidly in past years, despite all concerns about ad fraud or ad blocking. Digital advertising is increasingly changing the way consumers behave and digest information, accounting in 2019 for 52 % of global advertising tracked in the latest *GroupM* report²⁸ and 60 % of total advertising in markets including China, the UK, Sweden and Denmark.

In 2019, the money spent on digital advertising in the United States grew by 19 % to reach USD 129.34 billion and surpassed what is spent on traditional ads (print media and TV) for the first time. Digital advertising represented 54.2 % of total US ad spending - according to the latest *eMarketer* forecast.²⁹

The relative effectiveness of traditional TV ads has fallen, and the budgets allocated towards TV have diminished year-on-year. This shift occurred as advertisers took budgets out of TV into digital or shrank in size and reduced media spending, including TV.³⁰

2.1.4. Key trends and opportunities

The different types of revenue sources show that the news media sector is highly impacted by the digital shift and new business models are emerging. While these trends certainly affect the financial sustainability of the sector, it also opens up many opportunities.

²⁶ Alejandra M. Zannier Acha, *Financial Analysis of Broadcast TV Programming*, Drexel University, 2012

²⁷ Data from Pew Research Center show how political advertising revenue of broadcast companies increases during election years in the US <https://www.journalism.org/fact-sheet/local-tv-news/>

²⁸ GroupM, *This Year Next Year: Media Forecasts*, December 2019, <https://www.groupm.com/news/year-next-year-us-media-forecasts-0>

²⁹ eMarketer, 'US Digital Ad Spending Will Surpass Traditional in 2019', <https://www.emarketer.com/content/us-digital-ad-spending-will-surpass-traditional-in-2019>

³⁰ Idem

Table 2: Key trends and opportunities for the news media sector

Opportunities	Key trends
High demand for news media content	4 out of 5 Europeans access news media on a daily basis in a variety of formats (printed, online, via radio or TV). Online access is the new norm: 72 % of Europeans use the internet to access news more than once a week, and 45 % access them every day. ³¹
Emergence of new players	Higher outreach of online news and lower entry barriers (production costs are lower for digital news). New access modalities (news aggregators, social media) are opening up new markets for the news media sector to reach out to consumers.
Vertical integration in the news media sector	The publishing sector in Europe is strongly characterised by vertical integration (e.g. large public broadcasters, media conglomerates). These large groups have a structuring effect on the European industry, and their ability to innovate and remain competitive will be instrumental for the wider European ecosystem of SMEs.
Diversification of revenues	Large publishing/press companies have gradually extended their activity in connected sectors, such as VOD services, broadcasting, advertising, or even music and video games.

Based on the different revenue models analysed above, we can highlight that the news media sector is characterised by a diversity of business models, with different needs in terms of investment, and in particular:³²

- Investment needs to develop adequate, user-friendly and secure paywall systems (tech infrastructure investment).
- Develop user-friendly yet profitable online revenue models.
- Develop adequate and accessible technological solutions to ensure fair remuneration & copyright protection.
- Investment in new content/formats (videos, podcasts).

³¹ Various Eurostat sources (Eurobarometer and Community survey on ICT usage in households and by individuals).

³² Reuters Institute (2020) Digital News Report.

3. THE CURRENT (PRE-COVID) MODELS OF PUBLIC AND PRIVATE SUPPORT FOR THE NEWS MEDIA SECTOR

KEY FINDINGS

Whilst the news media sector does require support, there is a direct link between funding, ownership, and independence of the news media sector and public trust. Public funding for the news media sector needs to strike a careful balance across these aspects.

Public service media broadcasters have a longstanding history of public funding across the EU and specific guidelines have been set up to ensure media freedom and independence.

The printed press sector benefits from much fewer dedicated support schemes, but several models are emerging:

- Direct support to the press sector, via grants or indirect measures (e.g. reduced VAT rate).
- Generating revenues for the press sector via advertising paid by public authorities, although this may generate potential risks of political interference.
- Support provided to specific projects, skills development of journalists or earmarked to specific topics such as new business models, digitalisation of news services, where it is easier ensure that no interference is caused to the editorial independence of news media outlets.

Encouraging private investment may also represent a way of supporting the sector while avoiding political influence over the media.

The key trends and evolving business models discussed in chapter 2 raise questions in terms of financial sustainability of the sector and capacity to invest in viable business models, which was exacerbated by the impact of the COVID-19 pandemic and the ensuing compression in terms of revenues. The financial sustainability of the news media sector requires strategic investments in terms of business models and generating new revenue sources.

When considering the different models of support for the news media sector, several important considerations should be taken into account. First and foremost, there is a direct link between funding, ownership, and independence of the news media sector and public trust.

3.1. Public support for the news media sector

The design of public support schemes for the news media sector therefore needs to strike a careful balance across the above mentioned aspects to ensure media freedom and independence. For instance, EBU produced guidelines for the funding of public service media (PSM), anchored around four principles:³³

- Stable and adequate: a stable and predictable source of funding enabling full coverage of the public service remit in the digital media age;
- Independent from political interference: not reliant on political favour, thereby promoting public trust in PSM and its role as a truly indispensable service;

³³ EBU (2017) Public funding principles for public service media. EBU Legal Focus, December 2017. https://www.ebu.ch/files/live/sites/ebu/files/Publications/EBU-Legal-Focus-Pub-Fund_EN.pdf

- Fair and justifiable: fair and objectively justifiable to the public and the market;
- Transparent and accountable: an open and clear funding mechanism holding PSM accountable to its audience.

Conversely, measures directly affecting the ability of news media operators to generate revenues can lead to drastic consequences. In particular, the recent proposal for a new media tax in Poland raised a huge stir. According to the Polish Government, this “solidarity tax” was designed to focus on larger international companies such as Google or Facebook, as a way to generate additional revenues for the National Health Fund, the National Fund for Monument Protection and the establishment of a Fund for Support of Culture and National Heritage in the Media Area.³⁴

It consisted in a levy imposed on media organisations on contributions from conventional advertising (radio, television, press, outdoor advertising and cinemas) and from online advertising. The hardest-hit publishers included the Agora publishing house, the owner of the biggest Polish broadsheet “Gazeta Wyborcza”, and TVN of the American Discovery Group. This law was put forward in a context where both publishers had been strongly criticised by the ruling coalition and by the Polish Television (TVP), which regularly came under fire for its pro-governmental stances.³⁵

Polish news media operators firmly stood against the legislative proposal and the unfair treatment of non-public media, which culminated in an unprecedented 24 hour-long media blackout on 10 February 2021 to protest against the law, which is now under revision.³⁶

Beyond these core principles, there is also a notable difference between TV and radio news operators, where public funding mechanisms are well-established, and printed and digital press where few countries have set up direct financing mechanisms.

3.1.1. Public funding for public service media

According to EBU, public funding is regarded as a predictable source of funding for radio and TV (public) news media, enabling them to plan, invest in long-term quality content and innovate. Broadly, public funding may be collected via a licence fee model or an additional personal media tax, which is then segregated from general government funds. The other major sources of public income are government grants and subventions.³⁷ Most public service media organisations also depend on advertising revenue or other commercial activities to supplement the funding of their remit.³⁸

Public funding is in most cases channelled through an external body rather than a direct governmental subsidy, to ensure a greater level of political independence. This is the main model used in Europe, although some countries also use direct grants or a fund to collect the licence fee and directly redistribute it to news media operators.³⁹

Overall, the level of funding for PSM is very stable, at least on the medium term. Cumulative PSM funding dropped by 0.1 % from 2015 to 2019, with total PSM resources decreasing from EUR 35.98 billion in 2015 to EUR 35.95 billion in 2019 for all EBU members. In the EU, the total funding of PSM

³⁴ Various sources, such as Timothy Garton Ash (2021) Under cover of Covid, Poland is stifling free media – and all Europe should be worried. The Guardian, 8 April 2021. Or Karolina Zbytniewska (2021) Private Polish media go off air to protest new tax. Euractiv, 10 February 2021.

³⁵ Karolina Zbytniewska (2021) Private Polish media go off air to protest new tax. Euractiv, 10 February 2021.

³⁶ Timothy Garton Ash (2021) Under cover of Covid, Poland is stifling free media – and all Europe should be worried. The Guardian, 8 April 2021.

³⁷ Mervin Warner (2017) Funding Public Media An insight into contemporary funding models. A report by the Public Media Alliance, August 2017. <https://www.publicmediaalliance.org/wp-content/uploads/2017/08/Funding-Public-Media-.pdf>

³⁸ EBU (2017) Public funding principles for public service media. EBU Legal Focus, December 2017. https://www.ebu.ch/files/live/sites/ebu/files/Publications/EBU-Legal-Focus-Pub-Fund_EN.pdf

³⁹ Mervin Warner (2017) Funding Public Media An insight into contemporary funding models. A report by the Public Media Alliance, August 2017. <https://www.publicmediaalliance.org/wp-content/uploads/2017/08/Funding-Public-Media-.pdf>

slightly decreased over the 2015-2019 period, from EUR 32.88 billion in 2015 to EUR 32.65 billion in 2019.

In 2019, licence fee revenues were the main source of income for PSM in the EBU area, providing 59.9 % of total PSM income. Direct public funds from the State budget accounted for 17.7%. Commercial revenues accounted for 18.9 % of PSM revenues.⁴⁰

3.1.2. Support to printed press

In comparison, support to the printed and digital press are set at much lower levels, and in most EU countries direct subsidies to the press sector are almost non-existent.

The support provided to the press sector comes in four main forms:

- 1) Direct subsidies in a few countries;
- 2) Reduced VAT rates and tax exemptions for the sector (ranging from production, publishing, distribution and also consumption);
- 3) Public advertising by governmental bodies in newspapers and online press;
- 4) Specific support schemes, earmarked to certain types of initiatives in the sector. (e.g., support to training and skills development for journalists, support to innovation in the media sector, and support for digitalisation).

Austria is one of the few examples of a comprehensive support system with direct subsidies for the press sector. Direct general government subsidies go to all Austria's daily and weekly newspapers, which is a unique case in Europe. In 2019, the government supported daily and weekly newspapers with direct press subsidies amounting to EUR 8.9 million.

The purpose of the subsidies in force today is set out by the Press Subsidies Act of 2004, which is still valid.⁴¹

The available subsidies are grouped under three main headings:

- General distribution subsidies, which supported 11 daily and 37 weekly newspapers in 2019. All daily papers which meet the conditions of the scheme get the same amount of money - with the exception that this sum is cut by 20 % in case that more than one daily of a publisher or publishing house is eligible. The subsidy for weekly papers is calculated according to the number of sold copies by subscription up to 15.000 and the number of issues per year.
- Special subsidies to support diversity, supporting 4 daily newspapers in 2019. It is granted only to daily papers which are not in a leading market position – neither as regards the reader market nor the advertising market.
- Promotion of quality and 'fit-for-future' subsidies, with 58 newspapers benefitting from the scheme in 2019. The "quality promotion" heading covers different aspects such as a subsidy to help newspaper publishers meet the costs of training new journalists, another to help cover the cost of employing foreign correspondents, and a subsidy to encourage publishers to provide schools with daily and weekly newspapers free of charge.⁴²

The Austrian model certainly helps to consolidate the press sector – especially in a competitive environment where Austrian newspapers may compete with German ones, on top of international

⁴⁰ EBU (2020) Funding of public service media 2020. EBU Media Intelligence Service, December 2020.

⁴¹ Murschetz P., Karmasin M. (2013) Austria: Press Subsidies in Search of a New Design. In: Murschetz P. (eds) State Aid for Newspapers. Media Business and Innovation. Springer, Berlin, Heidelberg. https://doi.org/10.1007/978-3-642-35691-9_9

⁴² Murschetz, P. C. (2020). State Aid for Independent News Journalism in the Public Interest? A Critical Debate of Government Funding Models and Principles, the Market Failure Paradigm, and Policy Efficacy. Digital Journalism

media outlets. However, some studies and reports are criticising the level of public expenditures to the press and argue that it distorts fair market competition in favour of the larger market players. Two main arguments are put forward: 1) the highly popular tabloid papers such as Kronenzeitung (which reaches 31 % of the population) and Kurier receive important subsidies, as well as the market leaders in the regional markets (Kleine Zeitung, Der Standard, Die Presse); 2) public spending on advertising also disproportionately benefits tabloid media. The non-profit organization Medienhaus Wien published a report about ministerial advertising spending in 2018 and 2019 at the federal level.⁴³

As noted by the international press institute, two-third of the money went to the country's three biggest tabloids (Österreich, Krone, Heute), whereas expenditures for so-called "quality media" and regional media amounted to significantly less. On a subsidy per reader basis, a similar trend is observed: The tabloid Österreich received EUR 5.15 per reader in 2018; the daily Kleine Zeitung EUR 1.71; and the daily Der Standard EUR 0.89.⁴⁴

In the **Netherlands**, support to the press sector focuses on specific types of initiatives in the sector. (e.g. support to training and skills development for journalists, support to innovation in the media sector, and support for digitalisation).

Support to the press sector is channelled through two funds.⁴⁵ It includes the Dutch Journalism Fund (Stimuleringsfonds voor de Journalistiek or SVDJ), which invested around EUR 6 million in the press sector in 2019, around four main support schemes:

- 1) The SVDJ Accelerator, which consists in financial support and coaching for innovative media projects. The programme is targeted towards media startups and existing media organisations, which want to experiment with new platforms and media solutions.
- 2) The SvdJ Accelerator Light, which is a programme for journalists starting innovative projects. The programme consists of 4 meetings and tailor-made guidance, but no financial support.
- 3) The exploitation scheme, which helps start or continue a printed or digital publication which is published at least monthly. This scheme is available for individual and joint projects and organisation research.
- 4) A Research scheme which is designed for research to improve the Dutch journalism sector.⁴⁶

The Journalism Promotion Fund (BPJ), is the second public fund and it promotes high-quality, diverse and independent journalism. The Fund may, for example, support newspapers or news magazines whose existence is under threat. It also supports journalistic websites and innovative projects relating to the press and journalism. With a total budget of EUR 3.5 million, the fund covers several strands, including:

- 1) The Journalistic Project Subsidies Scheme (consisting of the Investigative Journalism Scheme and the Special Journalism Scheme) for articles, reports, long-reads, journalistic books and biographies, audiovisual projects, (web) documentaries, radio reports and podcasts that could not be published without the Fund support. Applications are made by individual journalists assessed by committees consisting of journalism professionals.

⁴³ Medienhaus Wien (2020) Scheinbar transparent - Analyse der Medienkooperationen der österreichischen Bundesministerien mit österreichischen Tageszeitungen 2018/2019. <http://www.mhw.at/cgi-bin/page.pl?id=373;lang=de>

⁴⁴ Jonas Vogt (2020) Austria: Greater transparency for public advertising to media needed. Pandemic reignites debate over State ad spending. International Press Institute, 20 December 2020. <https://ipi.media/austria-greater-transparency-for-public-advertising-to-media-needed/>

⁴⁵ <https://business.gov.nl/subsidy/dutch-journalism-subsidies/>

⁴⁶ SVDJ Annual report 2019, available at: <https://www.svdj.nl/jaarverslagen/>

- 2) A talent program that consists of allocating work experience places for trainee investigative journalists (Young Talent Scheme). This grant supports (freelance) journalists who want to invest in their knowledge and research skills. The Fund also makes residencies available for journalists.

In addition, the government reserved EUR 20 million to be spent over four years to support investigative journalism in 2019. Emphasising the increasing financial constraints of regional and local journalism and importance of their watchdog role, 75 % of the new budget is earmarked for regional and local projects.⁴⁷

An important focus is placed on independence: to prevent journalistic media from becoming dependent on government aid, and support from the Funds is always temporary.⁴⁸

As noted in the case of Austria, support to the press sector by means of governmental advertising can be criticised, especially due to the lack of transparency in funding decisions, and the lack of independence for the press sector from governmental interference. In this vein, the support recently introduced in **Romania** has also come under criticism.

In response to the important losses from advertising revenues faces by news media companies, the government set up a public information campaign with the twofold purpose of promoting safety measures against the spread of Covid-19, and inject a much-needed cash inflow in the news media sector. All in all, around EUR 50 million was spent in the ad campaign in 2020. As noted by the European Centre for press and Media Freedom, this funding was allocated based on audience estimates by the applicant. As a result, the main beneficiaries were the largest media players, such as private television channels which are already dominating financially the media market or media trust funds that own televisions, online media outlets and radio stations, while the local press, the small independent media outlets, the written press was receiving almost no aid through this scheme.⁴⁹

Another side effect of the scheme is potentially the increasing distrust in the government, and the media. While the governmental efforts to support the sector amidst the crisis was initially warmly welcomed, part of the news media sector is now concerned of a durable loss in its credibility and public trust.⁵⁰

In Hungary, a similar situation has raised vivid concerns across associations analysing the independence of media. According to figures in the 2020 CMPF country report on Hungary, it is estimated that in 2019, 75 % of the total expenditure went to pro-government media (private and public). The state spent EUR 300 million on advertising in 2018, which represented one third of the total advertising revenue of the media market. In 2019, this budget was increased EUR 450 million. The CMPF report raised important concerns on the spending of such advertising budget, which can be used for financing pro-government media, and also for controlling independent media which are highly reliant on advertising revenues.⁵¹

This comes at a time where concentration in the media sector places the independence of local news media at risk. In 2018, the establishment of KESMA (Közép-Európai Sajtó és Média Alapítvány - Central

⁴⁷ Reuters Institute (2019) Digital News Report 2019, country analysis on the Netherlands.

<https://www.digitalnewsreport.org/survey/2019/netherlands-2019/>

⁴⁸ <https://fondsbjp.nl/>

⁴⁹ <https://www.mappingmediafreedom.org/2020/10/30/reportit-when-state-funding-discredits-the-press-the-romanian-media-is-facing-a-financial-and-moral-dilemma/>

⁵⁰ <https://www.mappingmediafreedom.org/2020/10/30/reportit-when-state-funding-discredits-the-press-the-romanian-media-is-facing-a-financial-and-moral-dilemma/>

⁵¹ Attila Batorfy (2020) Country report: Hungary. Monitoring Media Pluralism in the Digital Era: Application of the Media Pluralism Monitor in the European Union, Albania and Turkey in the years 2018-2019. July 2020, Centre for Media Pluralism and Media Freedom.

European Press and Media Foundation) represented an important landmark of media concentration. KESMA was created as a non-profit foundation and after its establishment, most of the media owners supporting the government in place transferred the ownership rights of their media holdings to KESMA.⁵² As a result, 13 media companies joined the foundation. Approximately 200 employees of the media holdings (journalists and media professionals) were laid off at this point. By 2019, more than 470 Hungarian different media outlets had donated their ownership rights to KESMA. The Media Pluralism Monitor had also raised concerns regarding the independence of the Media Authority in Hungary, and its silence on the KESMA case, which further worries the experts on potential political interferences.⁵³

3.2. Private investment in the news media sector

The previous section explored some of the main forms of public investment in the news media sector. In this section, we provide a short analysis of private investment in the news media sector. It should be noted that despite the challenges faced by the news media sector – in particular linked to the digitalisation of the sector – the market for private investment in news media is quite active.

A recent study by NESTA⁵⁴ analysed existing data from Crunchbase, a database of over 700,000 private and public companies with global geographic coverage, with a particular focus on startups.⁵⁵ The database includes investments and funding, as well as industry category labels for each company, including categories to identify organisations involved in news, journalism and social news. The research resulted in 13,248 companies categorised as news, 579 categorised as journalism and 400 as social news.

The study flags that news companies represent a small yet non-negligible share of investment, representing around 1.5 per cent of all funding since 2005, and highlights that between 2008 and 2018, the proportion of funding for the news sector fell by 0.27 percentage points, due to the increase in funding in growing sectors such as AI, blockchain or fintech. Funding for journalism and social news is however quite low, with respective maximum shares of 0.2 and 0.9 per cent within the period analysed. When comparing news, journalism and social news to other media sectors, the levels of investment become more comparable: they all account for less than 4 per cent of all funding in Crunchbase within a given year. The analysis also shows that the majority of funding falls between a wide range of USD 10,000 and USD 10 million (USD), with median values in the high hundreds of thousands or low millions. Deals with much higher amounts were identified, but mostly in the USA.⁵⁶

While the NESTA study mainly looks into equity investments, **bank loans** can also offer relevant financing options for news media company, especially when considering the importance of ownership in the independence of news media companies. The CCS Guarantee Facility aims to facilitate access to funding for CCS companies, in order to fill the financing gap currently preventing the CCS market from scaling up and enjoying its full economic and social potential. It was initiated by the European Commission in the framework of the Creative Europe Programme, and is led by the European Investment Fund. More concretely, it means that the European Union guarantees 70 % of the loans granted to CCS organisations by financial institutions which have signed up for the programme. This

⁵² Elda Brogi et al. (2019) Assessing certain recent developments in the Hungarian media market through the prism of the Media Pluralism Monitor. April 2019, Centre for Media Pluralism and Media Freedom
https://cmpf.eu.europa.eu/wp-content/uploads/2019/07/Report_KESMA_Hungary_A2.pdf

⁵³ Elda Brogi et al. (2019) Assessing certain recent developments in the Hungarian media market through the prism of the Media Pluralism Monitor. April 2019, Centre for Media Pluralism and Media Freedom
https://cmpf.eu.europa.eu/wp-content/uploads/2019/07/Report_KESMA_Hungary_A2.pdf

⁵⁴ NESTA (2020) Mapping the news landscape: A research report from the Future News Pilot Fund. Research Report, August 2020.

⁵⁵ <https://www.crunchbase.com/>

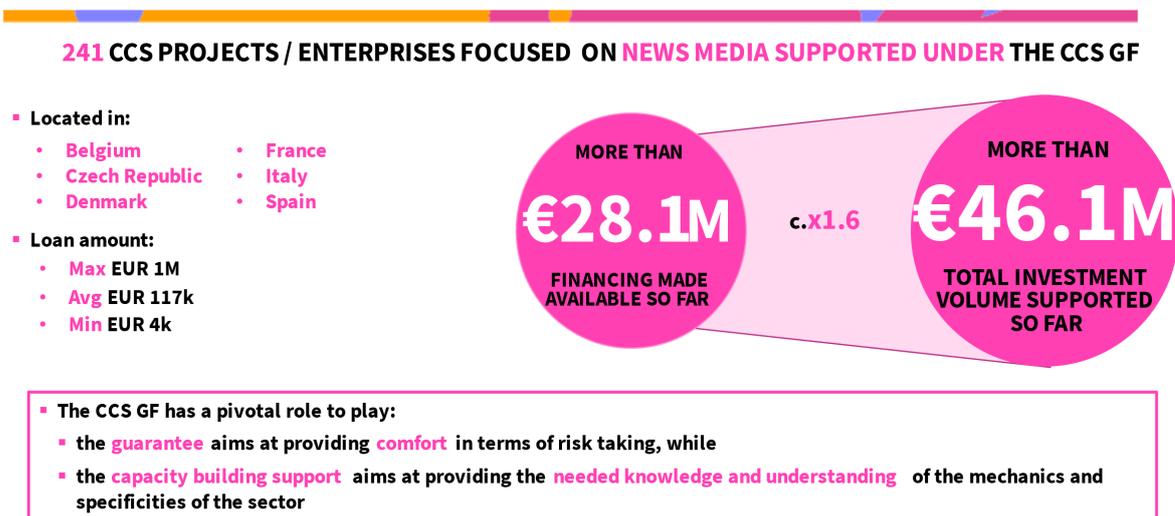
⁵⁶ NESTA (2020) Mapping the news landscape: A research report from the Future News Pilot Fund. Research Report, August 2020.

programme is a way to bypass the reluctance of banks to take risks in investing in a market they do not know well, while enabling the CCS easier access to debt financing.

In relation to the news media sector, the CCS Guarantee Facility has unlocked more than EUR 28 million for 241 news media companies, for a total investment volume totalling around EUR 46 million, as shown in the picture below:

Figure 3: The support to CCS ventures under the CCS Guarantee Facility

THE SUPPORT TO CCS VENTURES UNDER THE CCS GF Focus on News Media



* NACE codes C18.11/12, G47.62, J58.13/14/19, J60.20, J63.91

Source: EIF, data from June 2020

4. KEY SHORT-TERM SUPPORT MEASURES APPLIED WITHIN THE COVID-19 CONTEXT FOR THE NEWS MEDIA SECTOR

KEY FINDINGS

The CCS and the news media sector are hard-hit by the COVID-19 pandemic, and a large majority of news media companies expects a significant drop in revenues in 2020.

It is difficult to analyse how the news media sector could tap into general support measures, although it is expected that general schemes for partial unemployment or compensation for losses in revenues cover the news media sector companies. However, freelance journalists and small media companies with variable revenues are likely to receive lower compensations.

Several EU countries have set up dedicated measures for the news media sector (e.g. in France, Denmark, Austria, Sweden and Estonia). These measures include reduced VAT rates, support to news media consumption, support to journalists, and direct funding to address the loss of advertising revenues.

Finally, emergency measures and solidarity mechanisms were launched by several associations, foundations and private companies and especially by large tech companies (Google and Facebook).

The news media sector and the wider cultural and creative sectors (CCS), crucial for the European economy and the well-being of its citizens, has been profoundly affected by the lockdown measures taken to fight the spread of the COVID-19 pandemic. Suddenly, with the outbreak of the virus, global production has been stopped, affecting the whole value chains: events and productions have been postponed or cancelled, and the related marketing, distribution and touring activities came to a halt.⁵⁷

The news media sector has notably been affected by losses in terms of advertising revenues, especially print advertising and in some instances, the circulation of printed press has been affected by the COVID-19 pandemic. According to a large survey carried out by the Reuters Institute for the Study of Journalism at the University of Oxford and the Independent News Emergency Relief Coordination (INERC), a large majority of news media companies expects a significant drop in revenues in 2020. 22 % of respondents expect a significant (1–20 %), 21 % a very significant (21–30 %) drop, and worryingly more than a third (36 %) severe drops of 30 % or more in their 2020 revenues.⁵⁸

According to this survey, the hardest-hit are commercial advertising-based media with medium or large newsrooms, often national newspapers. Others are smaller non-profits or small local news media. This dramatic and sudden effect has been quite well-acknowledged by policy makers at both EU and national levels, and the cultural and creative sectors have been identified as a priority sector across policy responses to the COVID-19 crisis.⁵⁹ The COVID-19 responses to the news media sector are however particularly difficult to track. In the same fashion as other cultural and creative sectors, policy responses to the COVID-19 are blended responses, including general measures for all economic sectors

⁵⁷ KEA (2020) The impact of the COVID19 pandemic on the Cultural and Creative Sectors. A Report for the Council of Europe, November 2020.

⁵⁸ Rasmus Kleis Nielsen et al. (2020) Few winners, many losers: the COVID-19 pandemic's dramatic and unequal impact on independent news media. Reuters Institute, 10 November 2020. <https://reutersinstitute.politics.ox.ac.uk/few-winners-many-losers-covid-19-pandemics-dramatic-and-unequal-impact-independent-news-media#references>

⁵⁹ IDEA Consult, Goethe-Institut, Amann S. and Heinsius J. (2021) Research for CULT Committee – Cultural and creative sectors in post-Covid-19 Europe: crisis effects and policy recommendations, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

or for employees in general. The potential usefulness of generic support programmes for the more commercial CCS, including most news media companies, still needs in-depth analysis.⁶⁰ Such general economic measures are complemented by more targeted measures for the cultural sectors. The specificities of the news media sector and the diversity of companies active in the area represent a further hurdle for the analysis, since, as said above, the sector encapsulates both companies from the audiovisual sector (e.g. news channels and TV or radio broadcasters and their related production companies or services), and from the press sector (print and digital). As a result, there are very few specific measures which can be pinpointed for the news media sector.

We present in this section a short analysis of the main policy responses launched in favour of the CCS and the support schemes developed to address the dire economic consequences of the crisis. Whenever possible, we provide more focused information on the news media sector.

4.1. Policy responses for the CCS – a short overview

The European Commission has proposed a variety of measures to mitigate the socioeconomic impact of the COVID-19 pandemic. It has proposed an ambitious emergency European Recovery Instrument (“Next Generation EU”) together with a reinforced long-term budget for the EU in relation to the period 2021- 2027. The Multiannual Financial Framework (MFF 2021 – 2027) will amount to EUR 1.074.3 billion and the unprecedented recovery package Next Generation EU will amount to EUR 750 billion.⁶¹

In relation to Cultural and Creative Sectors, the European Commission and the European Parliament have taken important political steps to ensure that the CCS is considered as a priority sector eligible for support under the Next Generation EU programme, and the following EU programmes are potentially available to the CCS.

1. The Coronavirus Response Investment Initiative (CRII) and CRII Plus have made EUR 37 billion available to Member States under cohesion policy (ERDF, CF and ESF) to allow them to re-orient their funds rapidly. This will help to limit the spread and mitigate the socio-economic consequences of the pandemic by assisting national health care systems, small and medium sized enterprises and other vulnerable parts of our economies.⁶²
2. Support to mitigate Unemployment Risks in an Emergency (SURE). The aim of this support package is to help protect jobs and workers affected by the coronavirus pandemic. It shall provide up to EUR 100 billion of financial assistance to Member States to help workers keep their incomes and help businesses stay afloat across the EU. These loans will assist Member States to cope with sudden increases in public expenditure to preserve employment. Specifically, they will help Member States to cover two types of costs: those directly related to the creation or extension of national short-time work schemes; costs for other similar measures they have put in place for the self-employed as a response to the current coronavirus pandemic SURE will support short-time work schemes and similar measures to help Member States protect jobs, employees and self-employed people against the risk of dismissal and loss of income.⁶³

⁶⁰ IDEA Consult, Goethe-Institut, Amann S. and Heinsius J. (2021) Research for CULT Committee – Cultural and creative sectors in post-Covid-19 Europe: crisis effects and policy recommendations, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

⁶¹ KEA (2020) The impact of the COVID19 pandemic on the Cultural and Creative Sectors. A Report for the Council of Europe, November 2020.

⁶² https://ec.europa.eu/regional_policy/en/newsroom/coronavirus-response/#2

⁶³ https://ec.europa.eu/info/sites/info/files/economy-finance/sure_factsheet.pdf

3. The Commission announced that an estimated EUR 8 billion is available to provide immediate financial relief to small and medium-sized businesses across the EU. The Commission has unlocked EUR 1 billion from the European Fund for Strategic Investments to serve as guarantees to the European Investment Fund in incentivising local banks and other lenders to provide liquidity to at least 100,000 European small and medium enterprises.⁶⁴
4. The establishment of a European Guarantee Fund of EUR 25 billion that will support up to EUR 200 billion of financing for companies, with a special focus on SMEs.⁶⁵ EU Member States will fund the EUR 25 billion guarantee fund pro rata to their shareholding in the EIB and/or other institutions. Thanks to the guarantee, the EIB Group will be able to provide existing products to local banks and other financial intermediaries, who are in close contact with businesses in all Member States and can unlock financing to the real economy, without risking financial instability.

It is difficult to analyse how the news media sector benefitted from such measures. The main type of relief support went towards employment and income support measures. Such policies aim at assisting workers and the enterprises employing them. While most news media companies are eligible to these schemes, freelance journalists and smaller operators with less stable income (with greater year-on-year variations, whereas COVID compensation schemes are often based on a year-on-year loss in revenues) are at risk of receiving a much lower level of support.

Several countries have however put in place temporary unemployment schemes to support jobseekers and those who lost their jobs due to the virus outbreak, and dedicated support to freelancers.⁶⁶

The recently published study for the CULT committee analysed the main measures taken across Europe in favour of the CCS.⁶⁷ The study finds that most of the measures (66 % of the 416 measures analysed) addressed the issue of income loss in the CCS, including:

- Providing (temporary) income, including generic income provisions for workers and independents for the economy as-a-whole, for example in Member States which have no special status for artists; and income provisions specifically earmarked for cultural and creative workers – sometimes sector specific (e.g. for filmmakers). We will cover below the few schemes identified which explicitly targeted the news media sector.
- Loans and guarantees - they provide the means to continue to invest in production of cultural content which in turn can deliver income and revenues that will pay back the loan with interest; and
- Support schemes such as commissions to artists and cultural institutions to help the production of cultural content and maintain their activity during the COVID-19 pandemic.⁶⁸

⁶⁴ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_569

⁶⁵ <https://www.eib.org/en/about/initiatives/covid-19-response/index.htm>

⁶⁶ OECD (2020), OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis, OECD Publishing, Paris, <https://doi.org/10.1787/19991266>; OECD (2020), OECD Economic Outlook, Volume 2020, Issue 1, OECD Publishing, Paris <https://doi.org/10.1787/16097408>.

⁶⁷ IDEA Consult, Goethe-Institut, Amann S. and Heinsius J. 2021, Research for CULT Committee – Cultural and creative sectors in post-Covid-19 Europe: crisis effects and policy recommendations, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

⁶⁸ Ibid

The other main types of support schemes identified in the study and in other relevant reports⁶⁹ include schemes aimed at cost reductions, modifications and adaptations to the legal framework for the CCS (status of the artist, copyright remuneration); support for innovation for and with the CCS, and advance of payments.

Despite all the measures taken, it should be noted that the expected losses of income for the CCS by far outweigh the support measures in place. As noted in the study for the CULT committee on Cultural and creative sectors in post COVID-19 Europe, the income losses calculated for the CCS in Germany are much larger than the total spent on the CCS by relief measures across the EU.⁷⁰

Finally, an important point has been raised by several studies in relation to the more precarious workers: the level of income support and social security measures for non-standard workers (independents, flexible workers, fixed term contract workers) is substantially lower than for employees in many EU Member States.⁷¹ This is even more important given that non-standard workers in the CCS are among those that are struck hardest by the COVID-19 crisis. Such workers form an important part of the news media sector at different levels of the value chains: journalists, freelancers involved in the production of audiovisual news, etc.

4.2. Financial support for news media sector during the COVID-19 crisis

This section focuses on measures specifically targeting the news media sector. As noted in the introduction to this chapter, the news media sector is not often subject to specific policies and programmes. The European Federation of Journalists compiled a database of support measures for the news media sector across the 44 countries of their membership.⁷² Several EU countries (e.g. from central eastern Europe) have not set up any dedicated support measures, according to the data available. The news media sector may have benefitted from more general support measures, as noted above.

We present below examples from a few European countries which have adopted specific measures for this sector:

In France, the press sector has been identified as one of the cultural sectors benefitting from dedicated support. The press sector was affected both by the Presstalis crisis (main distributor for printed press in France, which had to suspend payments in May 2020, affecting many press publishers) and the loss of advertising revenues due to the coronavirus.

Emergency measures were taken to unlock a EUR 666 million relief package, broken down across four main strands:⁷³

- 1) EUR 450 million were allocated to companies from the press sector as part of the general relief measures taken in France (e.g. State support to cover furlough leaves and partial unemployment).

⁶⁹ See notably KEA (2020) The impact of the COVID19 pandemic on the Cultural and Creative Sectors. A Report for the Council of Europe, November 2020; and OECD (2020), Culture shock: COVID-19 and the cultural and creative sectors, <https://www.oecd.org/coronavirus/policyresponses/culture-shock-covid-19-and-the-cultural-and-creative-sectors-08da9e0e>

⁷⁰ IDEA Consult, Goethe-Institut, Amann S. and Heinsius J. 2021, Research for CULT Committee – Cultural and creative sectors in post-Covid-19 Europe: crisis effects and policy recommendations, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels

⁷¹ OECD, Distributional risks associated with non-standard work: Stylised facts and policy considerations, Issue Note 4, 2020

⁷² Available at: <https://europeanjournalists.org/blog/database/covid-19-what-financial-support-has-the-media-and-journalists-received-in-europe/>

⁷³ French ministry of culture (2020) Plan de relance: un effort de 2 milliards d'euros pour la Culture. Published on 03.09.2020. <https://www.culture.gouv.fr/Presse/Communiqués-de-presse/Plan-de-relance-un-effort-de-2-milliards-d-euros-pour-la-Culture>

- 2) EUR 156 million were allocated to a rescue plan for Presstalis (which in turn enables the company to resume payments to publishers and its distribution operations).
- 3) A more targeted support of EUR 40 million, including inter alia an exceptional aid of 19 million for the news retailers, in the form of direct subsidies; as well as support of EUR 8 million aimed at small independent publishers of political and general press.
- 4) A tax credit for households on press subscriptions (of a maximum of EUR 50), subject to income conditions. The scheme was anticipated to cost around EUR 20 million, according to the government forecasts.

In Belgium, the government of the Wallonia-Brussels Federation has adopted a support scheme for the media and journalists, which includes a budget allocation of EUR 3 million to compensate the sector for the loss of revenues caused by the Covid-19 crisis. The main beneficiaries identified for this relief package include the daily and periodical print media, radio stations, including independent and associative radio stations, and television stations, including local television stations.⁷⁴

In addition to this, a support scheme was set up to allocate direct support for independent journalists through an increase of EUR 550,000 in the resources allocated to the Journalism Fund.

In Austria, a special media funding of EUR 32 million was unlocked to help the industry get through the crisis. Almost half of this amount was allocated to private commercial broadcasters, while daily newspapers will receive a total of EUR 12.1 million and weekly newspapers EUR 2.7 million, based on the circulation figures.⁷⁵

In Denmark, the government launched a support scheme for private media companies which have lost between 30 % and 50 % of their ad revenues, under which 60 % to 80 % of the losses were compensated by the State. In addition, freelancers and self-employed journalists who can justify a loss of more than 30 % of their income would receive a compensation of 75 % of their losses, and up to EUR 3000 per month.⁷⁶

In Sweden, the government announced an increase of SEK 700 million (around EUR 70 million) for the media sector. Importantly, this was presented as a mixed support scheme, partly addressing the crisis but also as a longer-term support for the media sector, identified as a strategic and underfunded sector in Sweden. SEK 500 million is earmarked to strengthen the economic conditions for editorial activities and partly compensate for lost advertising revenue during the COVID-19 pandemic, and ensure the public's access to news. Most of the remaining budget (SEK 150 million) will cover distribution costs and the rest (SEK 50 million) is a special subsidy for media to expand their media coverage.⁷⁷

In Estonia, the government set up a reduced VAT rate for electronic publications (down from 20 % to 9 %), which amounts to annual savings estimated at EUR 400,000 for the news media industry in 2020. The Estonian government also supported newspaper home delivery for a period of 3 months, for a total budget envelope of EUR 450,000.⁷⁸

Finally, emergency measures and solidarity mechanisms were launched by several associations, foundations and private companies. Some noteworthy initiatives include:

⁷⁴ <https://linard.cfwb.be/home/presse--actualites/publications/publication-presse--actualites-29.publicationfull.html>

⁷⁵ <https://europeanjournalists.org/blog/2020/04/22/journalists-unions-urge-covid-19-recovery-plans-to-sustain-the-media-sector-now-and-into-the-future/>

⁷⁶ <https://europeanjournalists.org/blog/2020/04/22/journalists-unions-urge-covid-19-recovery-plans-to-sustain-the-media-sector-now-and-into-the-future/>

⁷⁷ <https://www.government.se/press-releases/2020/05/additional-support-to-the-media-in-response-to-the-covid-19-virus/>

⁷⁸ <https://europeanjournalists.org/blog/database/covid-19-what-financial-support-has-the-media-and-journalists-received-in-europe/>

- **The Google News Initiative** global Journalism Emergency Relief Fund to support small and medium-sized news organisations producing original news for local communities. Operating globally, the Fund focuses on the production of original journalism for local communities in the face of the COVID-19 pandemic.⁷⁹
- **The International Fact-Checking Network (IFCN)** has partnered with Facebook to support the fact-checking community working on the COVID-19 related misinformation with a budget of USD 1 million.⁸⁰
- **The Pulitzer Center** launched the Coronavirus News Collaboration Challenge in March 2020, a grant scheme for independent journalists designed to encourage innovative journalist and newsroom collaboration on the coverage of the global coronavirus pandemic across state and national borders.⁸¹
- **Reporting Democracy** is issuing Coronavirus Story Grants (of EUR 500 to EUR 2,500) for stories on how the Covid-19 crisis is reshaping politics and society in central, eastern and southeast Europe. The call was open to journalists from the Visegrad Four countries, as well as the Balkan region including Romania, Moldova, Bulgaria, Serbia, Croatia, Bosnia and Herzegovina, Montenegro, Kosovo, Albania, North Macedonia, and Greece.⁸²
- **The European Journalism Centre (EJC)** and the Facebook Journalism Project launched a USD 3 million fund. The Emergency core funding seeks to support community engagement, address critical business needs, and facilitate the coverage of the pandemic.⁸³

⁷⁹ <https://newsinitiative.withgoogle.com/journalism-emergency-relief-fund#application-eligibility-requirements>

⁸⁰ <https://www.poynter.org/fact-checking/2020/flash-grants-of-up-to-50k-are-now-available-for-fact-checkers-fighting-coronavirus-misinformation/>

⁸¹ <https://pulitzercenter.org/blog/pulitzer-center-announces-new-grant-innovative-coronavirus-reporting-collaborations>

⁸² <https://balkaninsight.com/reporting-democracy/call-for-journalists-coronavirus-story-grants/>

⁸³ <https://europeanjournalism.fund/>

5. PERSPECTIVES FOR NEWS MEDIA FUNDING IN 2021-2027

5.1. Recovery beyond the COVID-19 pandemic

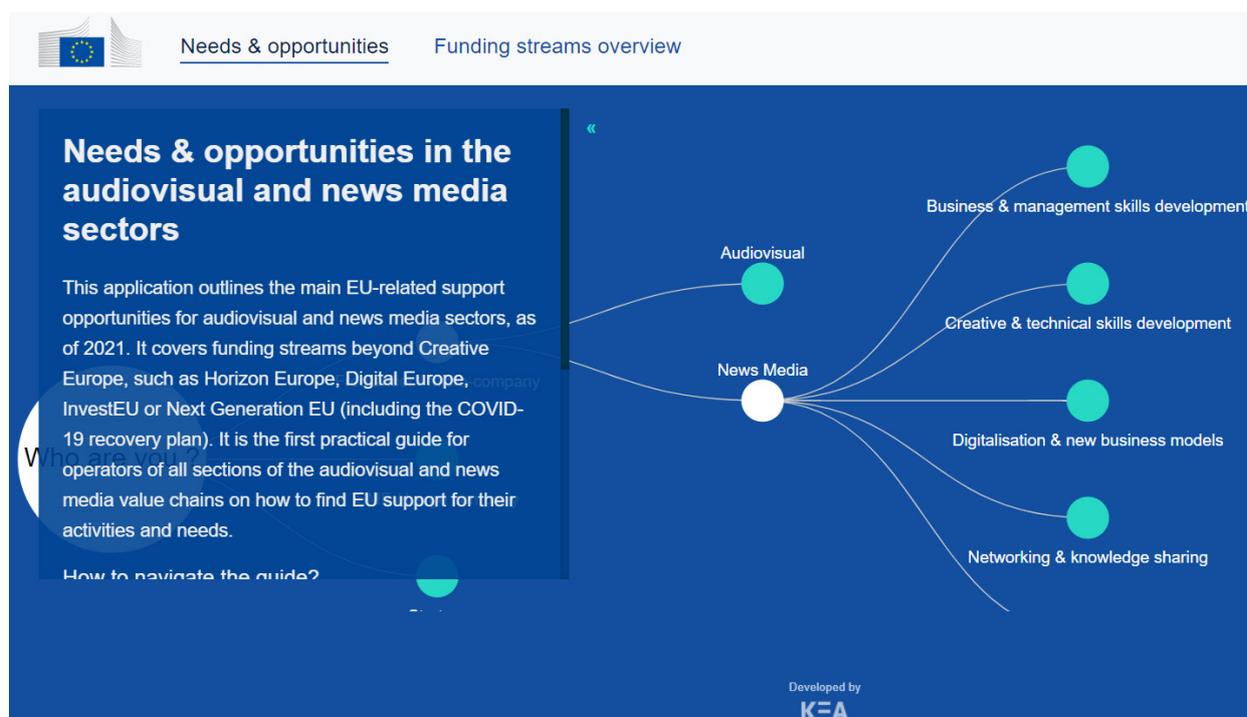
In addition to the short-term measures discussed in section 4, the European Commission has put forward proposals for the recovery of the European economy. Several of these measures can be accessed by the CCS and the news media sector, under certain conditions:

- The “Recovery and Resilience Facility” offers financial support for investments and reforms of Member States’ economies. To access the fund, Member States are required to submit national Recovery and Resilience plans as part of their National Reform Programmes. The CCS are in a position to benefit from grants and loans if their respective Member States incorporate them in the proposed plan and actively connect the CCS to the aims of the instrument.
- The “Invest-EU” will provide support to companies in the recovery phase after. It ensures investors favourite the EU’s long-term priorities such as the European Green Deal and the digitization challenge. The InvestEU budget guarantee lists four existing policy windows, of which at least three can be connected to the CCS: research, innovation and digitization (+EUR 10 billion); SMEs (+EUR 10 billion); and social investment and skills (+EUR 3.6 billion).
- The future of Creative Europe, the EU programme entirely dedicated to the CCS, is particularly relevant. In September 2020, the European Parliament adopted a resolution asking to double the EU fund aimed at the programme. It also called Member States to earmark 2% of the Recovery and Resilience Facility for the CCS. In the same resolution, the EP proposed to introduce a European framework to harmonise working conditions in the CCS.⁸⁴

All these schemes, and other future EU programmes such as the Horizon Europe or Digital Europe programmes can be accessed by news media organisations, if they find the right entry points.

One of the initiatives of the Media Action Plan specifically focuses on this, with an interactive tool aiming to help news media operators to identify the appropriate funding scheme based on their profiles and investment needs. The online tool is expected to be released in beta version in Q2 2021, and a preview was presented by DG CONNECT at different stakeholders’ meetings.

⁸⁴ European Parliament resolution of 17 September 2020 on the cultural recovery of Europe (2020/2708(RSP))

Figure 4: Needs and opportunities in the audiovisual and news media sectors

Source: DG CONNECT

Importantly, the news media sector will benefit from targeted support at EU level under the new financing period, as part of the Creative Europe Programme. To this end, the NEWS initiative was set up under the programme to bundle actions and support to the news media sector for the 2021-2027 period. Around EUR 75 million are earmarked for this initiative under the cross-sectorial strand of Creative Europe.⁸⁵ The NEWS initiative seeks to address the challenges facing the news media industry and provide a coherent response, bringing together different funding instruments under a common banner. The initiative aims to increase the coherence, visibility, and impact of actions supported under different funding streams, while fully respecting the independence of the media.

The initiative includes a specific component to facilitate access to finance. Building on the experience of the Creative Europe Guarantee Facility, the Commission will:

- For news media in search of liquidity, access to loans will be facilitated thanks to the backing of the InvestEU guarantee.
- For news media requiring investment, the Commission will aim to establish a new equity-based pilot scheme through InvestEU.
- These actions will be complemented by capacity-building services that aim to increase the knowledge of the European news media market.⁸⁶

Specific grants for the news media sector are also foreseen under the cross-sectorial strand of Creative Europe for collaborative news media partnerships. Grants will support the testing of new business models, in particular for local media, assisting media in developing their business and editorial standards, promoting collaborative and cross-border journalism, training and mobility of professionals, and sharing of best practices.⁸⁷

⁸⁵ Proceedings from the Media4Europe Summit 'Towards a Healthy European Media Sector?', held on 3 March 2021.

⁸⁶ European Commission (2020) Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation. Brussels, 3.12.2020; COM (2020) 784 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0784>

⁸⁷ European Commission (2020) Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation. Brussels, 3.12.2020; COM (2020) 784 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0784>

The first calls for proposals on journalism partnerships are expected to be published in 2021, and a second wave of calls for media literacy projects should be published in 2022.

5.2. Conclusion

This Background Analysis seeks to spell out some of the key parameters to consider when analysing and designing policies for the news media sector.

The necessity of an independent, robust and diverse news media sector is a cornerstone of the European Union. The combination of the COVID-19 impact with the need to adapt to the digital shift puts the sector at risk, and initiatives to support the news media sector are certainly timely.

Nonetheless, funding for the news media sector requires complying with a set of key principles to ensure that the support provided does not lead to political interference or hamper the diversity of news media outlets. Finding a right balance between public and private funding is needed, while considering the diversity of operators in the news media sector. The discussion presented in section 3 around the different funding models at country level show that transparency in the way funding is allocated and channelled is an important prerequisite for the design of news media support schemes, as well as maintaining independence and safeguarding editorial responsibility of news media outlets.

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The Media Action Plan released by the European Commission in December 2020 is the first policy document explicitly setting out a vision and dedicated initiatives for the news media sector. This paper discusses the current situation of the sector and its revenue streams, the important impacts of the COVID-19 pandemic, and the main public and private funding models to support the sector.

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