

# Protect Quality Journalism

## Media Freedom Act Consultation

Free Press Unlimited

March 25<sup>th</sup> 2022

**FREE  
PRESS  
UNLIMITED**

People deserve to know

## 1. Level the playing field for media

Although the necessity of news has never been so evidently clear - through the pandemic and the (information) war in Ukraine - most media delivering it are struggling to financially survive. A shift of users and advertisers to online platforms has eroded traditional business models and caused a loss of advertising revenues. At the same time the huge supply of free news overshadows quality journalism made by independent media. On top of that, Covid-19 came as a final blow and exacerbated the already dire situation, leading to predictions by some that the pandemic could trigger the extinction of independent media. The result; more and more independent sources of information for citizens are disappearing or losing their independence.

The financial pressure is most dramatic for local and regional media. Unlike large legacy titles, it is extremely difficult to generate new income for smaller independent journalism despite their hard work. Investigative journalism and local media lack knowledge and financial security to test products so that their audiences remain loyal to them. This takes time and effort, something that they usually do not have.

Yet it is precisely these types of media that often have the highest levels of trust by citizens due to their proximity to their audiences. These are crucial for citizens' access to information. On a more macro level, these media are crucial for a pluralistic media environment, one of the cornerstones of a democratic society, which will have disastrous effects on the global information ecosystem.

If we recognize information as a public good, we must also recognize that those providing this information need public support. Governments must take real action and the European Union must take a leading role in this regard. The Media Freedom Act is the ideal opportunity to set high standards in protecting this public good and ensuring citizens' access to reliable information.

### *Need for market regulation*

Government action should be aimed at strengthening the enabling environment for independent journalism by creating a fair market that levels the playing field for all media actors. That includes specifically protecting public service journalism, developing platform policies that remunerate media for their content, and opening multiple routes through which journalism can find support.

If market forces are allowed to play out, there will be few winners and many losers. The winners will primarily be the platform companies who have grown to enormous size in the digital media environment. The losers will include not only the already struggling independent news media, but also the citizens they serve across the world, especially at the local level. This will affect the resilience and inclusiveness of our societies.

### *General trend*

Around the world we've seen certain countries take a leading role in adopting innovative regulation to create such an enabling environment for public interest journalism. Traditionally, subscriptions and license fee models were the most important source of income. In recent years, there is a noticeable trend within the EU moving away from this model, towards a universal fee implemented

either as a household fee (e.g. in the Nordics) or as a state grant (e.g. Netherlands, Iceland, Romania).<sup>1</sup>

In this section hereunder, we have spotlighted some initiatives that we consider best practices to level the playing field for media. The wheel does not need to be reinvented. Also, these mechanisms don't have to exclude one another. On the contrary, ideally a framework should be in place in Europe whereby a mixture of different complementary mechanisms are implemented, thereby ensuring the greatest possible protection of (local) media.

#### Subsidies for professionalizing local media

In 2020 The Netherlands launched a two year pilot<sup>2</sup> aimed at professionalizing local public media through capacity building. Local media committed to improving the information provision at local level were eligible for subsidies aimed at employing journalists or support staff to professionalize their organizations. Support staff included those who help professionalize the media organization, for example in managing volunteers, training reporters, supervising trainees and maintaining relationships with the community. Professionalization in this sense is a broad interpretation and includes reaching new audiences, conducting investigative journalism and deeper political analyses or broadening their network within the journalistic community<sup>3</sup>.

In total almost 5 million euros were spent on this pilot, which was extended after its initial two year period due to successful results. Editors describe a certain 'relaxed' work environment that a fixed editorial staff brings (for many local organizations that was not the case until this pilot). Other organizations report to have reached new audiences, for example among youth or topics they reported on being raised at local government meetings.

#### Subsidies for delivery costs (commercial) newsmedia

In Belgium, media are supported indirectly through an annual grant to cover distribution costs. This form of indirect state aid only applies for commercial media in order to successfully compete in the media market and has proven to be successful. Certain sources indicate<sup>4</sup> that as a result of this indirect state aid, Belgian media firms have been able to acquire Dutch, Danish and Northern Irish media organizations.

#### Mandatory negotiation platforms and news organizations

The Australian model<sup>5</sup> received international praise as it aimed to reduce the power imbalance between news organizations and platforms, thereby ensuring that digital platforms contribute to the sustainability of the news industry. In short, if there is a power imbalance, it is mandatory that the platform organization and the news organization come together and try to reach an agreement to remunerate the latter for their news content.

However, a shortcoming is that in order for the Code to apply a media organization must have an annual turnover of \$150,000 to qualify. This threshold in practice could lead to smaller media

---

1 <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomeds/156/15609.htm>

2 <https://www.svdj.nl/regeling/pilot-professionalisering-lokale-publieke-mediadiensten/>

3 <https://open.overheid.nl/repository/ronl-d91c0d14-5a1f-4c84-b235-6cb09441e4b2/1/pdf/bijlage-11-stand-van-zaken-pilot-lokale-omroepen-2021.pdf>

4 [https://www.europarl.europa.eu/doceo/document/P-9-2020-001321\\_EN.html](https://www.europarl.europa.eu/doceo/document/P-9-2020-001321_EN.html)

5 <https://www.accc.gov.au/focus-areas/digital-platforms/news-media-bargaining-code>

organizations, perhaps needing protection the most, not qualifying. This has led to criticism that only larger media organizations (often with significant revenue streams already) are protected.

However, once organizations qualify, negotiations with platforms are required aimed at remunerating media for their content. The negotiations are subject to a 'negotiate-arbitrate' model, whereby fixed timelines apply to commercial negotiations, after which the parties submit to mandatory and binding arbitration process, the outcome of which is effectively a price for content, set for the next 12 months.

#### Tax credit for local journalism subscriptions

The US has proposed a new act, the Local Journalism Sustainability Act<sup>6</sup> which is aimed at providing public funding for local news by encouraging Americans to subscribe to local news, help remunerate journalists for their content and facilitate businesses with advertising money for local news media. The bill proposes a series of three tax credits. Firstly, a tax credit up to \$250 per year for individual taxpayers for subscriptions to one or more local newspapers. Secondly, it also allows local news journalists' employers a payroll credit for wages paid to local news journalists. Lastly, the bill allows certain small businesses a tax credit for advertising costs in local newspapers, radio or TV stations serving a local community. This type of indirect support encourages news organizations to include content from smaller local news organizations, thereby contributing their content to the international discussion. In Europe, this system could work on both a national and a regional level. On a national level, for example, by remunerating local journalists for their content and encouraging local audiences to subscribe to local news. On a regional level, by linking local news to relevant bordering neighboring news organizations (i.e. between the Benelux, the Baltic states, etc.).

#### Public service tax for media

##### *Basic tax deduction*

In Denmark allocations to public service media are included in the state budget, and financed by reducing the basic tax deduction for all Danes aged 18+.

##### *Fixed tax*

In Iceland the level of tax is fixed, that is, that everyone with an income above a certain level pays the same sum of about €130 per person per year.

##### *Earmarked tax for public service media*

In Sweden a special tax is kept outside of the state budget and earmarked for public service. The fee corresponds to one percent of a person's taxable income, with a ceiling of €130 per person per year.

Although these tax mechanisms are not specifically for local media organizations, the manner in which citizens' are taxed could be used as inspiration in Europe. We would suggest reserving a part of the money collected through such tax to specifically be allocated to local and regional media organizations.

---

<sup>6</sup> <https://www.congress.gov/bill/117th-congress/house-bill/3940/text>

### Digital Tax<sup>7</sup>

The OECD reached a ground-breaking tax deal for the digital age to reallocate billions of dollars in profit from the world's largest and most profitable multinationals to countries where they operate. Although this is not specifically related to media, this digital taxation method could be used as inspiration for a digital tax system to support public service media in Europe.

The deal encompasses a major reform of the international tax system and will for example ensure that the largest multinational enterprises will be subject to a minimum 15% tax rate from 2023. It includes a fairer distribution of profits and taxing rights among countries with respect to the largest multinationals, regardless of whether they have a physical presence there.

### Public Fund

The International Fund for Public Interest Media is a global initiative, but one that could be used as inspiration for and adapted to the European context. It aims to increase support to independent media to enable their development, sustainability and independence by channeling funding through an independent, apolitical vehicle. It is aimed to support the media and develop lasting solutions to current market failure. The fund complements existing efforts and is designed to minimize interference in the internal affairs of the countries it supports.

At this moment, funding in the EU is extremely fragmented. It would be more effective to have a centralized fund to support media projects aimed at keeping independent media viable, for example through projects that test new ways to reach broader audiences, adapt their business models, foster cross-border cooperation between media organizations, encourage the engagement of freelancers or other (innovative) ways to remain financially viable.

### Conclusion

The aforementioned best practices each have their own advantages. Therefore we call on the Commission to deploy a mix of these initiatives so that they complement each other. Subsidies are relevant public policy tools to help public interest journalism survive in a difficult economic environment. At the same time, using a tax-based funding model is an effective and fast way of raising money. On top of this all, having funds that (local) independent journalists can apply for is an important incentive for innovation. Either way, the deployment of whichever model or mechanism under the Media Freedom Act should prioritize the protection of quality journalism crucial to ensure people's access to information.

By addressing the financial difficulties independent (local) media are in, in the long-run, it will reduce the impact of mis- and disinformation on democracies by ensuring that ethical, credible media has the financial backing to succeed. Only with a pluriform viable media landscape will (local) media best be able to fulfill their democratic task: holding governments to account and providing citizens with reliable information.

## **2. Office for Media Freedom in Europe**

---

<sup>7</sup><https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm>

The Media Freedom Act and its implementation will require careful oversight and monitoring. Such oversight should be done by a competent independent body. One that is independent from existing EU institutions. That is why we call for the establishment of a new independent **Office for Media Freedom in Europe**.

More specifically, we envision such an office having a specific department tasked with the Media Freedom Act to ensure an independent and viable media landscape in Europe. At the country level, media regulators are in part tasked with supervision of the media. Here again, the wheel does not need to be reinvented and new offices do not need to be set up at national level. The Office could serve as an umbrella institution that connects and monitors national media regulators and coordinates monitoring efforts related to the Media Freedom Act.

There are currently many important developments in the framework of the defense of press freedom in Europe: the Recommendation on the Safety of Journalists, the upcoming anti-SLAPPs regulation, the Rule of Law mechanism and the Media Freedom Act. That is why we recommend the Office must also be tasked with a coordinating role in ensuring all these efforts are streamlined and complementary to each other.