

# Summary of "Media pluralism in Norway"

## 1.1 Introduction

On 18 September 2015, the Norwegian Government appointed a commission to review the government's economic measures to promote media pluralism.

The Norwegian Constitution is key to the commission's mandate. The Norwegian Constitution, Article 100, sixth paragraph obliges the authorities to provide conditions that enable an open and enlightened public debate. The Constitution thus provides a basis for public intervention as a means to promote media pluralism and quality, as a prerequisite for a well-functioning democracy as well as freedom of speech.

Recent technological developments have had a profound impact on competition, established business-models and media usage. The volume of information available to the individual citizen has never before been greater, but traditional media are experiencing significant challenges i.a. in the form of dwindling advertising revenues, increased competition from global players and difficulties making a successful transition to digital business models.

The commission's mandate is to:

- Determine what the government's objective with respect to media pluralism should be, and to describe key developments in the media and how these affect media pluralism.
- Examine the totality of Norwegian media output with particular focus on two areas: the function of news and current affairs media and the media in general in disseminating news and debate, as well as the impact of public service broadcasters on Norwegian language and culture.
- Based on its analysis, the commission shall assess how the totality of government measures, inter alia the production subsidy for news and current affairs media and the licence fee, may be employed most effectively in order to promote an open and enlightened public debate and media pluralism. The commission should inter alia assess the justification for, and the extent of, public financing of public service media and news and current affairs media. The commission may also take into account regulatory measures, if deemed relevant.
- The commission shall gather information on the use of economic measures in the media sector in other relevant European states. The commission must assess whether its proposals raise issues with respect to the EEA-agreement's regulations on state aid. The commission may contract other analyses as deemed necessary, and shall assess the economic and administrative consequences of its proposals. The commission's proposals should take as a starting-point that total government expenditure shall remain at its current level, but may also propose a total increase or reduction of government expenditure.

## 1.2 The commission's proposals

Independent, editorial news media are experiencing extensive changes due to technological developments, global competition and changes in media usage. Established business models

are failing to provide sufficient income. Lower revenues and extensive downsizing of newsrooms mean that the resources available to editors, increasingly fail to deliver the content necessary to ensure real media pluralism.

The commission believes there is a significant risk that journalism that is essential for the public discourse, may diminish before sustainable business models are developed. The commission therefore proposes a number of new initiatives and schemes. The majority of the proposals are to be implemented for a limited period and their impact to be evaluated during this period. The commission's proposals are unanimous. The following contains a brief review of the commission's proposals.

### **1.2.1 Government funded public service broadcasting**

Consistent political and economic support over several years has contributed to NRK's present role as a key instrument promoting language and culture. The Storting will be debating a report to the Storting/White Paper (Meld. St. 15 (2016-2017) "Eit moderne og framtidsretta NRK") shortly after this report has been published. The report considers proposals for the future funding of NRK, a revised mandate for the NRK (NRK-plakaten), a process by which the NRK's income is determined every four years, the transfer of government ownership of the NRK to an independent foundation, live broadcasts of major sports events and the public's use of NRK archives.

The commission is of the opinion that the ownership of the NRK, as a matter of principle, should be transferred to an independent foundation. Moreover, the commission proposes that the NRK's obligation to promote media diversity and to make its archives available should be reviewed regularly, for example in connection with the process that is to be carried out every four years in order to determine the NRK's income, the public broadcaster's impact on commercial media and the overall provision of media content to the public.

### **1.2.2 Commercial public service broadcasting**

The commission underscores the important contribution of commercial public broadcasters to Norwegian culture, freedom of expression and freedom of information, as well as its role as an alternative to the NRK. In October 2016, the commission issued an interim report on commercial public service, in which it states, inter alia, that it is uncertain whether the future market for commercial television will sustain the provision of news, public debates, cultural and religious programming, and content for children, youth, the elderly and linguistic and ethnic minorities in commercial television services. This risk of market failure means that content diversity as well as exposure diversity are at risk. Furthermore, it is uncertain whether current revenues will permit maintaining a considerable editorial presence outside Oslo or in two separate locations. If the authorities want to ensure the continued presence of a commercial broadcaster outside the Oslo-area, the authorities should be prepared to establish new incentives to guarantee such an outcome.

In December 2016 The Ministry of Culture presented a report to the Storting (St. 14 (2016-2017) Kommersiell allmennkringkasting) including proposals that are aimed at ensuring the presence of a commercial broadcaster with headquarters and newsroom in Bergen. The commission refers to its interim report and proposes that the government restricts a prospective agreement for compensation for additional costs incurred by the commercial public service broadcasting to linear television.

Finally, the commission proposes to offer compensation to a national radio service for additional expenses associated with providing public service content and costs maintaining

offices outside of Oslo. The agreement should be limited to 3-5 years. The impact of the prospective compensation should be evaluated and future needs analysed before a possible extension of the scheme.

### **1.2.3 Indirect measures**

Indirect measures, such as the existing zero rate for the news media (the VAT-exemption), have a general scope and purpose and include all businesses that share certain characteristics. In 2016, the government implemented an exemption from VAT for electronic news media. The VAT-exemption contributes to pluralism in the media, which supply a range and depth of content providing users with the insight and knowledge to participate in the public discourse, to high levels of consumption and a more informed public discourse and debate.

However, the current VAT-exemption applies only to news media that offer a broad coverage of society. The commission proposes that the exemption from VAT be extended to encompass all news and current affairs media. This means that media that cover a limited range of news, but cover these areas in depth, should also be included. The VAT-exemption should also apply to the purchase of single articles from publications that already are VAT-exempt. This may help stimulate business models that rely on micropayment as a source of revenue.

The commission furthermore proposes a temporary exemption for Norwegian news media from the obligation to pay the Social Security Contribution, as a necessary and temporary measure limited to four years. The proposal is justified by the need for increased support to editorial media during a period of transition. Such a measure will function as a general, non-bureaucratic measure being at arm's length from the control of political authorities.

### **1.2.4 Direct measures**

Direct measures, such as the current production subsidy for news and current affairs media, target a limited group of beneficiaries and compensate for specific forms of market failure. The commission believes that the production subsidy for news and current affairs media has contributed towards maintaining a differentiated press, and emphasises in particular the scheme's contribution to the emergence of local newspapers, which are of great importance to local diversity and local democracy.

The amendment of the production subsidy in 2014 provided for platform-neutral measures, accommodated the scheme to current technological developments and facilitated the press' transition to digital publishing. The commission therefore finds that the production subsidy scheme should be extended, but proposes a series of changes:

- The commission proposes a minimum rate for local newspapers with a circulation of 1000-6000 copies to be fixed at NOK 750 000. This will stimulate local newspapers that are vital to local democracy, but often face major challenges when it comes to innovation and change.
- The commission proposes to eliminate over a four-year period the special subsidy rate to news media that have a lower circulation of copies than the leading media in the markets of Oslo, Bergen, Stavanger and Trondheim. These media will receive the same subsidy rate as other media that compete with a dominant medium in the same market. The commission points out that the market-conditions these media operate under have changed, and considers that the proposal will contribute to a more

equitable distribution of subsidies and, over time, a reduction of the reliance on support.

- The commission proposes to reduce the dynamic support ceiling, so that individual beneficiaries may not receive grants exceeding 27 percent of operating costs. The reduction is to be implemented in equal annual instalments over a four-year period. The commission considers that the proposal will contribute to a more equitable distribution of subsidies, the legitimacy of the measure, and, over time, a reduction of the reliance on support.
- The commission proposes a simplification of current restrictions on the payment of dividends to shareholders, which apply to beneficiaries of production subsidies. The amendment will stimulate investments and a more diversified ownership of news media.
- To ensure greater predictability when it comes to grants, the commission proposes that the Storting should set the overall subsidy envelope for production subsidies for four-year periods, and furthermore that the envelope be adjusted annually in accordance with wage and price inflation.

The commission believes that, at least for a limited period, further measures are called for that may contribute to new sustainable business models and safeguard journalism that is vital to society and the public discourse.

- The commission proposes, as a temporary measure over a period of four years, a grant to news media that are free of charge to the user. The commission proposes to allocate NOK 20 million annually to the measure, with grants to be calculated based on the individual media's documented usage data.
- The commission proposes a grant to promote innovation projects in news media, with a duration of four years. The commission proposes to allocate NOK 30 million per year to the scheme, with a possible increase of the amount, should a continuous evaluation of the results indicate so.
- The commission proposes that a grant be established to stimulate journalism of vital importance to society and the public discourse. The commission proposes to allocate NOK 20 million per year to the scheme. The scheme should also encompass subsidies to ethnic and linguistic minority media.

The commission proposes to make the grants to Sami media platform independent in order to stimulate innovation and a more efficient distribution, as a measure to fulfil the objective of media pluralism.

The commission, similarly, proposes to discontinue the distribution subsidy for newspapers in Finnmark and redistribute the funds to the production subsidy scheme.

The commission has not proposed other measures aimed specifically at promoting investment in editorial content in broadly oriented media. The commission recommends, however, if the negative trends affecting broadly oriented media should deepen and editorial coverage in regional and national media deteriorate, to consider, as an additional measure, the introduction of a grant scheme that rewards investment in editorial content.

### **1.2.5 Report on the state of the media**

The commission believes that it is imperative to review continuously the objectives and instruments in this area, and proposes that the government every four years should submit a report to the Storting reviewing media policy objectives and instruments in the light of recent media developments.

The Ministry of Culture has proposed that the government every four years should put forward a proposal determining the NRK's income for the subsequent four-year period, starting with the state budget proposal for 2019. The commission proposes that the overall financial envelope for the other instruments in the media sector, similarly, should be determined for a four-year period.

Decisions on the composition of public measures should be based increasingly on empirical and factual evidence. The commission therefore proposes to coordinate regular empirical studies of developments within the media with the objective of contributing to more knowledge-based media policy decisions.

### **1.2.6 Other proposals**

Media policy interacts with and influences other policy areas. The commission proposes a number of recommendations aiming at promoting media pluralism through measures in the following policy areas:

- Library policy
- Film policy
- School, education and research policy
- Industry- and ICT policy
- Public management policy
- Taxation policy