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**Subject: State aid No N 687/06 –Slovak Republic
Aid to Kalligram s.r.o. in favour of periodical "OS - Fórum občianskej
spoločnosti"**

Sir,

I Procedure:

1. By letter of 16 October 2006, registered the same day, the Slovak authorities notified to the Commission a project to grant a subsidy to the company Kalligram, s.r.o. in order to promote the periodical OS - Fórum občianskej spoločnosti.

II Detailed description of the measure/aid

2. Kalligram, s.r.o. is the editor of the periodical OS - Fórum občianskej spoločnosti.
3. The periodical is directed towards well-educated readers and is published in Slovak language. Its aim is to provide space for writers to publish articles giving an in-depth analysis of the cultural and social situation in Slovakia and other V4¹ countries. The periodical also reports on political and other social issues and contributes to promoting democratic debate and the dissemination of socio-political information.
4. There are 6 editions and in overall 6 000 prints in 2006. The support amounts to 1 300 000 SKK (approx. € 35 000). In 2006 it accounts for 71 % of the overall costs.

¹ Visegrád countries: Poland, Hungary, Czech Republic and Slovakia

Ján Kubiš
Minister zahraničných vecí
Hlboká 2
SK - 833 36 Bratislava
Slovenská republika

5. The Slovak authorities indicated that the measure cannot be considered as being de minimis. During the last 3 years Kalligram, s.r.o. already received aid, which including the proposed grants would exceed de minimis threshold.² Slovak authorities also notified to the Commission another state subsidy planned in 2006 to Kalligram, s.r.o. for a different periodical, which is subject to separate decision (N 660/06).
6. The Slovak authorities indicate that the measure should not have an effect on trade between Member States because the language barrier and the limited circle of potential readers. The measure was notified for ensuring legal certainty.
7. Moreover, it is argued that the measure has a cultural objective i.e. favouring the diffusion of a cultural periodical and thus indicating it could therefore be covered by the relevant Treaty derogation.

III Assessment of the measure/aid

8. The measure is a subsidy directly granted by the Slovak Ministry of Culture out of its own resources. Therefore, it is granted through State resources. In 2006, the total cost of the periodical amount to SKK 1 832 820. The subsidy covers 71 % (SKK 1 300 000; approx. EUR 35 000) of this cost. There is no doubt that the measure gives an advantage to Kalligram in the sense that it covers a cost that in normal market circumstances would have been borne by Kalligram itself. The measure may allow Kalligram to increase its sales and accordingly its profits from the sales. In this sense the aid is capable of affecting competition.
9. Taking into account its limited editions and the language barrier it is unlikely that a possible increase in sales of the periodical may affect cross border trade in periodicals or prevent in any appreciable way competitors from getting established in the market, even though the periodical reports on cultural and social situation also in the other V4 countries. Given further the very limited amount of aid, some doubts can be raised, whether the measure constitutes State aid in the meaning of Article 87(1) of the EC Treaty. However, even though the periodical is addressed to a limited circle of readers and there is a language barrier, one cannot exclude that there is a potential affectation of trade between the Member States taking into account possible readers of the periodical from Slovak minorities in Czech Republic and Hungary.
10. Insofar as the measure constitutes aid, the Commission has to verify whether any of the derogations provided for in article 87 (3) EC could apply and thus the measure may be considered to be compatible. Slovakia stated that the aid has a cultural objective i.e. favouring the diffusion of a cultural periodical thus indicating it could therefore be derogated under Article 87(3)(d) EC.
11. Article 87(3)(d) states that an *“aid to promote culture and heritage conservation may be considered to be compatible with the common market where such aid does not affect*

² The total de minimis aid granted to any one enterprise shall not exceed EUR 100000 over any period of three years.

trading conditions and competition in the Community to an extent that is contrary to the common interest”.

12. In accordance with the Commission practise³, the cultural derogation provided for in Article 87(3)(d) must be interpreted restrictively, and should be limited to measures for specific projects which are related to the national notion of culture. Furthermore, it is considered that the notion of culture must be applied to the content and nature of the publication, not the medium or its distribution per se.
13. OS - Fórum občianskej spoločnosti is partly designed to support the information on cultural topics in Slovakia and V4 countries. It is therefore noted that the measure has some elements exemptible under Article 87 (3)(d) EC, inasmuch as they may contribute to the awareness of culture and cultural diversity. The aid amount is very small and trading conditions and competition in the Community are not affected to an extent that is contrary to the common interest.
14. Insofar as the periodical reports about political and social issues, no other specific compatibility clause seems to be applicable to the notified aid apart from the possible general application of Article 87(3)(c) EC. The latter provides that, *“aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest, may be considered to be compatible with the common market”.*
15. In this respect, the Commission observes that the aid measure aims at promoting democratic debate and the dissemination of socio-political information. The subsidy is intended to preserve the existence of a periodical with a high quality content related to socio-political issues, the publication of which would not be possible on market terms due to the fact that it is only aimed at limited circle of highly educated readers and has therefore very low circulation (approx. 6000 prints per year). The diffusion of such information by the periodical and thereby encouraging the democratic debate contribute to the general interest of promoting and safeguarding the pluralism of the media.
16. The Commission takes into account Article 151(4) of the EC Treaty which requires the Community to “take cultural aspects into account in its action under other provision of this Treaty, in particular in order to respect and promote the diversity of its cultures”. Furthermore, to the extent that the notified subsidy contributes to media pluralism, the Article 11(2) of the Charter of Fundamental Rights gives an indication that this is in line with the common values of the EU, stating that: “the freedom and pluralism of the media shall be respected”.
17. Accordingly, the Commission concludes that the aid is targeted at an objective of common interest.
18. Given the limited circle of readers, low editions of the periodical (6 000 prints in total in 2006) and the language barrier any potential distortion of intra-EU trade and competition is likely to be very limited. Moreover, the evaluation concerning the potentially limited distortion of trade and competition of the measure under review, and in particular its proportionality to the pursued objective, is underpinned by the very low amount of aid.

³ NN 88/98 *Financing of a 24-hour advertising-free news channel with licence fee by BBC*, OJ C 78 of 18.03.2000, page 6.

For these reasons, the Commission considers that in this case, the distortion of competition created by the aid would not adversely affect intra-Community trade and competition to an extent contrary to the common interest.

19. In this respect, the Commission considers that the aid under review would satisfy the conditions in order to be deemed compatible with the common market pursuant to Article 87 (3) (c) and (d) of the EC Treaty.

IV Decision

The Commission has accordingly decided:

that to the extent that this measure constitutes State aid, the aid is compatible with the EC Treaty under Article 87(3)(c) and (d).

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European Commission
Competition Directorate-General
State Aid Greffe
B-1049 Brussels
Fax No: +32 2 296 1242

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission