EUROPEAN COMMISSION

Brussels, 20.07.2010
C (2010) 4941 final

In the published version of this decision, some information has been omitted, pursuant to articles 24 and 25 of Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty, concerning non-disclosure of information covered by professional secrecy. The omissions are shown thus […].

PUBLIC VERSION

WORKING LANGUAGE

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Subject: State Aid E 4/2008 (ex-N 450/2008) – Sweden
Aid to the press

Dear Sir,

1. By letter of 17 June 2009, the Commission informed Sweden, pursuant to Article 18 of Council Regulation No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty[1] (hereafter the "Procedural Regulation"), that the existing press aid scheme, is no longer compatible with the internal market and proposed the following appropriate measures to ensure the compatibility of the press aid scheme on the basis of Article 107(3) TFEU (ex Article 87(3) EC Treaty):

   - Limit the aid amount for metropolitan newspapers, by modifying the higher aid ceiling, which applied to the metropolitan newspapers (SEK 63,9 million in 2009), so that large circulation metropolitan newspapers would receive a necessary and proportionate treatment. Based on the information which was at its disposal at that time, the Commission could agree with a ceiling for metropolitan newspapers, which would imply that they would receive the same treatment as the one given to high and medium-frequency provincial newspapers. It was not established at that time that another higher ceiling would be necessary and proportionate, taking into account the objective of media pluralism and the impact of the ceiling on competition.

[1] OJ L 83 of 27.03.1999, p.1-9.

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- Introduce an aid intensity threshold in relation to the total operating costs of publishing the newspaper. It appeared appropriate to establish a lower threshold for high and medium frequency newspapers (e.g. 40%), compared to low frequency newspapers (e.g. 75%)

- Limit in time up to six years to the press aid scheme and before any renewal, a review of its impact on both media pluralism and competition should be carried out.

2. The Swedish authorities proposed the following measures:

   - New maximum aid level of 45 MSEK for metropolitan newspapers phased in during a period of five years starting as from 2011, date when the new regulation is foreseen to enter into force.

   - Introduction of a new way of calculating aid for large metropolitan newspapers. In addition to the provincial aid, up to 40% of the extra costs due to the specific situation in the metropolitan newspaper markets (e.g. extra editorial costs and Sunday publishing) is allowed.

   - The intensity of the subsidies in relation to total operating costs of publishing the newspaper fixed at max 40% for high and medium frequency newspapers and 75% for low-frequency newspapers.

   - Obligation for the beneficiaries to supply accounts on how the aid has been used to the granting authority (Presstödsnämnden) which should verify the usage of the aid and establish annual accounts to be submitted to the Commission.

   - The measures should enter into force on 1 January 2011, and the Press Subsidies Ordinance (Presstödsförordningen 1990:524) should be limited in time until 31 December 2016. A revision of the press aid should take place and necessary changes proposed in time to enter into force on 1 January 2017.

3. These measures were adopted by the Swedish Parliament on 2 June 2010 and proposed to enter into force on 1 January 2011.

4. The measures proposed by Sweden comply with the appropriate measures proposed by the Commission concerning the establishment of a control mechanism, submission of annual reports and introduction of a time-limit to the Press Subsidies Ordinance. With regard to the proposed aid ceilings for metropolitan newspapers, whilst being lower than today's ceilings, still remain considerably higher than those that apply to provincial newspapers and papers with a lower frequency (40% of operating cost and 40% of additional cost). Sweden has justified these aid ceilings, in combination with a new maximum aid level of 45 MSEK, to be necessary and proportionate taking into account the objective of media pluralism and the impact on competition.

5. In order to construct this new model for the calculation of aid to metropolitan newspapers, the Swedish government has used the findings of several inquires, which have been conducted in Sweden. At least for the short and medium term, it appears

that the press aid is necessary in the metropolitan regions in order to maintain media pluralism. Without the aid there would be a real risk of some of the metropolitan newspapers having to leave the markets, which would lead to monopolisation of these markets. It has been pointed out by the Swedish government that this risk has increased as a result of the financial crisis (e.g. around 25% less advertisement revenues in the first half of 2009 according to statistics). A substantially higher aid amount to the metropolitan newspapers than to provincial newspapers seems as well proportional, at least for the time being, since the cost level is much higher on the metropolitan markets due primarily to higher requirements on editorial volume and publishing seven days a week. These costs are not covered by additional revenues. The difference in size (number of issues) and revenues between the market players is also much larger on the metropolitan markets than on the provincial markets (e.g. the difference in terms of revenues is around 1200 MSEK between one of the metropolitan newspaper currently receiving aid compared to its main competitor, for the other the difference is around 1100 MSEK, while the equivalent difference on the average provincial market is about 200 MSEK).

6. In order to strengthen the proportionality of the metropolitan aid, extra aid can be given upon a reasoned request as a share of the metropolitan newspapers' net extra costs for publishing seven days a week and providing a higher editorial volume (up to 40% of such additional costs). Regarding the proposed percentage for the additional costs, it has to be viewed in combination with the substantial costs that metropolitan newspapers have for maintaining high levels of editorial quality and publishing on Sundays (around […][*] and […] respectively for the larger and smaller metropolitan newspapers currently receiving press aid) together with these papers special role in promoting democratic and cultural values. Based on available figures, it has been calculated that an effect of this method would be that the difference in size between the two relevant metropolitan newspapers would have a greater impact on the aid levels, compared with the previous situation. For the small one, the new method would imply a decrease of the total aid to approximately 37 MSEK (a decrease of around 25 MSEK), while the other newspaper would still reach the proposed cap at 45 MSEK (a decrease of around 17 MSEK).

7. The percentage of total operating costs of 40% was proposed by the Commission in the Article 18 letter of 17 June 2009, which is also in line with a previous Commission decision regarding press aid in Finland[2]. In any case, it has been calculated that an effect of the proposed aid cap and percentage of extra costs is that the total aid intensity of the metropolitan newspapers will stay far below 40% (on the basis of available figures of costs and revenues of the newspapers concerned, the total aid intensity would be 17% and 4% respectively).

8. The aid cap at 45 MSEK has been proposed after an economic analysis of the cost levels of the metropolitan newspapers and comparing the maximum level for metropolitan newspapers with the aid for provincial newspapers with the conclusion that an aid cap at 45 MSEK is needed for the metropolitan papers to stay on their markets and thus ensure media pluralism and at the same time reduce distortion of competition and make the aid proportional. A maximum aid amount for metropolitan newspapers that is between two and three times higher than the aid amount for

[*] Business secret.
[2] See State aid N 537/2007 – Finland – Aid to the press.

provincial newspapers has been determined considering the significantly higher costs metropolitan newspapers have compared to provincial newspapers. For these reasons the Swedish government finds that a maximum aid amount of 45 MSEK to metropolitan newspapers is reasonable and well-balanced.

9. The Commission notes that the measures taken by Sweden will both significantly reduce the aid amounts given to metropolitan newspapers and fundamentally change the way in which production aid to metropolitan newspapers will be calculated. Therefore, based on the above, the Commission considers that the measures taken by Sweden adequately reflect the essence of the proposed appropriate measures and accepts the justifications provided for the proposed aid ceilings for metropolitan newspapers and the Commission can thus agree with the proposed appropriate measures. In accordance with Article 19 of the procedural regulation, the Commission records the commitment by means of the present letter and thereby renders the implementation of the appropriate measures binding. The present letter covers exclusively the production support and does not prejudge any future position of the Commission with regard to the distribution support.

10. The Commission invites the Swedish authorities to provide it with a copy of the new Press Subsidies Ordinance (Presstödsförordningen 1990:524) which should enter into force on 1 January 2011.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:
http://ec.europa.eu/eu_law/state_aids/state_aids_texts_en.htm

Your request should be sent by registered letter or fax to:

European Commission
Directorate General for Competition
State aid greffe
B-1049 Brussels

Fax No: +32 2 2961242

Yours faithfully,

For the Commission

Joaquin ALMUNIA
Vice-president of the Commission