



EUROPEAN COMMISSION

Brussels, 28.7.2023  
C(2023) 5269 final

PUBLIC VERSION

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**Subject: State Aid SA.106114 (2023/N) – Italy – Aid for digital transformation of broadcasters, publishers and news agencies**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 23 January 2023, registered by the Commission on the same day, Italy notified the above-mentioned measure ('the notified measure'), under Article 107(3)(c) of the Treaty on the Functioning of the European Union ("TFEU"). The Italian authorities subsequently provided clarifications and additional information on 7 March 2023, 28 April 2023, and 10 July 2023.
- (2) Italy exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958 <sup>(1)</sup>, and to have this Decision adopted and notified in English.

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<sup>(1)</sup> Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

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## 2. DESCRIPTION OF THE MEASURE

### 2.1. The objective of the notified measure

- (3) The notified measure aims at supporting the digital transformation of newspaper and periodical publications, television and radio broadcasters, and news agencies. The notified measure intends to support the beneficiaries to further implement innovative technologies and digital transition. The measure creates favourable conditions for the beneficiaries for implementing their digital transition process and aims at improving the quality of content for consumers. The notified measure seeks to make the beneficiaries' services more accessible in the digital environment by supporting investments in future-oriented digital services and to encourage their digital transformation.
- (4) As to newspapers and periodical publishing, the Italian authorities explain that the decline in the overall publishing sector (including a sharp reduction in revenues and a decrease on the readers' willingness to pay for information), which has persisted for more than a decade, has had a particularly severe impact on the newspapers and periodicals publishing sector. The Italian authorities explain that between 2010 and 2020, newspapers and periodicals published in Italy lost a total of EUR 2.4 billion in revenues, decreasing from a total turnover of EUR 4.4 billion to EUR 2 billion. The decrease of revenues affected both the revenues from sold copies and those from advertising <sup>(2)</sup>. In addition, the Italian authorities also refer to the intense technological changes in the media sector that dramatically altered the habits of readers and imposed on publishers a need to develop digital business models.
- (5) The Italian authorities explain that the presence of large digital platforms has led, on the one hand, to a progressive increase in the weight of those large digital platforms in the media sector and, on the other hand, to a parallel decline in revenues for traditional publishers. The AGCOM <sup>(3)</sup> pointed out already in 2015 <sup>(4)</sup> that the high amount of information available cost free online led to a decrease in the users' willingness to pay for media content and triggered a spiral towards a dramatic reduction in resources for traditional publishers. Moreover, advertising revenues are increasingly captured by online platforms through their advertising arms and by news aggregators <sup>(5)</sup>: in the period of 2016-2021, advertising revenues decreased by 20% for newspapers <sup>(6)</sup>.

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<sup>(2)</sup> See AGCOM report '*Focus on the accounts of undertakings active in daily and periodical publishing for the five-year period 2016-2020*', of 4 February 2022.

<sup>(3)</sup> Autorità per le garanzie nelle comunicazioni.

<sup>(4)</sup> See AGCOM survey on "Information and the Internet in Italy – Business models, consumption, professions".

<sup>(5)</sup> News aggregators are online platforms that collect news stories and information as that information is published and organize the information in a specific manner, allowing readers to follow multiple news sources.

<sup>(6)</sup> See Impact assessment report accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a common framework for media services in the internal market (European Media Freedom Act) and amending Directive 2010/13/EU, Part 2/3, Annex 5, 16.9.2022.

- (6) In addition to the above-described pre-existing decline of the sector (caused by decreasing revenues and the readers' decreased willingness to pay for content), the Italian authorities refer to the economic repercussions on the sector, following the aggression against Ukraine by Russia. The Italian authorities point out that the production and distribution costs of publications have increased significantly, affecting advertisers' willingness to spend, and thus further undermining the resilience of advertising revenues. Advertising expenditure in the press (newspapers and periodicals) decreased by 5.7 % in 2022.
- (7) As to broadcasting, the Italian authorities explain that there is a similar steady decrease in the broadcasters' advertising revenues, due to the increasing importance of global online platforms <sup>(7)</sup> in the advertising market. This follows the general trend in the EU. In the EU, in 2015, the Internet overtook TV as the main channel in advertising and has steadily consolidated its leading position since then. In 2018, Internet advertising totalled over EUR 50 billion, whilst TV advertising reached less than EUR 40 billion <sup>(8)</sup>. In the period between 2016 and 2021, advertising revenues decreased by 10% for television and radio <sup>(9)</sup>. This trend also affects Italy: The Italian authorities explain that in Italy, the television sector has suffered a particularly significant decline of advertising revenues: from EUR 4 653.5 million in 2007 to EUR 3 594.6 million in 2019 and EUR 3 251.9 million in 2020 <sup>(10)</sup>.
- (8) The Italian authorities also refer to changing consumer viewing habits, explaining that in 2020, more than 7 million Italians were watching television programmes on the internet, an increase of 24.6 % compared to the previous year. In addition, in the same year, 24 million Italians (+ 48.4 %) watched TV on-demand content on the internet <sup>(11)</sup>. This indicates the increasing importance of online content. The Italian authorities explain that the radio sector, similarly to television, has been affected by the digital transformation of the economy and the rise of digital platforms offering free or paid hosting services for radio programmes. Advertising revenues in the radio sector have fallen dramatically: from EUR 469 million in 2007 to EUR 438,4 million in 2019 and EUR 328.8 million in 2020 <sup>(12)</sup>.
- (9) As to news agencies, the Italian authorities explain that the role of news agencies has become increasingly complex: on the one hand, many media groups have internalised some of the functions performed by the news agencies, and, on the other hand, digitalisation has led to the emergence of user segments that are

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<sup>(7)</sup> Such global online platforms include social media (e.g., Facebook, Instagram), search engines (e.g., Google) and video sharing platforms (e.g., YouTube).

<sup>(8)</sup> See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Europe's Media in the Digital Decade: an Action Plan to Support Recovery and Transformation*, 3.12.2020.

<sup>(9)</sup> See Impact assessment report accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a common framework for media services in the internal market (European Media Freedom Act) and amending Directive 2010/13/EU, Part 2/3, Annex 5, 16.9.2022.

<sup>(10)</sup> Nielsen, Investimenti pubblicitari in Italia – FY 2020, p. 13.

<sup>(11)</sup> Auditel-Censis Report, 19 November 2021.

<sup>(12)</sup> Nielsen, Investimenti pubblicitari in Italia – FY 2020, p. 14.

mainly informed by non-traditional media <sup>(13)</sup>. The Italian authorities explained that in the Italian news agencies market there is only one large agency (ANSA) and a large number of smaller agencies. News agencies are facing competition from publishers and large digital platforms. While news agencies have put in place strategies to diversify their offer to ensure that they remain on the market, these diversification strategies, however, have not been going hand in hand with a parallel increase in revenues. Therefore, most companies risk of having their sphere of activity significantly reduced. Italy provided information indicating that the whole sector faces widespread financial difficulties and a significant number of news agencies had negative or close to zero results in 2020 and 2021 <sup>(14)</sup>. Moreover, many Italian news agencies have seen their turnover fall significantly in recent years. In addition, the Italian authorities point out that in recent years, several agencies had to use social safety nets such as the Integration Fund and Solidarity Contracts to safeguard employment levels <sup>(15)</sup>. The Italian authorities explain that the digitalisation would allow news agencies to widen their offers and make their offers more attractive for their customers and therefore improve their competitiveness.

- (10) Overall, the Italian authorities explain, the supported investments in technological equipment are a driver for related investment also in the following years. The investments that will be reimbursed concern highly specialised technological devices, in particular in the broadcasting sector. They are long-term investments. The Italian authorities expect that publishers plan all the investments linked to the same overall project, even if carried out after the period of funding of the measure. The Italian authorities explain that given the described difficult economic situation, without the aid, the beneficiaries would not be able to start or complete the planned digital transition, which would be detrimental to the quality of content and to media pluralism. The scheme aims to preserve and promote the diversity and plurality of media by widening the offer available and to ensure the development of the online infrastructure necessary to facilitate the availability of a wide range of content and information for the benefit of consumers <sup>(16)</sup>. Due to the above-described difficult economic situation, the ability of the beneficiaries to invest in digital infrastructure to produce high quality media content for citizens is limited, while their digital transformation is of paramount importance.

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<sup>(13)</sup> See recent study by the Information and Publishing Department of the Prime Minister's Office: "Comparative Analysis on public support to news agencies in major European countries", 7 October 2022.

<sup>(14)</sup> Data based on information available on the website of the Chamber of Commerce, Industry, Agriculture and Artisanry.

<sup>(15)</sup> Information based on the database of the National Social Security Institute (Istituto Nazionale della Previdenza Sociale).

<sup>(16)</sup> The eligible expenses include for example investments in low-frequency equipment for the production of programmes in HD or higher technologies; investments in HD audio/video mixers, HD/4K cameras with possible HD optics, HD encoders for transmission network connections; investment in solutions for the provision of cloud-based media and audio-visual products and services. The full list of eligible expenses is set out in art. 5(3) of the Prime Ministerial Decree of 28 September 2022 pursuant to Article (1)375 to (377) of Law No. 234 of 30 December 2021.

## 2.2. Legal basis

- (11) The title of the aid measure is “*Fund for investment in innovative technologies by television and radio broadcasters, newspaper and periodicals publishing companies, and news agencies*” (“Fund”). The legal basis of the measure consists of the following:
- Article 1(375) to (377) of Law No. 234 of 30 December 2021 <sup>(17)</sup>;
  - Prime Ministerial Decree of 28 September 2022 pursuant to Article (1) 375 to (377) of Law No. 234 of 30 December 2021;
  - Decree (draft) laying down the implementing provisions for the receipt of the contributions referred to in Articles 3 and 5 of the Prime Ministerial Decree of 28 September 2022 pursuant to Article 1 (375) to (377) of Law No 234 of 30 December 2021 (Extraordinary Fund for Publishing Support Measures).
- (12) The granting of the aid is conditional upon the notification of the Commission’s decision approving the notified measure <sup>(18)</sup>.
- (13) The Italian authorities have committed to publish the text of the measure as well as the information related to the beneficiaries of aid at the following websites:  
<https://www.informazioneeditoria.gov.it/it/>  
<https://www.mise.gov.it/index.php/it/incentivi-mise>

## 2.3. Duration

- (14) The notified measure will apply from the notification of the Commission’s decision approving it until 31 December 2024.

## 2.4. Budget

- (15) The budget of the notified measure is EUR 35 million. The notified measure is financed from the general budget of the State. The maximum aid amounts per group of beneficiaries are set out as follows <sup>(19)</sup>:
- (a) audio-visual media service providers operating at national level: EUR 10 million;

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<sup>(17)</sup> The explanatory document refers to the type of beneficiaries, which include publishers, television and radio broadcasters, and news agencies. It also states the aided activity, the investment into technological innovation and digital transition,  
[http://documenti.camera.it/leg18/dossier/pdf/ID0016dvol2.pdf?\\_1681470291656](http://documenti.camera.it/leg18/dossier/pdf/ID0016dvol2.pdf?_1681470291656)

<sup>(18)</sup> Article 5(5) of the Prime Ministerial Decree of 28 September 2022 pursuant to Article (1) 375 to (377) of Law No. 234 of 30 December 2021 provides that the granting of the aid shall be subject to the authorisation of the competent European Authorities. Article 3 of Decree (draft) laying down the implementing provisions for the receipt of the contributions referred to in Articles 3 and 5 of the Prime Ministerial Decree of 28 September 2022 pursuant to Article 1 (375) to (377) of Law No 234 of 30 December 2021 (Extraordinary Fund for Publishing Support Measures) contains the same suspension clause.

<sup>(19)</sup> See Article 5(2) of the Prime Ministerial Decree of 28 September 2022 pursuant to Article (1) 375 to (377) of Law No. 234 of 30 December 2021.

- (b) audio-visual media service providers operating locally: EUR 10 million;
  - (c) radio broadcasters: EUR 7.5 million;
  - (d) newspaper and periodical publishers, news agencies: EUR 7.5 million.
- (16) Where the available resources are insufficient in relation to the applications accepted, they shall be distributed among the beneficiaries proportionally to the contribution requested that is theoretically due.

## 2.5. Form of the aid

- (17) The notified measure is an aid scheme. Aid under the scheme will be granted in the form of direct grants covering up to 70 % of costs incurred by the beneficiaries in 2022, for investments for technological innovation and the digital transition. A detailed list of the eligible costs is established in the legal basis <sup>(20)</sup>.

## 2.6. Granting authority

- (18) The granting authority is the Department for Information and Publishing of the Prime Minister's Office.

## 2.7. Beneficiaries, aid intensity and cumulation of aid

- (19) Eligible beneficiaries must fall into one of the following categories:
- (a) *Broadcasters*: (i) n audio-visual media service providers holding LCN <sup>(21)</sup> allocated in accordance with AGCOM Decision 116/21/CONS, offering nation-wide services with the exception of entities with public participation and holders of LCN intended exclusively for the broadcasting of teleshopping programmes; (ii) providers of audio-visual services operating locally; (iii) holders of radio licenses providing digital radio content and consortia of publishing companies operating in the DAB technology, as provided for in AGCOM Decision 664/09/CONS.
  - (b) *Newspaper and periodical publishers*: companies that hold the ATECO code <sup>(22)</sup> corresponding to publishing activities for newspapers and periodicals (ATECO classification code "58 Editorial Activities", with the following specifications: 58.13 "Publishing of newspapers" and 58.14 "Publishing of magazines and periodicals").
  - (c) *News agencies*: companies that hold the ATECO code corresponding to 63.91 (activities of news agencies).
- (20) The aid may not amount to more than 70 % of the eligible costs per beneficiary and may not be cumulated with any other aid with respect to the same eligible

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<sup>(20)</sup> See Article 5(3) of the Prime Ministerial Decree of 28 September 2022 pursuant to Article (1)375 to (377) of Law No. 234 of 30 December 2021.

<sup>(21)</sup> Logical Channel Numbering.

<sup>(22)</sup> ATECO stands for "ATtività ECONomica" (economic activity). It is a code used by the Italian Chamber of Commerce to identify the economic activities of undertakings.

costs<sup>(23)</sup>. The expenditures eligible for aid are costs incurred in 2022 for investment in innovative technologies by the beneficiaries for the adaptation of infrastructure and production processes, with a view to improving the quality of content and its usability by users. The eligible investments include investments in low-frequency equipment for the production of programmes in HD or higher technologies; investments in HD audio/video mixers, HD/4K cameras with possible HD optics, HD encoders for transmission network connections; investment in solutions for the provision of cloud-based media and audio-visual products and services<sup>(24)</sup>. The investments must be linked to an overall project to modernise the beneficiary's technical equipment. The project must be certified by a professional registered in the Register of Engineers, attesting that the project is related to digital transition, it must contain a description of the equipment and the reasons for the investment. The estimated number of beneficiaries is over 1000.

- (21) The Italian authorities confirm that the notified measure will not be used to provide aid in favour of undertakings in difficulty within the meaning of the Commission's Guidelines on State aid for rescuing and restructuring firms in difficulty<sup>(25)</sup>.

## **2.8. Eligibility assessment**

- (22) The granting of the aid follows a formalised assessment of the applications, without any element of discretion. The applicants must submit their applications to the Department for Information and Publishing of the Prime Minister's Office. The eligible expenditure must be linked to an overall project to modernise the technical equipment of the applicant that shows that the investments made are organic. To ensure that these projects concern investments in advanced and adaptive coding technologies aimed at improving the quality of the editorial product, the project must be certified by a professional registered in the Register of Engineers, attesting that the project is related to digital transition. The project must contain a description of the technical equipment and the reasons for the investments. An auditor will have to certify the relevance of the expenditure incurred for the investments. Thus, the Italian authorities explained, the supported investments to innovate technological equipment are a driver for related investment also in the following years. The investments that will be reimbursed concern highly specialised technological devices, in particular in the broadcasting sector. They are long-term investments. The Italian authorities expect that publishers plan all the investments linked to the same overall project, even if carried out after the period of funding of the measure. The Department for Information and Publishing after the examination of the applications, will set up a list of grants approved. The Department of Information and Publishing and the Ministry of Enterprise and Made in Italy (Directorate General for Electronic Communications, Broadcasting and Postal Services) will carry out subsequent

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<sup>(23)</sup> Italy has notified an aid scheme for publishers on the same day as the present notification. That notification was registered under case number SA.106115 (2023/N) – Italy - Aid for newspaper and periodicals publishers. The aid granted under that scheme is not intended to provide support for digital transition costs.

<sup>(24)</sup> The full list of eligible expenses is set out in Article 5(3) of the Prime Ministerial Decree of 28 September 2022 pursuant to Article (1) 375 to (377) of Law No. 234 of 30 December 2021.

<sup>(25)</sup> OJ C 249, 31.7.2014, p. 1.

random checks to verify compliance with the eligibility conditions. If, as a result of the checks carried out, it is established that one or more of the requirements laid down are not met, the aid paid will be recovered.

### **3. ASSESSMENT OF THE MEASURE**

#### **3.1. Existence of aid**

- (23) The qualification of a measure as aid within the meaning of Article 107 (1) TFEU requires that the following cumulative conditions are met: (i) the measure must be imputable to the State and financed through State resources; (ii) it must confer an advantage on its recipient; (iii) that advantage must be selective; and (iv) the measure must distort or threaten to distort competition and affect trade between Member States.
- (24) The notified measure is imputable to the State and is financed through State resources, since it is based on the legal acts referred to in recital (11) and administered by the Department for Information and Publishing of the Prime Minister's Office (a public authority), and is financed through State resources since it is financed from the national budget.
- (25) The notified measure confers an advantage on the beneficiaries in the form of direct grants (see recital (17)) and relieves them from costs they would normally have to bear. The measure thus provides those beneficiaries an advantage that they would not obtain under normal market conditions.
- (26) The measure will direct funds only to certain TV and radio broadcasters, newspaper and periodical publishers and news agencies, namely those that fulfil the eligibility criteria of the measure (see recitals (19) and (22)). Therefore, the advantage is selective.
- (27) The notified measure is liable to distort competition since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since the beneficiaries are active in sectors in which intra-Union trade exists, and some beneficiaries likely eligible under this measure are active in several Member States.
- (28) The notified measure therefore constitutes State aid within the meaning of Article 107(1) TFEU.

#### **3.2. Lawfulness of the measure**

- (29) By notifying the measure before putting it into effect <sup>(26)</sup>, the Italian authorities have respected their obligations under Article 108(3) TFEU.

#### **3.3. Compatibility assessment**

- (30) There are no existing frameworks or guidelines that can be applied to assess this kind of aid measure. For this reason, the Commission considers that the

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<sup>(26)</sup> See recital (12) of this decision.



assessment of the compatibility of the measure with State aid rules needs to be based directly on Article 107(3)(c) TFEU, which states 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 State aid rules.

- (31) In its compatibility assessment, the Commission will check whether the conditions of Article 107(3)(c) TFEU are met. To be declared compatible, first, the aid must be intended to facilitate the development of certain economic activities or of certain economic areas and, second, the aid must not adversely affect trading conditions to an extent contrary to the common interest <sup>(27)</sup>.

### **3.3.1. Compliance with other provisions of Union law**

- (32) State aid which contravenes provisions or general principles of Union law cannot be declared compatible <sup>(28)</sup>.
- (33) It should be noted that the measure is not discriminatory in that the eligibility criteria (as set out in recitals (19) and (22) of this decision) ensure equal treatment of applicants, including foreign publishers, broadcasters and news agencies. The measure does not create barriers to the freedom to provide services, nor is it discriminatory with regard to foreign publishers, broadcasters or news agencies, as such foreign undertakings established in the European Economic Area could be eligible for the aid. The Commission has not received any information identifying any breach of Union law that would prevent the notified measure from being declared compatible with the internal market. It does not result from the notification that the measure or the conditions attached to it, or the economic activities facilitated by the measure, could entail a violation of a relevant provision of Union law.
- (34) In light of the above, the Commission considers that the notified measure does not infringe relevant provisions or general principles of Union law and moreover, the objective of the aid measure is in line with the fundamental principles referred to in recital (45) of this Decision.

### **3.3.2. Facilitation of the development of an economic activity**

- (35) In accordance with Article 107(3)(c) TFEU, compatible aid under that provision of the Treaty must facilitate the development of certain economic activities <sup>(29)</sup>.
- (36) The objective of the measure is to encourage beneficiaries to invest in technological innovation, to create favourable conditions for implementing their digital transformation process and to improve the quality of content for consumers (recital (3)). The notified measure is intended to promote and enhance digital transformation of broadcasters, newspapers and periodicals publishers and news agencies by supporting their investments in digital applications and infrastructure, which will enable them to provide, through the digital projects that

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<sup>(27)</sup> Judgment of 22 September 2020, Case C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

<sup>(28)</sup> Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 44.

<sup>(29)</sup> Judgment of 22 September 2020, Case C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

they implement, future-oriented digital services to their audiences and customers that strengthen their competitiveness in the online world.

- (37) In that context, the Commission observes, as a major trend in digital technology across the EU, that online platforms have strengthened their market position, launched new services, and attracted new audiences. New online social media platforms have hit records in downloads, particularly among young users.
- (38) The further development of the media landscape's digitalisation, through the creation and renewal of digital infrastructure and services, ensures that the media content and news become accessible to citizens in the digitalised media environment. It will preserve the diversity of information sources and promote the development of the digital offer in the media landscape. Thereby, the scheme facilitates the economic activity of broadcasting and news publishing by supporting its development in the digital environment.
- (39) The notified measure enhances the ability of the beneficiaries to sustain and develop their offers and improve the quality of content for the benefit of the population and society as a whole. The measure intends to promote the digital transition of broadcasters, newspaper and periodical publishers and news agencies, through the modernisation of distribution, creation, and renewal of digital infrastructure, as well as the creation and provision of digital content.
- (40) Moreover, the measure is put in place at a time where TV and radio broadcasters, publishers and news agencies are facing a difficult situation. As explained in recitals (4) to (9), the market is characterized by declining revenues and increasing costs. The notified measure aims at providing support to the broadcasting and publishing sector, so that the sector can continue and develop its activities in the digital environment.
- (41) State aid has an incentive effect if it incentivises the beneficiary to change its behaviour towards the development of a certain economic activity pursued by the aid and if the change in behaviour would not occur without the aid.
- (42) The Italian authorities explained that the Fund was established in December 2021 by Law No. 234 of 30 December 2021. After the adoption of that Law, the Italian authorities also published on 25 January 2022 an explanatory document on the Italian Parliament's website<sup>(30)</sup>. That document contains a description of the objectives of the measure, the scope of beneficiaries and the eligible costs. The implementing decree setting out the detailed rules for the distribution of the Fund (Prime Ministerial Decree of 28 September 2022 pursuant to Article (1) 375 to (377) of Law No. 234 of 30 December 2021) was adopted in September 2022. The Italian authorities explained that the adoption of the implementing decree was preceded by extensive consultations with trade associations and trade unions representing the sector<sup>(31)</sup>. These consultations started immediately after the

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<sup>(30)</sup> This explanatory document 'Dossier of 27 December 2021' has been published on the website of the Chamber of Deputies.

(see: [http://documenti.camera.it/leg18/dossier/pdf/ID0016dvol2.pdf?\\_1681470291656](http://documenti.camera.it/leg18/dossier/pdf/ID0016dvol2.pdf?_1681470291656))

<sup>(31)</sup> The Italian authorities explain that all trade unions that are the most representative at national level were heard during these consultations, including among others the Confindustria Radio Televisioni,

adoption of Law No. 234 of 30 December 2021. Moreover, from December 2021, the establishment of the Fund (including the scope of beneficiaries and eligible costs) was widely discussed in the press.

- (43) The above shows that the potential beneficiaries at the end of 2021 (following the adoption of Law No. 234 of 30 December 2021), were aware that they could receive partial reimbursement from the Fund, for investments in technological innovation and digital transition if these were carried out in 2022, and only in 2022. Consequently, the potential beneficiaries took investment decisions for 2022 based on this information. Moreover, it must be noted that the measure requires the beneficiaries to put in place an overall project concerning the digital transition, since only expenses linked to this project are eligible. The fact that there is a project for digitisation in place encourages the beneficiaries to carry out further investments, beyond the initial investments carried out in 2022 (cf recital (10)). In the absence of Law No. 234 of December 2021, they would not have made these investments, or to a lesser extent. Therefore, the notified measure has an incentive effect.
- (44) In view of the above, the Commission considers that the notified measure facilitates the development of the economic activity of the newspaper publishing sector, as required by Article 107(3)(c) TFEU.

### **3.3.3. Positive effects of the aid**

- (45) Media in general play an important role in social cohesion. Independent and diverse professional journalistic reporting at national, regional, and local levels is commonly considered a prerequisite for democracies, inclusive societies, and well-functioning economies. Media freedom and media pluralism are also enshrined in the EU Charter of Fundamental Rights <sup>(32)</sup>.
- (46) Within the Union, it is commonly acknowledged that a well-functioning free media landscape, media pluralism, and editorial independence are useful for functioning democracies as well as Member States' economies. A free, diverse, and dynamic media environment is key to strengthening open and democratic societies and nurturing Europe's cultural diversity. Europe's citizens must continue to benefit from the richness of information and entertainment provided by the media sector and count on an open democratic debate, along with media and artistic freedom <sup>(33)</sup>.
- (47) Therefore, there is a need to encourage the long-term resilience and competitiveness of Europe's media industry, including through support to assist with digital transitions. This is also important to support the crucial role of the

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Federazione Italiana Editori Giornali, FNSI – Federazione Nazionale Stampa Italiana, Associazione Italiana Editori Giornali and FNSI – Federazione Nazionale Stampa Italiana.

<sup>(32)</sup> See Article 11 of the Charter of Fundamental Right of the European Union (OJ C 326, 26.10.2012, p. 391–407)

<sup>(33)</sup> Communication of the Commission of 3 December 2020 on Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation, COM(2020) 784 final, p. 1 and 3.

broadcasting and publishing sector in meeting societal needs and fostering European values <sup>(34)</sup>.

- (48) The notified measure encourages beneficiaries to invest in technological innovation, creates favourable conditions for implementing their digital transition process and aims at improving the quality of content for consumers. Given the difficult circumstances under which the sector is operating (see recitals (4) to (9), the Commission considers that such investments will only be undertaken by the beneficiaries if support is given in order to promote these investments.
- (49) Through the grants, the measure enhances the beneficiaries' ability to maintaining and developing the activity of the sector, and therefore it contributes to the preservation and promotion of the diversity and pluralism of the media sector. At the same time, the development of activities in the digital environment enhances the accessibility of such services to consumers and plays an important role in social cohesion.

#### ***3.3.4. The aid has limited negative effects on competition and trade***

- (50) The measure provides financial support to certain broadcasters, publishers of newspapers and periodicals and news agencies, thereby strengthening their market position. Therefore, the notified measure could distort competition and trade in the media market.
- (51) Article 107(3)(c) TFEU requires the assessment of any negative effects on competition and on trade in the relevant product markets, that is, in this case, concerning the media markets.
- (52) The negative effects of the measure on competition and trade must be sufficiently limited, so that the overall balance of the measure is positive. The Court has clarified that to assess whether a measure adversely affects trading conditions to an extent contrary to the common interest, the Commission must weigh the positive effect of the planned aid for the development of the activities that aid is intended to support against the negative effects that the aid may have on the internal market <sup>(35)</sup>.
- (53) When assessing the negative effects of an aid measure, the Commission assesses the impact on competition between undertakings in the market affected and on the location of the economic activity. Where aid is proportionate, its negative impact is in principle softened.
- (54) When designing the measure, the Italian authorities ensured that the negative effects of the measure are limited. Indeed, the measure is designed in such a manner that the State aid is (a) necessary, (b) appropriate as a policy instrument, (c) proportionate and (d) transparent.

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<sup>(34)</sup> Communication of the Commission of 3 December 2020 on Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation, COM(2020) 784 final, p. 10.

<sup>(35)</sup> Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 101.

#### *3.3.4.1 Necessity of the notified measure*

- (55) State aid should be targeted towards situations where aid can bring about a material improvement that the market alone cannot deliver. Aid may therefore be considered necessary in circumstances where the measure provides an incentive for beneficiaries to carry out the investments necessary for their digital transformation.
- (56) There is a strong, global trend showing the decrease in the readers' willingness to pay for press products, in particular for printed press (see recital (4)). The sharp decrease in demand has been compounded with the decrease of advertising revenues (see recital (5)) and by the increased production costs caused by the recent aggression against Ukraine by Russia (see recital (6)). Similarly, the broadcasting sector is characterized by loss of advertising revenues (see recital (7)). The news agencies also face challenging market conditions, with loss of revenues (see recital (9)).
- (57) Broadcasters, newspaper and periodicals publishers and news agencies only have limited possibilities to diversify their activities, or to modify or find new business models. Therefore, it is necessary to financially enhance digital transformation of broadcasters, publishers, and news publishers by supporting their investments in digital equipment and infrastructure. This will enable them to provide future-oriented digital services that strengthen their competitiveness in the online world. The further development of the media landscape's digitalisation, through the creation and renewal of digital infrastructure and services, ensures that the beneficiaries' content becomes accessible to citizens in the digitalised media environment. Therefore State aid is needed so that they can carry out their investments in innovative technologies and to implement their digital transition process.
- (58) It can therefore be concluded that the notified measure is aimed at remedying a market failure as it is necessary to bridge the gap of investments in the sector for digitalisation, due to the decrease of revenues, in particular in advertising revenues and the fact that broadcasters and publishers need to use their resources mainly to produce content. Thus, the measure ensures that the beneficiaries can implement their digital transition process and improve the quality of content for consumers.

#### *3.3.4.2 Appropriateness of the notified measure*

- (59) An aid measure will not be considered compatible with the internal market if it is not appropriate, i.e., if the same outcome is achievable through other, less distortive policies or aid instruments.
- (60) The absence of alternative business models and very limited possibilities to diversify their activities gives limited possibilities to broadcasters, newspaper and periodical publishers and new agencies to fundamentally change their profitability and increase their revenues while continuing to produce quality editorial content. The difficulties the beneficiaries are facing in their efforts to adapt to the new media landscape, coupled with the falling revenues from advertisement, show that the planned support serves appropriately the objective of remedying the identified market failure.

- (61) The Commission has found in its decisional practice that aid for projects focused on developing new solutions for electronic publishing and for attracting attention to and consumption of electronically published content, or projects concerning innovative business models for digital publishing, is appropriate to support the long-term development of written media and electronic publishing <sup>(36)</sup>.
- (62) In view of these considerations, the same outcome cannot be achieved through other, less distortive means than State aid. The aid is therefore appropriate.
- (63) The Commission therefore considers the aid measure to be an appropriate instrument for developing the aided economic activity which cannot be achieved through other less distortive means.

#### *3.3.4.3 Proportionality of the notified measure*

- (64) An aid measure is proportionate if the aid amount per beneficiary is limited to the minimum needed to achieve the objective pursued of supporting the economic activity concerned.
- (65) Compared to the substantial financial downturn in the media sector (see recitals (4) to (9)), the aid intensity, which amounts to maximum 70% of the expenses incurred in 2022 for innovative technologies and digitalisation (see recital (17)), is unlikely to exceed the minimum needed to achieve the objective of helping the beneficiaries to maintain and develop their activities of digital transformation. In addition, the beneficiaries must have an overall digitalisation project in place to benefit from the notified measure. Under that project, beneficiaries are incited to carry out further investments, beyond the initial investments carried out in 2022. The fact that the Italian authorities only consider clearly defined and limited eligible costs (see recital (22)) and the system of monitoring (recital (22)) ensures that no overcompensation occurs. Moreover, the aid granted under the notified measure cannot be cumulated with other aid for the same eligible costs.
- (66) Based on the above, the Commission considers that the aid granted under the notified measure is proportionate.

#### *3.3.4.4 Transparency*

- (67) The Italian authorities have committed to publish the text of the measure as well as the information related to the beneficiaries of aid at the websites <https://www.informazioneeditoria.gov.it/it/> <https://www.mise.gov.it/index.php/it/incentivi-mise>. Therefore, the measure complies with the transparency requirements.

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<sup>(36)</sup> A temporary aid measure dedicated to digital transition of printed media can be found in case SA.43271 (2015/N) – Sweden – Development aid for written news media, OJ C/129/2016, replaced by a measure included in case SA.49405 (2018/N) – Sweden – Sweden Media Aid, OJ C/424/2018. A general measure which contains a temporary measure dedicated to digital transition of printed media is case SA.36366 (2013/N) – Denmark – Production and innovation aid to written media, OJ C/371/2013, prolonged by decision in case SA.55996 (2020/N) – Denmark - Prolongation of aid to production and innovation aid to written media, OJ C/62/2020.

### ***3.3.5. Weighing the positive effects of the aid with any negative effects in terms of distortions of competition and adverse effects on trade***

- (68) A carefully designed State aid measure should ensure that the overall balance of the effects of the measure is positive in terms of avoiding adversely affecting trading conditions to an extent contrary to the common interest.
- (69) As shown in section 3.3.3, on the positive side of the balance, the Commission notes that the measure can be expected to have a positive effect on the aided economic activity of the sector. It can thereby contribute to maintaining and developing media pluralism, which is essential for the functioning of a democratic society.
- (70) Aid may be necessary where, from a public-interest perspective, the media market, without State support, is unable to deliver the desired output to ensure media pluralism to an extent necessary for the well-functioning of democratic societies and economies of the Member States as well as of the Union. The situation in Italy is similar to the widely acknowledged global trend of financial downturn in the media sector (as explained in recitals (4) to (9)).
- (71) In order not to undermine the positive effects of the notified aid, the granting of the aid is determined on the basis of fair, objective, pre-determined and transparent selection criteria set out in legislation (recital (22)).
- (72) On the negative side of the balance, as explained in section 3.3.4, support to broadcasters, newspaper and periodical publishers and news agencies could distort competition and trade in the media market. However, the Italian authorities have designed the notified measure in such a way as to minimise the potential distortion of competition arising from the measure and to limit the adverse effects on trade. In this regard, the Commission notes that the measure is open to all broadcasters, publishers of newspapers and periodicals, news agencies that fulfil the eligibility criteria, thereby avoiding favouring unduly certain undertakings. Moreover, the notified measure is necessary to address the risk of market failure in terms of reduced reach of broadcasters and publishers, that jeopardises the ability of broadcasters and publishers to continue developing their activities in the digital environment and adapting to market developments. The notified measure is appropriate in that the same outcome is not achievable through other, less distortive policies or aid instruments.
- (73) It follows from recitals (64) to (66) that the aid is considered proportionate and well targeted to the market failure it aims to address, which softens the negative impact on competition and trade that the aid might have. Moreover, the measure is necessary and appropriate to achieve the development of the economic activity at stake. Therefore, the overall impact on competition is deemed to be positive and the negative effects on competition, if any, should be very limited.

#### ***3.3.5.1. Conclusions on the balancing test***

- (74) In light of the above, the Commission considers that the negative effects on competition and trade are limited. They are outweighed by the positive effects of the aid, namely facilitating the development of the economic activity of the broadcasters, the newspaper and periodicals publishers and news agencies and,

moreover, contributing to promoting media pluralism, which is essential for the functioning of a democratic society.

- (75) Therefore, the aid facilitates the development of certain economic activities, while not adversely affecting trading conditions to an extent contrary to the common interest, as required by Article 107(3)(c) TFEU.

#### **4. CONCLUSION**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

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/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

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Directorate-General Competition  
State Aid Greffe  
B-1049 Brussels  
[Stateaidgreffe@ec.europa.eu](mailto:Stateaidgreffe@ec.europa.eu)

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

