



EUROPEAN COMMISSION

Brussels, 30.11.2023
C(2023) 8297 final

PUBLIC VERSION

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**Subject: State Aid SA.106019 (2023/N) – Sweden
New Media Aid Scheme**

Excellency,

1. PROCEDURE

- (1) On 29 September 2023, Sweden notified the Commission its intention to introduce a new media aid scheme ('the measure').
- (2) In compliance with Article 108(3) TFEU and Article 3 of Council Regulation (EU) 2015/1589 ⁽¹⁾, the Swedish authorities have confirmed that the granting of aid under the measure is conditional upon the notification of the Commission's decision approving that measure.
- (3) Sweden exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958, ⁽²⁾ and to have this Decision adopted and notified in English.

⁽¹⁾ Council Regulation No 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union OJ L 248 of 24.9.2015, p. 9.

⁽²⁾ 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. DETAILED DESCRIPTION OF THE MEASURE

2.1. The objective of the measure

- (4) Following an in-depth review of the Media Subsidy Inquiry in 2021–2022, and a subsequent public consultation, Sweden is planning to introduce a new media aid scheme, which will replace the current press and media aid ⁽³⁾. The new media aid scheme is technology and platform neutral - i.e. the support can be granted irrespectively of the form of dissemination (printed or digital format) - aiming to promote access mainly to local and regional news journalism throughout the country.
- (5) The operational aid currently in place will be replaced by a modified editorial aid targeted mainly at media providing local or regional news. The editorial aid will however also include a specific aid to media covering geographic areas with low or no present news coverage (blank spots) and media published in a national minority language. To ensure an orderly transition for newspapers receiving operational aid currently, a temporary transitional aid will be introduced. Furthermore, the existing distribution aid will remain largely unchanged. The new aid scheme is planned to enter into force on 1 January 2024 and will apply until 31 December 2029.
- (6) In 2021, the Swedish Ministry of Culture initiated the Media Subsidy Inquiry (the “Inquiry”) to propose changes to the current Swedish press and media aid to adapt the aid to the modern media landscape. In its final report ⁽⁴⁾, the Inquiry concluded that local and regional media played a central role for the Swedish media market. At the same time, the Inquiry noted that the financial downturn of the media sector had led to an increase in areas left without local news coverage. The Inquiry concluded that the primary task for a future media aid scheme should be to promote access to local and regional news and to strengthen local and regional news outlets so that they can cope with the ongoing digital transformation. In essence, the aim is to promote the provision of local news all over the country by giving media companies the best possible conditions to develop on the market, while allowing smaller media companies with serious journalistic ambitions to grow.
- (7) To simplify the aid scheme and reduce the high administrative costs associated with aid applications, the Inquiry proposed to abolish the current operational aid and the innovation and development aid, and have fewer and better targeted aid categories. It also suggested to focus editorial aid on local news coverage, notably in areas with low or no news coverage. In any case, the Inquiry concluded that there was still a continued need for aid for news media.
- (8) The Swedish authorities see this need largely linked to the difficulties in financing editorial activities while advertising revenues are declining. During the last decades Sweden, along with many other countries, has seen an extensive restructuring of the media landscape due to digitalisation and a decreasing

⁽³⁾ Approved by the Commission in its Decision of 14 July 2020 in SA.57781 – Modification of the Press and Media Aid Schemes, OJ C 245, 24.07.2020, p. 1.

⁽⁴⁾ Ett hållbart mediestöd för hela landet (Ds 2022:14).

number of publishing companies. Despite this, the number of titles on the Swedish daily newspaper market has remained relatively stable over the past 40 years. However, in 2017, there has been a break in that trend. Several titles have disappeared from the market and the number of paid daily newspapers on the Swedish market has decreased from just over 160 to just below 140. Most of the discontinued titles have been newspapers published once or twice a week.

- (9) In the last couple of years, the revenue from subscriptions became increasingly important for media outlets to develop their presence on the market. Between 2017 and 2021, advertising revenues for the printed daily press decreased significantly, while the digital advertising revenues of the publishers only barely increased. Moreover, in March 2023, for the fifth month in a row, there has been a downshift trend in the general media investments. This is explained by, for example, record low investments in news journalism in national, regional and local press ⁽⁵⁾.
- (10) Digital and social media are increasingly taking over as primary news sources at the expense of traditional media, especially in younger target groups ⁽⁶⁾. The same pattern can be seen in the advertising market, where digitalization has led to a clear shift in revenue from printed channels to digital platforms. This has opened the Swedish advertising market to competition from global platforms. In addition, it has caused local media advertising to face competition from national media advertising. The major news media based in Stockholm have so far managed to maintain a strong position with high-quality content that audiences and advertisers from other parts of the country are prepared to pay for. However, the increased competition from national media has led to major financial challenges for local news media.
- (11) According to the Swedish Media Publishers' Association, the trend of readers turning to digital media continued in 2022. The revenue from digital readers increased by 4%, as compared to 2021. The digital share gap between national press, and local and regional press grew during the year. The bigger national press increased its digital lead, with just over 30 percent of reader revenue coming from digital consumption in 2022. This can be compared to the local and regional press, which, despite an increase in the share of digital reader revenue, still derives less than 20 percent of its reader revenue from the digital side. The Swedish authorities argue that this emphasises the necessity of aid for the continued development of local media.
- (12) The revenue from digital readers will be news media's most important source of income in the future. It will be challenging for regional and local media to keep up with the competition given the smaller potential readership than for their national counterparts.
- (13) In conclusion, the aim of the measure is to promote news coverage in the whole country by giving media companies the best possible conditions to develop their activities on their markets, and allow smaller media companies with serious journalistic ambitions to grow and cope with the digital transformation and thus

⁽⁵⁾ Mediebyråbarometern, March 2023.

⁽⁶⁾ Ett hållbart mediestöd för hela landet (Ds 2022:14).

support the development of the news media sector. Without the media aid, the sector - especially local and regional journalism - would further deteriorate with the risk of cuts and possible close-down of news media and more blank spots without news coverage. The objective of the measure is to promote media pluralism and the production of quality editorial content, while fully respecting editorial independence, to reinforce democracy and democratic debate in Sweden.

- (14) The Swedish authorities explain that the measure will strengthen democracy by supporting especially independent local and regional news coverage throughout the country, as well as contribute to a diversity of general news media of high quality.

2.2. Legal basis

- (15) The legal basis of the measure is the Media Support Act and the Government Ordinance on Media Support ('Ordinance'). The Swedish Authorities submitted in the notification the draft text of these acts.
- (16) The granting of the aid is conditional upon the notification of the Commission's decision approving the measure⁽⁷⁾. The Swedish authorities have committed to publishing the text of the measure as well as the information related to the beneficiaries of aid at the website <https://mprt.se>.

2.3. Duration

- (17) Aid might be granted under the measure from 1 January 2024 until 31 December 2029.

2.4. Beneficiaries and general eligibility criteria

- (18) The new media aid scheme will be open for all legal entities publishing general news media without restrictions as to platform, technology, form or business-model. The definition of general news media⁽⁸⁾ – similarly to the definition of the current scheme - is focussed on regular news coverage and critical scrutiny of processes that are central to the democratic functions. The definition is technology and platform neutral⁽⁹⁾.
- (19) Beneficiaries need to meet the following general eligibility criteria:
- a) Eligible news media must have their own title with independent editorial resources, have editorial content representing at least 45% of the entire content and at least 45% of the editorial content should be exclusive and self-produced.

⁽⁷⁾ Article 2 of the draft Government Ordinance on Media Support provides that the granting of the media support is subject to the Commission Decision approving the present aid scheme.

⁽⁸⁾ See Article 3 of the draft Media Support Act.

⁽⁹⁾ The term 'general news media' is technologically neutral and covers all types of media irrespective of the form of dissemination (i.e. it covers printed newspapers, digital publications, web-based media, etc.).

- b) Eligible news media must be publicly accessible, have a legally responsible publisher, promote access of the editorial content to persons with disabilities and be aimed at a Swedish audience.
 - c) Eligible news media must be published at least 45 times/year and have at least 3 000 regular users or 1 500 paying subscribers ⁽¹⁰⁾.
 - d) Aid may not be given to news media published by the State, a municipality or a region.
 - e) Aid cannot be given to news media whose publishing activities substantially act against the foundations of democratic governance or is substantially in conflict with the equal value of all people and the freedom, dignity and personal integrity of the individual ⁽¹¹⁾.
- (20) The extended editorial aid, the transitional aid and the distribution aid have further specific eligibility criteria (see below in section 2.5).

2.5. The elements of the new media aid scheme

- (21) The new media aid scheme consists of the following main elements:
- a) a general editorial aid for general news media providing local or regional news as well as news media of particular importance ⁽¹²⁾ for media pluralism at national level or for groups that are underserved ⁽¹³⁾ by the overall news media supply;
 - b) an extended editorial aid for general news media covering areas with limited or no journalistic coverage and for news media with at least 25 percent editorial content written in a national minority language;
 - c) the existing distribution aid (maintained);
 - d) a temporary transitional aid to ensure an orderly transition for newspapers receiving operational aid currently, and to gradually phase out the former aid level.

⁽¹⁰⁾ For local news media in areas with less than 20 000 inhabitants (Art. 5.3 of the draft Ordinance), the number of regular users should correspond to 15 percent of the number of inhabitants but at least 1 500 regular users. For the transitional aid (Art. 7 of the draft Ordinance), the requirement is to have 1 500 regular users.

⁽¹¹⁾ The Swedish authorities explained that the purpose of the criterion is to ensure that aid is not given when publishing activities in the news media are not compatible with fundamental democratic values. This requirement is based on the fundamental values stated in the Swedish Constitution.

⁽¹²⁾ According to the draft Ordinance (Art. 11): "When assessing whether a public news medium is of particular importance for media pluralism, account shall be taken of the importance of news coverage and editorial content by the public news media for the journalistic diversity or news offer on the national media market." This condition will be assessed by the Swedish Media Subsidy Council.

⁽¹³⁾ Examples of underserved groups include children and youth or minority groups.

2.5.1. General editorial aid

- (22) General editorial aid will be available for general news media providing local or regional news. It will also be available for news media of particular importance for media pluralism or for groups which are underserved in terms of news coverage. The purpose of general editorial aid is to promote news coverage in the whole country, to develop the media companies' activities to provide quality news services and to promote media pluralism. The additional conditions for eligibility include a need for financial support⁽¹⁴⁾ and a minimum of two editorial staff (lower requirement for media targeting national minorities). The size of the editorial aid will be based on the costs for editorial staff. Table 1 shows the calculation of aid amount per beneficiaries. The amounts indicated in Table 1 are also the maximum aid amounts that can be provided under editorial aid and transitional aid.

Table 1

Costs for editorial staff				
Steps	Minimum costs	Maximal costs (SEK)	Aid intensity (%)	Maximum aid (SEK)
1	750 000*	2 400 000	75	1 800 000
2	2 400 001	4 800 000	60	1 440 000
3	4 800 001	9 000 000	40	1 680 000
4	9 000 001	30 000 000	20	4 200 000
5	30 000 001	180 000 000	10	15 000 000
Total				24 120 000

* For media targeting national minorities minimum 375 000 SEK.

- (23) To avoid any risk of overcompensation, the aid is calculated as a part of the news media's actual costs for editorial staff (eligible costs)⁽¹⁵⁾. The aid levels are lower than the current operational aid. The aid can only be used for costs related to the news media's editorial activities.

2.5.2. Extended editorial aid

- (24) The Swedish authorities explain that the current aid for local news coverage in areas with low or no present news coverage for media is important. There are also indications that this aid has increased news coverage in areas with low or no news coverage. Therefore, the aid for local news coverage in areas with low or no present news coverage will be an integral part of the new extended editorial aid. The Swedish authorities explain that the extended editorial aid aims to strengthen democracy by promoting public access to independent, high-quality local and regional news services throughout the country, and to contribute to the diversity of news media of high quality.
- (25) Current provisions on limited operational aid provide for an exemption from the requirement for maximum coverage for newspapers with at least 25 percent

⁽¹⁴⁾ The Swedish authorities explain that when assessing the need for financial support, the granting authority will take into consideration the medium's competitive situation and financial conditions for long term business operations.

⁽¹⁵⁾ Editorial activities encompass the editorial work conducted to curate content for the news media. The costs that can be taken into consideration when calculating the aid amount include remuneration for editorial personnel and direct expenditure for the procurement of editorial materials.

editorial content published in one or more of the national minority languages Finnish, Sami or Meänkieli, if the paper is published in a municipality that is part of the administrative area for one of the languages. The Swedish authorities explain that consultations with representatives of the national minorities showed that the exemption fulfils its purpose in promoting news media targeting national minorities. Therefore, the extended editorial aid will continue to target news media with at least 25 percent of its content published in any of the national minority languages (Finnish, Sami, Meänkieli, Yiddish or Romani Chib) ⁽¹⁶⁾. The eligibility criteria for news media targeting national minorities contain lower thresholds than the thresholds for general editorial aid (for example regarding publishing frequency and number of users ⁽¹⁷⁾).

- (26) The aid level is SEK 600 000 (EUR 51 880) per year and per area with no or low news coverage or for content written in a national minority language and SEK 800 000 (EUR 69 180) if the content is published in two or more national minority languages. The aid can only be used for costs directly related to increasing the news media's news coverage in the concerned areas or for the provision of news media in the national minority language. In any case, the aid intensity cannot exceed the levels indicated in Table 1. ⁽¹⁸⁾

2.5.3. *Distribution aid*

- (27) The existing distribution aid was introduced in 1970 with the aim to encourage newspaper companies to participate in the co-distribution of newspapers. It still fulfils an important function to uphold the co-distribution and support the costs of distributing the paper edition of subscribed newspapers which is still in demand by households, especially among elderly people. The aid levels are low and correspond to only around 1-2 % of the distribution costs.
- (28) The distribution aid, that was last approved by the Commission on 22 October 2018 until 31 December 2023 ⁽¹⁹⁾, will be maintained and prolonged until 2029 in its current form. The distribution aid is calculated on the number of copies of newspapers distributed. The distribution aid incentivises publishers to participate in co-distribution of newspapers and promotes the availability of printed newspapers. Access to printed newspapers is especially important for certain groups of the population (e.g. elderly people). The distribution aid contributes to the media pluralism, since it makes quality news media accessible for the entire population, also for people who did not embrace digitalisation. The amount of aid is SEK 0.20 (EUR 0.0173) per copy ⁽²⁰⁾. The specific eligibility criteria for distribution aid are as follows: (i) the beneficiaries must publish printed

⁽¹⁶⁾ To further stimulate news media published in national minority languages in the whole country, the current restriction to only three of the languages is removed, as well as the link to the administrative region of the language.

⁽¹⁷⁾ At least ten publications or broadcasts should be published per year (see Art. 8.1 of the draft Ordinance). The news media should have at least 750 regular users (see Art. 8.2 of the draft Ordinance).

⁽¹⁸⁾ For further details on the extended editorial aid see Art. 15-17 of the draft Ordinance.

⁽¹⁹⁾ SA.49405 (2018/N) – Sweden – Media aid.

⁽²⁰⁾ According to the estimations of the Swedish Press and Broadcasting Authority, the average distribution cost per copy is approximately SEK 7.50.

newspaper that is mainly paid for; (ii) the newspaper has a subscription price that does not manifestly differ from that of comparable newspapers; (iii) the newspaper is distributed by a distribution company. Distribution aid may only be granted if the beneficiary undertakes that it will (i) refrain from its own distribution of subscribed printed newspapers in all areas of eligible co-distribution; (ii) hand over all the distribution work to the distribution company in each area where the newspaper participates in eligible co-distribution ⁽²¹⁾.

2.5.4. *Transitional aid*

- (29) The current operational aid in the press aid scheme is to be phased out and replaced by the new general media aid. The press aid scheme was approved by the Commission on 20 July 2010 ⁽²²⁾. By Decision of 22 October 2018, the Commission approved modifications to the press aid scheme ⁽²³⁾. The operational aid in its current form is a targeted support system for subscribed newspapers with a degree of coverage lower than 30 percent in the area where the newspaper is published, technologically neutral with regard to the platform or technology chosen for production and distribution. It is allocated in relation to the size of the sold copies. Its aim was to promote media pluralism and contribute to preserving competition in local markets in Sweden. The operational aid ceases to exist by end of 2023. Newspapers that have been granted operational aid in 2023 can instead receive transitional aid from 2024.
- (30) The transitional aid aims to phase out gradually the former aid level and thus ease the consequences for news media that will receive a lower amount of aid or no aid in the new system. Transitional aid can be received for up to five years, depending on how many years the news media has received operational aid. The Swedish authorities explained that many of the newspapers eligible for transitional aid are traditional newspapers of importance for the media plurality and they are part of the existing infrastructure of news media that provide high-quality journalism throughout the country. Many of them have received the current operational aid, which was approved by the Commission, for a long time and many of them could be beneficiaries under the notified measure but would receive a significantly lower amount of aid. Sweden could have chosen to simply maintain the current aid in place, but it chose to incentivise the respective publishers to develop business models which do not require continuous support. The Swedish authorities emphasise, however, that an orderly transition to mitigate the consequences for those newspapers when introducing a new media aid is appropriate and essential. The need for such transitional aid has been identified by the Inquiry as well. The transitional aid aims to ensure an orderly transition by giving existing newspapers an opportunity and an incentive to adapt to the new system, to minimize the risk of close-downs and cuts thus reducing the citizens' possibilities to access journalism. The transitional aid incentivises undertakings to develop their activities aimed at providing general news content which they otherwise might not undertake or reduce or discontinue. The Swedish Authorities explained that transitional aid will incentivise newspapers to further develop their

⁽²¹⁾ For more details see Art. 19-23 of the draft Ordinance.

⁽²²⁾ E4/2008 – Sverige – Presstöð.

⁽²³⁾ SA.49405 (2018/N) – Sweden – Media aid.

editorial activities, to provide quality journalistic content and therefore this aid serves media pluralism.

- (31) The transitional aid is applicable to a medium that was an aid recipient under the current operational aid but is no longer eligible under the new editorial aid or if the new editorial aid grant amounts to a lower level than the average annual operational aid granted for the years 2021–2023. In the first case, the transitional aid will amount to a share of the average operational aid granted for 2021–2023, and in the second case a share of the difference between the average operational aid granted for 2021–2023 and the editorial aid granted for the year in question. In both cases, the share will be reduced linearly to zero (0) percent over a transitional period of maximum five years, through a gradual reduction which may not exceed the number of years the newspaper has received operational aid in 2019–2023.

Table 2

Phasing out the transitional aid

Years of operational aid	2024	2025	2026	2027	2028	2029
2019–2023	5/6	2/3	1/2	1/3	1/6	0
2020–2023	4/5	3/5	1/5	1/5	0	0
2021–2023	3/4	1/2	1/4	0	0	0
2022–2023	2/3	1/3	0	0	0	0
Only 2023	1/2	0	0	0	0	0

* The table shows the shares of the average operational aid granted for the years 2021-2023 or the share of the difference between the previous operating aid and the editorial aid granted in the current year.

- (32) To avoid any risk of overcompensation, the transitional aid is calculated merely on the difference between the former operational aid and the new aid (i.e. the editorial aid calculated on the basis of editorial expenses). The aid amount granted is subject to the caps described in Table 1.

2.6. Aid intensity and cumulation

- (33) The measure also includes a cap for aid intensity for the total editorial aid (both general and extended editorial aid) and transitional aid (maximum 75 % of the costs associated with the publication of the general news media for very small media outlets, between 10-60 % for other media), as set out in Table 1, to avoid overcompensation.
- (34) The Swedish authorities explain that all categories of aid under the notified scheme can be cumulated. However, the total aid amount granted under editorial aid (general and extended editorial aid) and transitional aid cannot exceed the caps described in Table 1. Distribution aid can be cumulated with the other categories of aid under the notified scheme as well as with other aid covering different eligible costs.

2.7. Granting authority, budget, and form of aid

- (35) The aid is granted by decision of the Swedish Media Subsidies Council, an independent body within the Swedish Press and Broadcasting Authority. The application for the aid shall be submitted in writing to the Swedish Media Subsidies Council that verifies the eligibility criteria. The decision of the Swedish Media Subsidies Council shall contain the deadline of the beneficiary's reporting obligation. Beneficiaries who received editorial or transitional aid, shall submit a report to the Swedish Press and Broadcasting Authority no later than the date specified in the above-mentioned decision on how the aid was used and what costs were covered. The beneficiary shall, upon request from the Media Subsidies Council, also provide any other information necessary for monitoring and evaluation. Based on the report submitted by the beneficiary, the Media Subsidies Council shall verify that the aid was used in accordance with the Ordinance ⁽²⁴⁾. The beneficiary might be required to repay the aid in certain cases, e.g. if the beneficiary provided incorrect information and therefore the aid has been granted erroneously or the aid amount granted was unduly high; or if the aid was not used for the purpose it was granted for; or if the beneficiary does not comply with the reporting obligation ⁽²⁵⁾.
- (36) The aid takes the form of direct grants financed by state budget appropriations. The overall budget is SEK 6 000 million (EUR 527.46 million). The average yearly budget is SEK 1 000 million (EUR 87.91 million).
- (37) The distribution aid will be allocated in relation to the number of the distributed copies and thus function as an automatic aid scheme. The editorial aid and the transition aid will be allocated on a case-by case assessment within the frame of the total budget. Bearing in mind the limited resources, the Swedish Media Subsidies Council might prioritize when assessing the applications ⁽²⁶⁾.

2.8. Other elements

- (38) The Swedish authorities assured that aid cannot be given to undertakings in financial difficulties or to undertakings which are subject to recovery orders following a decision of the European Commission declaring an aid illegal and incompatible with the internal market ⁽²⁷⁾.

⁽²⁴⁾ See Articles 31 and 32 of the Ordinance.

⁽²⁵⁾ See Article 35 of the Ordinance.

⁽²⁶⁾ According to Article 27 of the draft Ordinance, the editorial aid and transitional aid may be distributed between applicants who meet the eligibility conditions. When distributing the aid, the Swedish Media Subsidies Council shall take into account how a news media is expected to contribute to the objectives of the media aid, as set out in Article 2 of the Media Support Act. The Council might prioritize the aid for news media in poorly covered areas, for news media targeting underserved groups or minorities. The Authority may issue regulations in this matter.

⁽²⁷⁾ See Art. 33 of the Ordinance.

3. ASSESSMENT OF THE MEASURE

3.1. Existence of aid

- (39) The qualification of a measure as aid within the meaning of Article 107 (1) TFEU requires that the following cumulative conditions be 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.
- (40) The measure is imputable to the State and is financed through State resources, since it is based on the legal acts referred to in recital (15) and administered by the Swedish Media Subsidies Council, an independent body within the Swedish Press and Broadcasting Authority (a public authority), and is financed through State resources since it is financed from the national budget.
- (41) The measure confers an advantage on the beneficiaries in the form of direct grants (see recital (36)) and relieves them from costs they would normally have to bear. The measure thus provides to those beneficiaries an advantage that they would not obtain under normal market conditions.
- (42) The measure directs funds only to certain news media, namely those that fulfil the eligibility criteria of the measure (see recitals (19),(20), (25), (28) and (31)). Therefore, the advantage is selective.
- (43) The measure is liable to distort competition since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since some beneficiaries are active in sectors in which intra-Union trade exists, and some news media likely eligible under this measure are active in several Member States.
- (44) The measure therefore constitutes State aid within the meaning of Article 107(1) TFEU.

3.2. Lawfulness of the measure

- (45) By notifying the measure before putting it into effect and making the granting of aid under the measure conditional upon the notification of the Commission's decision approving that measure, Sweden has respected its obligations under Article 108(3) TFEU.

3.3. Compatibility assessment

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

- (47) 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 ⁽²⁸⁾.

3.3.1. Compliance with other provisions of Union law

- (48) State aid which contravenes provisions or general principles of Union law cannot be declared compatible ⁽²⁹⁾.
- (49) The measure is not discriminatory, since the eligibility criteria ensure equal treatment of applicants, including foreign news media, for all categories of aid granted under the measure. The measure does not create barriers to the freedom to provide services, nor is it discriminatory regarding foreign news media that are established in the European Economic Area. Such news media are eligible for the aid if they meet the eligibility conditions. The Commission has not received any information identifying any breach of Union law that would prevent the 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.
- (50) In light of the above, the Commission considers that the 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 (58) of this decision.

3.3.2. Facilitation of the development of an economic activity and incentive effect

- (51) In accordance with Article 107(3)(c) TFEU, compatible aid under that provision of the Treaty must facilitate the development of certain economic activities ⁽³⁰⁾.
- (52) The objective of the measure is to promote the production of quality editorial content, to strengthen democracy by supporting especially independent local and regional news coverage throughout the country and to maintain media pluralism. The measure also aims to help local and regional news media to cope with the digital transformation (see recital (13)).
- (53) By granting the editorial aid to general news media, the measure enhances the ability of the beneficiaries to produce, develop and disseminate news content, sustaining and developing media pluralism for the benefit of the population and society as a whole. The editorial aid aims to stimulate the production of quality editorial content. Producing high-quality journalistic content requires adequate resources (hiring journalists) and the aid encourages the beneficiaries to invest in these editorial resources by giving support for the editorial expenses. The

⁽²⁸⁾ Judgment of 22 September 2020, C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

⁽²⁹⁾ Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 44.

⁽³⁰⁾ Judgment of 22 September 2020, C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

extended editorial aid for general news media covering areas with limited or no journalistic coverage ensures that news coverage is available for the entire population. The extended editorial aid for news media with at least 25 percent editorial content written in a national minority language ensures availability of publications in minority languages and helps to preserve minority languages and cultures. The distribution aid encourages newspaper publishers to participate in co-distribution of newspapers and promotes the availability of printed newspapers. Access to printed newspapers is especially important for certain groups of the population (e.g. elderly people). The distribution aid contributes to the media pluralism, since it makes quality news media accessible for the entire population, also for people who did not embrace digitalisation. The transitional aid encourages newspapers to further develop their editorial activities, to provide quality journalistic content and therefore this aid serves media pluralism.

- (54) The measure is put in place at a time of the financial downturn of the media sector (see recitals (8) to (10)). The financial downturn has led to an increase of areas left without local news coverage. Ensuring quality news coverage is essential for a democratic society⁽³¹⁾. Without the media aid, the sector - especially local and regional journalism - would further deteriorate with the risk of cuts and possible close-down of news media and more blank spots without news coverage. With the help of the aid there is a chance that areas may get again local news coverage.
- (55) 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.
- (56) The editorial aid has an important incentive effect for undertakings to develop activities aimed at providing general news content which they otherwise might not undertake or reduce or discontinue. The activities incentivised by the editorial aid consist in the production of high-quality editorial content with independent journalists. In the absence of aid, these activities would not be carried out or would be carried out to a lesser extent. The extended editorial aid aims to ensure media pluralism by widening the offer available and reducing the areas without local news coverage (blank spots), to an extent necessary for the development of democratic societies and the economies of the Member States as well as of the Union. In the absence of the aid, there is a risk that blank spots would become more numerous and larger. The extended editorial aid also incentivises media to publish in minority languages, therefore increasing media plurality and contributing to the preservation of minority languages and cultures. Moreover, the distribution aid ensures accessibility to news for the population living in all areas, since there are certain population groups for whom the access to printed newspapers is important. The transitional aid ensures an orderly transition between the current scheme and the new scheme. Many of the newspapers

⁽³¹⁾ See, for example, Council conclusions of 27 November 2020 on safeguarding a free and pluralistic media system, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions On the European democracy action plan, 3.12.2020, COM(2020) final, and 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, COM(2020) 784 final.

eligible for transitional aid are traditional newspapers of importance for the media plurality and they are part of the existing infrastructure of news media that provide high-quality journalism throughout the country. Many of them have received the current operational aid, which was approved by the Commission, for a long time and many of them could be beneficiaries under the notified measure but would receive a significantly lower amount of aid. The transitional aid aims to ensure an orderly transition by giving existing newspapers an opportunity and an incentive to adapt to the new system, to minimize the risk of close-downs and cuts thus reducing the citizens possibilities to access journalism. In the absence of the transitional aid, there is a risk that the undertakings (that were receiving aid under the current system) would not undertake or reduce or discontinue the provision of general news content. The transitional aid ensures that newspapers – that received aid under that current aid scheme – continue to develop their editorial activities and continue to provide quality journalistic content. This aid serves media pluralism, since it allows the promotion of editorial activities and the creation of high-quality journalistic content.

- (57) In view of the above, the Commission considers that the measure facilitates the development of the economic activity of the news media sector, as required by Article 107(3)(c) TFEU.

3.3.3. Positive effects of the aid

- (58) Media in general plays an important role in social cohesion, where news media contributes to the democratic debate. 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 ⁽³²⁾.
- (59) Through grants, the editorial aid enhances the beneficiaries' ability to produce, develop and disseminate quality news content, also at local level. Therefore it contributes to the preservation and promotion of the diversity and pluralism in that specific context by facilitating news consumption and access to news content. This in turn will result in reinforcing the important link between news media and democracy. Moreover, the measure has a further positive impact on competition in the Swedish media sector as it supports specifically small publications thereby facilitating pluralism on the market and increasing the availability and diversity of high-quality editorial content.
- (60) The extended editorial aid aims to ensure that news media is widely available for the entire population, that there are no blank spots in the country with no news media coverage. Moreover, the extended editorial aid also encourages media to produce content in minority languages, therefore contribution to media pluralism and the preservation of minority languages and cultures. Given the financial difficulties currently affecting the sector (see recitals (8) to (10)), the Commission considers that the sector may develop only if support is given to promote its activity. The distribution aid encourages newspaper publishers to participate in

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

co-distribution of newspapers and promotes the availability of printed newspapers. Access to printed newspapers is especially important for certain groups of the population (e.g. elderly people). The distribution aid contributes to the availability of news media for the entire population that is important for social cohesion and media pluralism. The transitional aid aims to ensure an orderly transition by giving existing newspapers an opportunity and an incentive to adapt to the new system, to minimize the risk of close-downs and cuts thus reducing the citizens possibilities to access journalism. The transitional aid ensures that newspapers – that received aid under that current aid scheme – continue to develop their editorial activities and continue to provide quality journalistic content. This aid therefore also serves media pluralism.

- (61) As explained above, the measure enhances the beneficiaries' ability to disseminate news, whereby it contributes to the preservation and promotion of the diversity and pluralism of the media sector. It also contributes to the development of the sector.

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

- (62) The measure provides financial support to certain news media, thereby strengthening their market position. Media receiving editorial and transitional aid could have a competitive advantage, since they receive aid to develop their publishing activities. Similarly, newspapers receiving distribution aid under the measure would have a competitive advantage, since a small part of their distribution costs are covered under the measure. In this regard, it cannot be excluded that private operators that do not receive aid under the scheme, may decide to reduce their own future investment. Therefore, the measure could distort competition and trade in the media market.
- (63) 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, the news media markets.
- (64) 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⁽³³⁾.
- (65) 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.
- (66) When designing the measure, the Swedish authorities ensured that the negative effects of the measure are limited. Indeed, the measure is designed in such a

⁽³³⁾ Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 101.

manner that the State aid is (a) necessary, (b) appropriate as a policy instrument, (c) proportionate and (d) transparent.

3.3.4.1. Necessity of the measure

- (67) 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 the beneficiaries to increase the availability of news media to the broad public.
- (68) There is a trend of declining advertisement revenues for the media and decreasing investment in news journalism in national, regional, and local press. By providing editorial aid in the form of a direct grant for news media, the measure makes available resources for the beneficiaries that they critically need to develop their activities. The measure is therefore necessary to sustain their ability to produce, develop and disseminate news media.
- (69) Moreover, as explained in recitals (10) to (12), there is a need to promote access to local and regional news and to strengthen local and regional news outlets, since they were affected particularly hard by the decreasing advertising revenues and they have challenges to keep up with the digital transition. The extended editorial aid is necessary to increase the quality news media coverage in all areas of the country and to decrease the number of areas with limited or no news coverage. The extended editorial aid is also necessary to strengthen the general news media offer in minority languages. Without the extended editorial aid, the number of blank spots in Sweden would increase and the availability of news media in minority languages would decrease, to the detriment of media plurality.
- (70) The distribution aid is necessary to encourage newspapers to enter into co-distribution agreements and therefore promotes the distribution of printed newspapers, ensuring that printed newspapers are available for the population. In the absence of distribution aid, the availability of printed newspapers would be reduced. Access to printed newspapers is especially important for certain groups of the population (e.g. elderly people). The transitional aid is necessary to develop the editorial activities of newspapers that receive aid under the current scheme. In the absence of this aid, the newspapers would develop their editorial activities in a lesser extent and the availability of quality news would be reduced, to the detriment of media pluralism in Sweden.
- (71) It can therefore be concluded that the measure addresses a market failure that jeopardizes the ability of the news media to continue to develop their activities and to adapt to market developments. The measure is specifically aimed at promoting and developing local news media in Sweden and promotes media pluralism and availability of quality news to the entire Swedish population on a technologically neutral basis. This objective cannot therefore be achieved in absence of public support. The measure is therefore necessary.

3.3.4.2. Appropriateness of the measure

- (72) 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.

- (73) The news media sector faces difficulties in financing editorial activities due to the financial downturn of the sector and falling advertising revenues. There is a strong, global trend showing the decrease in the readers' willingness to pay for news media and more and more people rely on social media as source of information (see recital (10)). The financing of news media builds on a dual financing model: one strand consisting of subscriptions and sale of copies, and another made up of advertising revenues. The news media have limited possibilities to diversify their activities, or to modify or find new business models. In this situation, the same outcome cannot be achieved through other, less distortive measures than State aid. In addition, the eligibility criteria of the measure ensure that the envisaged aid scheme is appropriately designed to achieve the underlying objectives of common interest, i.e., developing the production of quality editorial content and ensuring the availability of local news content. In the context of the market failure regarding the production of editorial content in Sweden, there is a need to promote access to local and regional news and to strengthen local and regional news outlets. The editorial aid is designed in such a way that the aid is mostly directed towards local and regional news media, with special focus on the areas with no news coverage or on news media offered in minority languages. Moreover, the distribution aid is designed in such a way that it will promote the availability of printed newspapers, therefore promoting media pluralism. The transitional aid aims to ensure an orderly transition by giving existing newspapers an opportunity and an incentive to adapt to the new system, to minimize the risk of close-downs and cuts thus reducing the citizens' possibilities to access journalism. The transitional aid ensures that newspapers will develop their editorial activities and therefore increasing the offer of quality news. These objectives cannot be achieved through other policy instruments. The aid is therefore appropriate.
- (74) 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 measure

- (75) 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.
- (76) The measure specifically targets news media and contributes to ensuring that the dissemination of news media can continue and that the blank spots (areas with low or no news coverage) are reduced.
- (77) Compared to the financial downturn (see recitals (8) to (10)), the aid amount is unlikely to exceed the minimum needed to achieve the objective of helping the beneficiaries to develop their activities. The Swedish authorities explained that to avoid any risk for overcompensation, the editorial aid is calculated as a part of the news media's actual costs for editorial staff (eligible costs). The aid intensity is between 10 % and 75 %, depending on the size of the beneficiary. The aid amount is calculated on the basis of editorial costs, and it is limited (capped). The aid incentivises news media to develop their publishing activities, to invest in their own editorial content, therefore promoting the creation of high-quality new media. The aid levels are lower than the aid granted under the aid scheme

currently in place. For distribution aid, the Swedish authorities explained that the aid levels are low, they correspond to only around 1-2 % of the distribution costs. The granting authority's verification process described in recital (35) ensures that the aid is used for the purpose it was granted for and that only the eligible costs were covered by the grants. Moreover, while all categories of aid can be cumulated, the total aid amount granted under editorial aid (general and extended editorial aid) and transitional aid cannot exceed the caps described in Table 1.

- (78) Moreover, given the low cross-border impact of the Swedish news media market, since products are usually national or even more often local products, the negative effects on the internal market of the European Union are considered to be very low.
- (79) Based on the above, the Commission considers that the aid granted under the measure is proportionate.

3.3.4.4. Transparency

- (80) As a further safeguard against undue distortions of competition, Member States, the Commission, economic operators, and the public must have easy access to all relevant acts and to pertinent information about the aid awarded thereunder.
- (81) The Swedish authorities have committed to publishing the text of the measure as well as the information related to the beneficiaries of aid at the website <https://mprt.se>. Therefore, the measure complies with the transparency requirement.

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

- (82) 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.
- (83) 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 news media sector. It can thereby contribute to developing media pluralism, which is essential for the functioning of a democratic society.
- (84) Aid may be necessary where, from a public interest perspective, the media market, without State support, is unable to deliver the desired output which is deemed necessary to ensure media pluralism to an extent necessary for the development of democratic societies and the economies of the Member States as well as of the Union. The measure makes available resources for the beneficiaries that they critically need to develop their activities. Moreover, the measure ensures accessibility to news for all parts of the population, by increasing the editorial activities of news media, by reducing the areas with low or no news coverage and ensuring the distribution of printed newspapers.
- (85) Not to undermine the positive effects of the measure, the granting of the aid is determined on the basis of fair, objective, pre-determined and transparent selection criteria set out in legislation (see recitals (19), (20), (25), (28) and (31)).

- (86) On the negative side of the balance, support to news media could distort competition and trade in the media market. In this regard, it cannot be excluded that private operators that do not receive aid under the scheme, may decide to reduce their own future investment. However, the Swedish authorities have designed the 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 news media that fulfil the eligibility criteria (see recitals (19), (20), (25), (28) and (31)), thereby avoiding favouring unduly certain news media. Moreover, the measure is not discriminatory against foreign publishers since it ensures eligibility and equal treatment of applicants based in other Member States.
- (87) Given the low cross-border impact of the Swedish news media market, since products are usually national or even more often local products, the negative effects of the measure on the internal market of the European Union are very low, i.e. it has limited negative effect on competition and trade.
- (88) It follows from recitals (75) to (79) 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

- (89) 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 news media sector and, moreover, contributing to promoting media pluralism, which is essential for the functioning of a democratic society.
- (90) 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: <https://competition-cases.ec.europa.eu/search?caseInstrument=SA>.

Your request should be sent electronically to the following address:

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Yours faithfully,

For the Commission

Didier REYNDERS
Member of the Commission

