



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössische Medienkommission EMEK
Commission fédérale des médias COFEM
Commissione federale dei media COFEM
Federal Media Commission FMEC

Media subsidies:

Current position and recommendations for the future



Biel, August 7th 2014

Federal Media Commission FMEC
c/o Federal Office of Communications OFCOM
Zukunftstrasse 44, 2501 Biel/Bienne
Tel. +41 58 460 5755

Media subsidies: Current position and recommendations for the future

Contents

1. The importance of independent journalistic media	3
1.1. The importance of journalistic media for society	3
1.2. The challenge of a developed media system	4
1.3. The necessity of independent media	4
2. Digitisation and its effects on journalistic media	5
2.1. Digitisation – new structures and processes	5
2.2. New providers and products	6
2.3. New usage options for individuals	8
2.4. The largely advertising-financed press under threat.....	8
2.5. Deteriorating working conditions for editors.....	11
3. Defining the role of the journalistic media	12
4. Existing subsidies as subsidies for types of media	13
4.1. The existing media subsidy system	13
4.2. Financing of public service broadcasting	13
4.3. Media subsidies	14
5. Recommendations for a Federal Government subsidy strategy.....	15
6. Existing subsidy measures	17
6.1. Reduced postal charges for regional and local press.....	17
6.2. Reduced postal charges for the professional press.....	17
6.3. VAT rate	17
6.4. Commercial radio and TV stations.....	17
7. Possible new subsidy measures.....	18
7.1. Subsidies type 1.....	18
7.1.1. Subsidies for basic press agency activities.....	18
7.1.2. Subsidies for journalistic training and professional development	18
7.1.3. Subsidies for innovation projects with a CTI programme.....	19
7.2. Subsidies type II.....	19
7.2.1. Subsidies for journalistic start-up businesses	19
7.2.2. Subsidies for exceptional editorial or journalistic services	20
7.2.3. Subsidies for applied media research	20
8. An independent media research institute.....	20
9. Conclusions.....	22

Preliminary remarks

In this white paper, the Federal Media Commission (FMEC) records its observations on journalistic media in Switzerland, with the main focus on the situation of the daily press and excluding the specific issues surrounding public service broadcasting. The FMEC assesses the trends and calls for political action. It then takes a position on the action required and implementation of support for journalistic media in Switzerland, and recommends to the Federal Council a number of supporting measures.

This white paper was prepared by a sub-committee of the FMEC. It was commented on and supplemented by all committee members and passed in this version by the full Commission on 7 August 2014. The Paper was written in German and translated into French, Italian and English. The Commission also considers its opinion to be a contribution to the public debate on the media and media subsidies.

1. The importance of independent journalistic media

The public exchange of information and opinion enables and enriches the opinion forming process in a democracy. The media are the vehicles for journalistic observations and analyses and allow all participants in society to represent their own position. In the ideal situation a rich culture of journalistic reporting, analysis and comment allows all members of society to contribute to and participate in political, civil, social, economic and cultural life. This is important for the political opinion forming and decision making processes such as referenda and elections, and for the ongoing evolution of political and social systems. The media also play a role in the debate about values and in disseminating socially relevant information, and provide forums for public discussion. They can also have an integrating effect, giving our differentiated and mobile society cohesion by reporting relevant events and creating a sense of homeland and identity. They reflect regional and social or cultural groups. This representational function is especially important in culturally and linguistically rich social structures like the Swiss Confederation. The cantons and districts too, and the cultural and language communities in the country, need both an understanding of themselves and a sense of identity and legitimation vis-à-vis the outside world.

1.1. The importance of journalistic media for society

Media and journalism are of fundamental significance in democratic systems, especially in a directly elected democracy. Media reporting, the public expression of opinion and political discourse should be diverse and free. Under “journalistic media” the FMEC understands the (mass) media directed at the general public, whose informing and commenting contents are produced, published and disseminated by journalists in institutionalised form in the context of editorial boards and media companies observing professional standards. Editors organise journalists, whose skills, knowledge and work are used to provide media content for the public based on operational routines and professional standards. The media content created by journalistic media is characterised by its emphasis on topicality and immediate public interest, that it is produced professionally, systematically and continuously, and that it uses a permanent distribution network with an extensive reach. Because of its topicality, universality, periodicity and respective publication cycles, print and broadcasting journalism has a permanent institutional foundation. This means that journalistic media as a whole, plus editors and journalists as specialised producers and the individual titles have a social and public importance as key media for the recipients or at least for a certain section of the public. Media content is provided in the form of newspapers, journals, radio and television programmes or for online access. The work of journalists is based on the law and professional ethics.

Members of society today increasingly access information through a variety of individually chosen outlets and platforms. Online offerings and new media are supplementing and replacing some functions of the conventional media. It is a matter of dispute whether the proportion shared between them is decreasing or not: At any rate the boundaries of media-enabled communication – both in relation to technology and location - are dissolving and ever more rapidly. This is precisely why a permanent

source of professionally produced journalistic information and opinion, which does not require constant active searching, is so important. For a diverse range of topics, opinions and debate, there is a requirement for stable journalistic professions and media as channels for it. It is the media organisations and professional journalists that introduce most new issues in the blogger and social media spheres, that give the discussions general visibility, and give them substance and order through in-depth research. The conventional media for their part also pick up on blogging and social media activities, giving them a wider public airing.

Media companies can be compared with other economic players. Media content, on the other hand, differs from the products and services of other sectors. There may be many other things in life that are matters of public trust, but this is particularly true for the media. Media content is produced not solely with the aim of enabling an exchange between a transmitter and a receiver; it can have immediate social implications or even impact. Certain media content has a rapid and sometimes significant effect on society, not just at the personal level. When journalistic media provide in-depth and closely researched information and express well-founded opinions, they enrich not only the immediate recipients, but through the subsequent reflections and discussion also their social environment (in direct communication such as personal conversation) and a section of the public. The media have a crucial impact on information and opinion plurality in a democracy, creating goods that can be described as meritorious because the personal demand for information is subservient to the extent and range of it desirable for society.

1.2. The challenge of a developed media system

For national and democratic reasons the existence first of the press, followed by radio and then television, has resulted in the establishment of a similar media structure in all western European democracies. On the one hand there is the commercially organised, largely unregulated but supported press operating on the market model, and on the other hand a regulated public service broadcasting system (radio and television), which cannot be primarily profit-driven. Since the beginning of the nineteen-eighties most western European countries have allowed the operation of commercial radio and TV stations. Some countries such as Switzerland also began to license commercial radio and television companies and support them with licence fees and other advantages (distribution privileges) for providing a mandated service (performance mandate). In most European countries on the other hand, the press was and is not subsidized directly from government funds. In most European countries, however, an indirect subsidy system has evolved: in Switzerland by reducing the delivery costs for newspapers and journals and lowering the VAT rate. The state is treating the new forms of internet-based media with the same reservation as it treats the press. Faced with digitisation this media structure, with its implicitly regulated model of division of journalistic powers, is facing change.

1.3. The necessity of independent media

The state must create the conditions for the existence of a media landscape that meets the demands of the democratic and cultural environment, and in the process media policy and any subsidies of media activities are confronted with the imperative that it does not interfere with media content. For this reason media subsidies need to operate largely in the public interest, on a legal basis and with a carefully thought out, appropriate structure. State influence on the media must be avoided at all costs. Excessive economic restrictions must likewise be kept in check. Where the state seeks to secure media freedom in practice, there is the danger that that is precisely what restricts it. Media subsidies should therefore be targeted primarily at the general conditions in which the independence of media companies is guaranteed in organisational and regulatory terms (namely by organisational precautions and control processes) and that insist on the maximum transparency and closest possible monitoring of support measures at all levels. In relation to broadcasting, controls and checks have been established, for instance, that must guarantee that direct political or government interventions cannot be made.

2. Digitisation and its effects on journalistic media

The Swiss media system is in the process of transformation. The reasons for this and the challenges it poses lie in digitisation, the associated economic revolution, the internationalization of the media landscape and the changes in media use. The transformation of the media landscape can be described in terms of five new trends that apply to all types of media: print, television, radio and online. The description of the five trends demonstrates, however, that print media, and specifically the daily press, are currently the hardest hit. They will therefore be looked at more closely.

2.1. Digitisation – new structures and processes

Digital technology means that media content can be processed and disseminated almost without limit. It is copied, stored, edited, split up, combined, enriched, distributed and transmitted with generally accessible computer programmes and presented to users and recipients in a myriad of different ways. The former link between certain types of media (e.g. text or video) and the appropriate form of distribution (e.g. post or broadcasting) and a suitable reproduction medium (e.g. printed paper or a TV set) has given way to an ever-increasing multiplicity of media channelled communication. Media content previously produced in analogue form has been completely digitised and is not the preserve of professional users – i.e. journalists and the media companies. The result is the differentiation of the media landscape, the loosening and merging of forms and content of public communication.

Information technology (IT) influences not only production and distribution in the media context but also leads to new structures and processes. The constant topicality factor, the professionalism and the distribution network of the journalistic media are still traditional strengths and opportunities for the future, but they are no longer solely in the hands of the traditional media companies. New players are entering the media market or influencing the journalistic market by changing its environment and offering their own journalistic material. Digitisation allows the automation of processes that used to be consciously and selectively initiated. Consumers and recipients of digital products have an overwhelming variety on offer through the internet, the boundaries of the technically possible are constantly being extended – the new shortage now appears to be the attention of the public. Consumers and recipients can also increasingly participate in the production and distribution of journalistically relevant content.

This situation poses a challenge to the owners in the journalistic media. Media companies (1) are economically (the business model) and journalistically (types of offering) under pressure, and editors likewise in their core journalistic function (2). Digitisation is changing the distribution of journalistic content (3) and the behaviour of recipients, who are increasingly acting as users.

(1) Media companies: The additional multiple forms of distribution in the various outlets and types of media require multiple preparation of journalistic media content in the interests of consumers and recipients, and of marketing potential. However, this simplifies some aspects of media production and brings efficiency enhancements, which can offset the increased costs. At the same time the media companies have to publish more and more rapidly and prepare the material specifically for different outlets and with different quality levels. At all levels they are faced with competition from new providers on the one hand and on the part of users and recipients on the other. The distribution of media content through different outlets and the adaptation to specific terminal devices and forms of usage also require ever more rapid technical innovations which involves investment. This extension of media distribution systems is not offset by a corresponding increase in revenues from the advertising and user market.

(2) Editors and journalism: The increasing number of distribution outlets, the greater volume of media productions and the much greater speed of production means changes to the structure and procedures of teams and the journalistic work. Editorial offices with several titles within the same company are being combined in terms of space and organisation. Journalists must master the technical equipment and address the multiple demands of presentation and publication, distribution and even market-

ing. Measurements of user behaviour enable tracking of how specific media content is used: how often is it accessed and on what outlet is it chosen and how long do users stay with it? Digitisation also allows measurement of how media content is used and judged and what explicit reactions it generates on the internet. This user data, constantly updated and identifiable on screens, affects the editorial work from deciding on topics through to research work and the final edit. The challenge is to gather far more information from far more sources and select and check it more and more quickly, while at the same time editorial teams are being slimmed down. Then there is also the task of structuring this in order to help readers navigate the digital world. Constant focus on click rates means there is less and less time for this kind of journalism, if indeed it is available at all. Multimedia is the watchword: text, photography, video, sound and graphics are combined. The professional profile in journalism has changed radically over recent years. To be able to make a definitive assessment of the effects on journalistic activities, extensive investigations are required.

(3) *Distribution*: There are more and more distribution channels for electronic media content. New search, commenting and archiving services are used, new distribution technologies are coming into play. As well as transmitter-defined forms of use (linear programmes as a succession of transmissions), there are a growing number of recipient defined uses with interactive options: video portals, archives, streaming, ubiquitous links and cross-references. At the same time the distribution technology is standardizing on the basis of the internet protocol. Media content appears on various platforms, on the broadcaster's own and on others which offer third party services such as internet services or network operators. These transmission and connection networks are paving the way for a standardised common transmission technology based on the internet protocol ("all IP"). Distribution infrastructures for the various types of media (e.g. telephone networks, cable TV networks, DVB-C, HbbTV), which today are still largely separate, are increasingly converging. This trend towards standardisation in practice is resulting in a new interaction, but also in interdependencies. Operators of domestic and foreign digital connection networks or internet services are capable of modifying media content, bundling it, selecting or prioritizing it. Issues of filtering, equal treatment and control arise - i.e. gatekeepers and net neutrality. The receiving options, screen layouts and applications on the part of users are taking centre stage along with their personal data. The effort to grab users' attention and the automated use of user data increasingly determines the competition for distribution channels and with it the battle for advertising revenues. There is a shortage of reliable market data here: though digital media use allows individual providers and distributors to gather reliable data, data for media usage and marketing activities publicly available and across all sectors are still inadequate.

2.2. New providers and products

Spurred by the digital revolution but also tougher commercial and journalistic competition, new media products have emerged. The introduction of free newspapers on public transport around the millennium and the rise of the internet and social networks have transformed the media landscape in Switzerland within a very short time. Although most information is used online, nevertheless it is still largely through the pages of conventional media. But now it is competing with Google etc., this traffic cannot be monetised. Providers of internet services (search engines, text and video portals, social networks) are appearing as the new middlemen ("media") between consumers and journalistic media, using the journalistic work of the media companies and increasingly generating advertising revenues.

Thanks to new technological possibilities, both international and national IT companies and telecommunications providers are operating in adjacent and related - in fact sometimes in the same - markets as the conventional media companies. This increases the competition because these players use only the new systems but do not share in the production of the content. Activities in the market for digital production, editing, bundling and distribution have given rise to an extensive media sector now established under acronyms like ICT (information and communications technologies), TMT (telecommunications, media and technology) and TIME (telecommunications, IT, media and entertainment). Due to the dominant market position of the major software businesses, the competitive environments differ: while conventional media companies are mostly small and medium-sized (family) businesses with

knowledge of their local or regional markets, the telecommunications and IT companies often operate internationally. They have the knowhow to use the technology, to operate in national markets and foster customer relations. Most of them have the financial muscle needed for constant innovation and high levels of investment. Unlike the conventional media sector, they have access to huge research and development capabilities and the corresponding resources. International IT and software companies in various combinations define the operating systems of terminal devices and computers, the essential internet and computer applications, and offer an increasing range of receiver equipment and accessories. Relying on their customer loyalty strengths and strong position in the attention capture and advertising market, these companies now pose a threat to the market position of the journalistic media, even if they are only actively targeting parts of the Swiss market and – thus far at least – are not active in regional or local areas.

The numerous free internet offerings and free newspapers have created a culture in which we expect “freebies”. The fact that in the initial phase the media companies put a large amount of their content on the net free of charge is now making it more difficult to establish payment models on the internet. Such payment models must ensure acceptance by the public, must avoid excluding any distribution channels (e.g. via social networks), and must be prepared for the technical requirements. Not least, payment models and potential advertising models must hold their own against the competition and ensure sufficiently wide coverage for the media content. This is where the new internet platforms create wider distribution options, but also tougher competition. A cost-benefit consciousness for journalistic products has never been very marked in the public and even now is going to be difficult to develop. The influence of the internet and free newspapers has reinforced the impression that information and expression of opinions are largely “free of charge” and available in plenty.

In the audio-visual media sector, too, digitisation has led to greater differentiation, and again with the result that competition in the audio-visual market is more intense. All the Swiss television stations are hard hit by this trend, whereby three main tendencies can be discerned: First of all there is the distribution of major German, French and Italian broadcasters via cable to Switzerland (the overspill effect), TV on the internet (IPTV), digital terrestrial TV (DVB-T) and satellite TV. In this regard Switzerland is one of the most competitive TV markets in the world. Secondly, the development of Pay-TV (catch-up TV, video on demand, subscription video on demand), boosted by the new set-top boxes and SVoD services such as Netflix, also has implications for the competition. And thirdly, the huge number of interactive video platforms – with YouTube at the forefront – and social networks cannot be overlooked. They all have a major influence on all the conventional – including audio-visual – media.

The upshot of all this is that less time is devoted to traditional linear television, and TV advertising revenues, except for the foreign advertising slots, are declining. Radio is also affected by this new consumer behaviour due to the development of personalized radio-on-demand platforms. Linear radio consumption is declining.

Publishers of daily newspapers with national or regional titles are feeling the effect, hit by increasing loss of subscribers and advertising revenues. Less severely affected are the local weeklies: their information is not yet facing serious competition from new providers and offers. The increasingly international competition and the appearance of new providers have hit not just the press but the television and radio companies too. Electronic media are affected by the switch of advertising to the internet. There are no precise figures for the amount involved, but current estimates put the value of online advertising at about CHF 1 billion. In addition, the television companies have for some time been confronted by the foreign advertising slots. In the last decade these have increased net sales by a total of 50.3 per cent to CHF 301 million (Swiss Advertising Statistics Foundation 2014). The broadcasters offer a specific number of hours per day for Swiss advertising in their advertising slots. This time must be filled with ads because the programme service in which the slots are scheduled is specified by the foreign programme maker. If necessary the marketers of the advertising slots have to give large discounts on prices. This marketing constellation increases the pressure on revenues in the entire press, radio and TV advertising market.

2.3. New usage options for individuals

It is the public that is chiefly experiencing the proliferation of the media landscape and the mixing and merging of media content, evidenced in the new terminals and new services. The public decides, using its chosen channels, applications and networks, what it wants to do and when, and – to some extent at least – what it wants to pass on. New providers and offers on the market open up new ways of gathering information and new ways of consuming media. And the public can take an active part in providing information and sharing opinions. Other new outlets are in the process of development. Because it is possible to consume media content through various channels regardless of time and place, users en masse are more difficult to reach. Media use is increasingly diverging from the previously familiar rituals and time preferences. The daily pattern of media consumption is being forsaken, especially by the young. Recipients who used to be passive consumers are becoming users, more mobile and less

predictable. When it comes to obtaining information at least, they no longer have to stick to specific providers. They can pick and choose, can try out what's on offer and look for something else. This pick and choose behaviour can be measured on digital platforms and impact both the production and methods of production. With this new freedom of choice, loyalty to conventional mass media continues to decline. This applies to the press just as for the electronic media. Time shifted and device-independent television broadcasts can be consumed by a virtually unlimited number of viewers. Radio content is planned in such a way that the radio becomes a background medium. Today it is used largely as an entertainment medium at the listener's beck and call all day. With the radio too, time shifted use is increasing. Streaming services mean further competitive services for established programme services.

The new usage possibilities give individuals more autonomy on the one hand, and with it the possibility of questioning the authority of the media - and that of other information providers. On the other hand, the mobility and flexibility of media use takes on a different aspect depending on age, education and income group. There is the risk of a new segmentation of society. Shared information, which therefore has an integrating function, may become rarer or less reliable. The multiplicity of sources and their insufficient transparency make it more difficult to identify the origin of messages and the intention of their originators. It is easier to manipulate them, and the greater rapidity of distribution makes useful corrections increasingly expensive. Less educated and elderly people in particular have difficulty with accessing information on their own initiative and with the constantly advancing technology. Younger generations are more adept at managing new media and more familiar with online media accessible on the move. Freely distributed journalistic materials are becoming the new defining media, at least as far as the extent of readership is concerned. Heavily illustrated short texts dominate, a trend that sits well with the lifestyle of younger generations, resulting in a new conceptualisation of what relevant information is. But most users first have to acquire the skill of assessing appropriately how reliable the various information outlets and their contents are. Media competence is not just the ability to use the technology, it also means knowing something about how media content is produced. It is to be anticipated that new media-related cultural concepts will emerge in the course of time. At the same time self-protection when providing information, and data protection when using it, are gaining relevance as an area of competence for citizens. Media competence is thus to be understood in a wide sense.

2.4. The largely advertising-financed press under threat

Topicality and relevance have become the dominant requirement for the daily press, a requirement reflected in both the term journalism ("jour" - day) and the German term "Zeitung" ("Zeit" – the time(s)). The number of titles of these conventional journalistic media has fallen in Switzerland, as has their total circulation.

Table 1: Timeline, number of titles and total circulation (excluding free newspapers)

Year	Number of paid-for newspapers	Total circulation
1990	273	4,054,265
2000	232	4,214,337
2005	206	3,734,805
2010	193	3,580,723
2011	194	3,505,007
2012	189	3,429,401
2013	184	3,285,866

Sources: Matthias Künzler, *Mediensystem Schweiz*, Constance 2013, p. 223; Swiss Media: www.schweizermedien.ch/fileadmin/schweizermedien/brancheninfos/allgemein/TitelSt_1939-2013.pdf.

In some regions of Switzerland the press concentration has resulted in a monopoly situation and in many regions of the country into an oligopoly. The nation-wide press landscape is dominated by very few companies, and the trend towards this concentration is increasing. The corporate concentration is especially problematical where the internal diversity and internal editorial media freedom is not actively encouraged and organisationally underpinned, e.g. by a solid editorial policy and measures to ensure editorial autonomy, but also by equipping editors with sufficient resources and to some extent sacrificing synergies.

For a long time the major dailies were financed about 70 per cent from advertising and 30 per cent from subscriptions and single copy sales. Today these ratios are 50 per cent ad financed at most and about 50 per cent sales revenue. Advertising revenues for journalistic media have fallen in recent years (the classified advertisements market). Revenues from this conventional business are down in absolute terms. Regional language journalistic media in particular, but also certain regional and local providers and publications, are facing financing difficulties with their daily and weekly papers. Over the last decade net advertising sales in Switzerland have undergone fluctuations. In 2003 they were worth CHF 2.3 billion, reached CHF 2.487 billion in 2007 and have seen a negative trend since then. In 2010 sales were worth some CHF 2 billion. In 2013 the value fell against the previous year by 9.4 per cent to CHF 1.615 billion. Among print titles regional dailies have lost significantly more in recent years than weeklies. Dailies with a circulation between 20,000 and 50,000 were hardest hit, losing 22.9 per cent of net advertising sales between 2011 and 2012. The smaller dailies with circulations of up to 20,000 lost just over 4 per cent, the larger ones (circulation of over 50,000) 15.9 per cent (Swiss Advertising Statistics Foundation 2013). The figures for 2013 show a shift in advertising losses and gains: The large dailies with a circulation over 50,000 have – at 16.8 per cent – lost the most (falling from CHF 560 to 466 million). The loss for the medium-sized dailies (circulation between 20,000 and 50,000) was 7.9 per cent in 2013 (falling from CHF 179 to 165 million). The small dailies with a circulation of up to 20,000 managed to grow advertising sales by 10.3 per cent. They increased their net advertising sales from CHF 79 to 87 million (Swiss Advertising Statistics Foundation 2014). Slightly more stable is the regional weekly press with average losses of 8.6 per cent over the same period (2012 to 2013). Here again a shift is apparent compared with the previous year: the small weeklies (up to 20,000 circulation), which had previously tended to hold up, now show serious losses. The loss in 2011 – 2012 was 2.3 per cent, though this increased in the following year to 9.3 per cent (Swiss Advertising Statistics Foundation 2014).

Table 2: Advertising revenues, trend in net ad sales for the entire press

Year	Sales in million CHF	Change from previous year	Change in %
2004	2,294	-8	-0.4
2005	2,299	+5	+0.2
2006	2,369	+70	+3.1
2007	2,487	+118	+5.0
2008	2,406	-81	-3.3
2009	1,915	-491	-20.4
2010	2,001	+89	+4.5
2011	2,004	+3	+0.2
2012	1,783	-221	-11.0
2013	1,615	-168	-9.4

Source: Swiss Advertising Statistics Foundation 2014

The effects of this trend on the financing of journalistic print media content are obvious. Revenues from the new distribution channels cannot remotely compensate for the losses on the conventional business. It is to be expected that revenues from journalistic media activities will continue to fall in the coming years. There is little latitude for subscriptions and sales prices to be increased. The cost squeeze, on both editors and journalistic production, will continue to worsen. It is to be expected that local papers too will be increasingly hit by this trend. Though new business models, especially payment models for journalistic media on the internet, are being discussed, these have not to date been implemented by the newspaper publishers, or only sluggishly. Editorial content freely available at no cost still dominates the internet. The sector is still making little attempt to establish a social and commercial position based on a superior quality of journalistic media content, and that lobbies for a reasonable purchase price to cover the costs of such services (e.g. marketing by type of media). Developing customer loyalty through media branding, marketing and new sales promotion instruments are assuming with the internet a new importance for entrepreneurial activity. Commercial media companies, in particular stock exchange listed companies, are under ever greater pressure. This puts a limit on the options such as cross-subsidies.

Table 3: Net advertising sales of selected media sectors

Medium	2012	2013	11/12	12/13
	Net advertising sales million CHF		Change in %	
Daily press	819	718	-16.6	-12.2
Regional weekly press	183	168	-5.5	-8.6
Sunday press	152	146	-6.4	-4.1
Total press*	1,154	1,032	-13.7	-10.6
Public service TV	380	374	-8.5	-1.5
Commercial Swiss broadcasters	81	74	+6.7	-8.7
Commercial foreign advertising slots	265	301	+4.3	+13.6
Total television (inc. sponsorship)	726	749	-2.6	+3.2
Radio (inc. sponsorship)	147	157	+5.6	+6.7
Cinema	30	26	+27.3	-13.2
Teletext	5	4	-19.3	-21.7

Ad-screen	6	7	+9.2	+19.0
-----------	---	---	------	-------

* Excluding financial, general interest, specialist and technical press
Source: Swiss Advertising Statistics Foundation 2014

For the advertisers the internet has opened both a new advertising market and a platform on which to carry information and offers to the public. Commercial communications (marketing, PR) are getting ever more professional and diverse: running your own publishing vehicles (owned media) and incorporating advertising into the editorial material via public relations (earned media) supplement and replace conventional advertising in the paid advertising sector (paid media). Moreover, the advertising market has expanded and internet providers offer an advertising environment in which the effectiveness is readily measured, e.g. through search engines and video portals. These internet providers make no contribution, or at most a secondary one, to the production of journalistic media content. The historically high advertising costs by international standards in the small country that is Switzerland are coming under increasing pressure, with implications for the regional and regional language media in particular. In addition to loss of volume, the price level per ad threatens to fall, which can lead to the paradoxical effect that less and less advertising is bringing disproportionately lower revenues.

Digitisation has a direct impact on the business model of the print sector, but also that of the electronic media. If advertising revenues are increasingly diverted to the internet while at the same time foreign advertising slots win a bigger share of the Swiss market and therefore exert major price pressure (on the regional language TV advertising market), in the medium term public service broadcasting both for the SRG and the commercial radio and TV stations is at risk. The SRG is currently one-quarter financed from advertising revenues. Erosion of these revenues would impact on the SRG programming unless it was offset by an increase in fees.

2.5. Deteriorating working conditions for editors

Every year newspaper editors are facing a greater squeeze on funds. The consequences affect both the staff journalists and freelance contributors. Average incomes for journalists in Switzerland are stagnating. Tariff-based salaries for journalistic work are being undermined, while in German-speaking Switzerland and Tessin there are no collective agreements at all.

The main factors in these changes are the convergence process that most media companies have introduced for their editors, the marketing of media content over every possible analogue and digital platform available, and the incipient change of attitude in favour of payment models and modalities for digital media products.

New technological prospects offer new opportunities, but right now working conditions in journalism have deteriorated: accelerated publication cycles, compressed working hours, multimedia working, greater pressure on output.

To make matters worse, the concentration in the media market means employment opportunities for journalists are limited. Media companies are exploiting the synergies between different editorial teams to the maximum, and journalists have fewer and fewer opportunities to make a living with a formal employment contract or in a steady working relationship as freelancers. As a result of the technological revolution (including media convergence, integrated editorial offices, mobile and social media) and the shortage of resources, working conditions have become more difficult and in some cases positively precarious. Rising workloads, supplying the mobile and social media and increased demands in general are resulting in work overload for journalists. This pressure and the simultaneous increase in jobs in the communications field mean many journalists, including more experienced ones, are leaving the profession. This means a lot of knowhow is being lost and there is a growing risk of influence being exerted by the information suppliers (communications businesses and PR firms).

Given the time constraints and shortage of resources, it is increasingly difficult to do the thorough research and reflection required under the widely established principles of journalism (statement of rights and obligations of journalists; Press Council). A consequence of this, and likewise a factor in it,

is the growing economic dependence (advertising business and new advertising channels, public relations) and the resulting greater influence that can be exerted especially by PR, which is financed by highly resourced economic and political players.

Editorial offices with a culture of professional competence and division of work threaten to go under. Journalism and the conventional media are also losing their opinion-forming significance and are therefore under additional pressure. Nevertheless, there are also opportunities for journalism in the transformation - and to some extent crisis - of daily press journalism in particular. Recent examples and trends in the media markets show that there is still considerable demand for editorially embedded journalistic products for which users are prepared to pay. Parallel with developments in the advertising market, no stable business models for conventional journalistic material have yet been established for digital business.

3. Defining the role of the journalistic media

The digitisation of the media sector is bringing new players, structures and processes onto the scene at all levels. Most seriously affected is the daily press, hit by the free content on offer and by the rise of new providers on the internet. Users are turning to other sources and advertising spend is increasingly diverted to the internet and therefore to non-conventional journalistic service providers.

Media concentration is increasing. Over the last 30 years successive regional press monopolies have come into being in almost all the regions of Switzerland. Although there is still a relatively high number of newspaper titles, there is little diversity of ownership.

In the electronic media (radio and TV) foreign competition is growing, with particular impact in the advertising market.

Online media are facing increasing competition from the largely foreign telecommunications and internet companies.

Conventional print media companies still do not have robust business models for journalistic content on the internet. The transformation has brought huge efficiency enhancements in the non-journalistic field, but the consequence has been spending cuts on all sides, which are now hitting editorial offices and journalism harder too. The result is shedding of jobs, difficult working conditions and loss of editorial quality.

The biggest loser from the technological trend today is the inter-regional and regional subscription dailies, which are facing increasing economic challenges and are caught in a downward spiral. The declining advertising and readership give the publishers grounds for rounds of cost-cutting, which usually result in declining quality and a reduction in plurality. Journalistic and personal resources are cut. Professional expertise is lost, and the pressure on jobs grows for the remaining media workers. The workload is exacerbated by the multimedia production methods in convergent editorial functions, and supplying the mobile and social media. Despite productivity gains it is those players who should be making an important contribution to the democratic public discourse that are hardest hit. There is empirical evidence that the quality of independent and politically relevant reporting is suffering, and a decline in the diversity of professionally qualified journalistic opinion is already apparent (see Federal Council report of 2011, p. 36)

Social expectations surrounding media content, however, presuppose adequate resources and structures, which include secure access for the journalistic media to high quality sources and to the public. The trends described cast doubt on this collective function of the commercially funded media. The endangered position of the media, especially the press, and the consequences for Swiss democracy were analysed and discussed in the 2009 report *Pressevielfalt sichern [Ensuring Press Diversity]*, published partly in response to the Postulate by the then Member of the National Council Hans-Jürg Fehr. In June 2011 the Federal Council published a report on the position of the press in Switzerland, and simultaneously fulfilled the Postulate "Press Subsidies. Alternative Models for Reduced Postal Charg-

es” of the Political Institutions Committee of the National Council, which had been submitted in 2010. The report was based on scientific studies commissioned by the Federal Office of Communications (OFCOM). The Federal Council found that the media were facing major challenges and assessed the situation as difficult. The tendency towards concentration and the reduction in the number of press titles should be considered, in the interests of media diversity and quality, as serious, especially as such concentration poses the risk of excessive accumulation of opinion-forming power. At the same time the Federal Council decided on a policy of restraint, preferring to take no steps for the time being but to continue to monitor the situation. It appealed to the sense of responsibility and self-regulatory powers of the media companies, which should seek ways of coming to terms with the ongoing structural transformation and associated difficulties.

In summary, the FMEC finds that the journalistic media are undergoing a fundamental transformation and a financial crisis as a result. Not only does it pose a challenge to the media companies and media industry, but to government as well. If no political action is taken to support the media, the FMEC believes it is unavoidable that international organisations will become even more powerful in Switzerland and Swiss media companies of all sizes will be under ever greater pressure.

4. Existing subsidies as subsidies for types of media

4.1. The existing media subsidy system

Favourable conditions do exist for the media firstly in the general legislative regime: freedom of the press, constitutional communication freedoms, copyright and intellectual property rights, protection of sources, rights of access and freedom of sight and information in the transparency policy of the Swiss authorities. Support, however, is usually understood as state or state-subsidized financing of media companies. The purpose of media subsidies is normally to make possible a particular programme or product, or qualitatively diverse journalistic content, or to secure the financial survival of economically weak media in order to maintain and promote national and regional media diversity and the journalistic quality of the media. Diversity in Switzerland also includes catering for linguistic and cultural minorities. Media subsidies may be either direct or indirect. Direct media subsidies refer to direct financial aid for a media company, while indirect subsidies only ensure this indirectly. Both direct and indirect media subsidies may be of a general or selective nature. General media subsidies benefit all media, whereas the selective type benefits only specific companies, titles or media content. All these forms of subsidies can currently be found in the European territories. Public funding is normally tied to a performance mandate (mandated service).

Subsidies for the media at Federal level are founded on and limited by Art. 17 of the Swiss Federal Constitution (BV) and the juridical powers of a performance mandate in Art. 93 BV. While radio and television are covered by a constitutional provision, which also allows for government funding of public service broadcasting, the legal basis for print media subsidies in the past has been the Postal Act with no direct constitutional provision. Considerations concerning the structure of media subsidies may exceed the bounds of these legislative provisions, but should take the existing situation into account. Media regulation with its allocations as it has evolved no longer reflects the reality of the future and the needs of users. The separation of radio and television in the Federal Constitution poses the question of how this system should evolve, when media content accessed on the internet increasingly dominates media consumption, and linear programme services (“live broadcasting”) is losing significance. As far as sales subsidies for the press are concerned, their effectiveness for the needs of the public and the political discourse must be in doubt.

4.2. Financing of public service broadcasting

Public financing of public service broadcasting, especially the share of licence fees allocated to the Swiss Broadcasting Corporation (SRG), is not government subsidies as is the case with press subsidies. In Switzerland, as in most European countries, certain broadcasters provide a mandated service and are remunerated for their service with fees. These services are specified in a licence, which means they are subject to programming and other supervision, normally by suitably qualified govern-

ment authorities. Funding for the licence holders is financed by a radio and TV licence fee, which assumes that households and companies are the users or at least beneficiaries of the mandated media services. Since the last major revision of the Swiss Radio and Television Act (RTVA), not only the SRG but commercial local broadcasters of radio or TV programme services have received part of the fees (fee splitting). Four per cent of licence fees is currently allocated to commercial providers, which for commercial radio stations with fee splitting accounts on average for 50 per cent of their revenues, and for commercial TV stations with fee splitting accounts for an average 77 per cent.

Table 4 Financing of public service broadcasting (SRG) and commercial broadcasting

Financing of broadcasting	Total amount 2013
SRG	1.203 million (licence fees)
Commercial broadcasting	54 million (licence fees)

A comprehensive consideration of the subject of media subsidies also includes the financing of radio and television through licence fees. Licensed broadcasters, and specifically the SRG, provide significant journalistic media services. In the course of digitisation it is conceivable that new genres and types of service provision for public service broadcasting will be proposed. The FMEC confines itself in the present white paper, however, to its most pressing remit, to describe the journalistic media as a whole and assess the current press subsidy situation. The FMEC is guided by the sequence of forthcoming political decisions. Following the present statement, the FMEC will concern itself with the definition and structure of public service broadcasting legislation.

4.3. Media subsidies

Media subsidies in the past have been primarily indirect press subsidies. The Swiss Federal Government subsidizes the distribution of press titles with preferential postal charges. Expenditure on indirect media subsidies in Switzerland in 2013 amounted to CHF 128.3 million.

Table 5: Overview of subsidized funding 2013

Subsidized funding	Total amount in CHF
Press	123.0 million
Media research	1.8 million
Training and professional development	1.0 million
User research by Mediapulse	2.5 million
Total	128.3 million

Not included in this figure are all forms of direct and indirect subsidies by the cantons, districts and municipalities under the organisation of their respective official publication remits. The situation here is not fully transparent, though it seems likely that the majority of official gazettes, announcements, local news sheets etc. amount to a total approximating to the above figure. The forms of subsidies are as varied as the structures through which it is channelled: municipalities and cantons issue licences for the publication of an official gazette, they pay for official announcements in newspapers and local news sheets, and pay flat rates for the publication or subsidies to editors.

Press publications currently enjoy subsidies to the tune of CHF 123 million, most of which, i.e. CHF 73 million is accounted for by the reduced VAT on newspaper subscriptions. Another CHF 50 million of the CHF 123 million is due to reduced postal charges. With the entry into force of the new Postal Act on 1 October 2012 the provisions relating to indirect press subsidies were altered. One change is that OFCOM and not Swiss Post is responsible for approving applications for press subsidies. Furthermore the criteria for receiving reduced delivery rates have been reviewed (including circulation, frequency, no localised editions, minimum editorial content etc.). Since 1 January 2014 a total of 1,266 publica-

tions have been subsidized: 142 dailies and weeklies and 1,124 newspapers and journals published by not-for-profit organisations have benefited from reduced postal charges. The local and regional press enjoy CHF 30 million of subsidies (postage: CHF 0.22 per copy) and publications of professional societies and foundations CHF 20 million (postage: CHF 0.15 per copy).

The list of subsidized publications of professional societies and foundations shows that the funds go to a very wide range of disciplines and bodies. The list of titles receiving more than CHF 1 million shows that more than a quarter of the CHF 20 million is allocated to religious titles (CHF 6.4 million). Employer and employee publications, as the second largest topic, receive CHF 2.2 million, publications for members of aid and development organisations are subsidized with CHF 1.7 million, followed by trade magazines and consumer press titles with CHF 1.4 million each. Publications relating to agriculture and animal husbandry receive CHF 1.3 million. Also exceeding the one million mark are political publications with subsidies of just over CHF 1.2 million.

Media companies are also subsidized indirectly by research grants and training contributions. Since the reorganisation of OFCOM research in 2007, the average annual subsidy for media research has been CHF 1.249 million. In 2013 CHF 1.8 million was budgeted for media research and CHF 2.5 million for research into user data. Training received CHF 1 million.

The Schweizerische Depeschagentur (sda) [Swiss Press Agency] receives no subsidies from the government. The Federal Chancellery, however, uses the services of the sda for the entire Federal Administration, paying just over CHF 1 million per language. This split is made at the request of the Federal Chancellery. The sda tariff would be higher for German language use (more users in the Federal Administration) than for French or Italian use. In the interests of language support the even split is contractually fixed. Contrary to many other countries of similar size, the sda gets no funds for distributing Swiss content abroad. Payments by the Swiss Confederation in the last 20 years have been cut by some CHF 1.5 million, because various services (OTS, the public warning system, Italian translations) are provided directly by the Federal Administration.

5. Recommendations for a Federal Government subsidy strategy

Media subsidies are subsidiary, i.e. they should only be applied where there are deficits in commercial financing. The media transformation can only be controlled politically and on a national basis to a limited extent. Economic freedom and in particular freedom of the press means media companies and media activities are independent of the state. In addition, cross-border media and internet use is creating international markets. In these markets and technical environments and with these habits of use Swiss journalistic media have to hold their own. It is they, along with the journalists, who have to cope with the transformation and make the best of it. A media subsidy system designed to maintain existing structures and content would be misconceived. Likewise, subsidies for individual types of media can no longer be regarded as fit for purpose. It is however conceivable that the transformation process could be accompanied by subsidy measures to shore up existing structures temporarily. The FMEC therefore recommends a two-speed media subsidy process. To underpin the said democratic, national and social political functions of the media, it is conceivable that the Federal Government will encourage innovative action to manage the transformation and further improve the general conditions for journalistic media activities. The aim in the medium term should be to stabilize and improve journalistic infrastructures and journalistic activities in general. As soon as specific forms of media production or specific productions themselves are set to receive media subsidies, representatives of that sector should be enabled to come up with subsidy measures themselves and grant funds provided by the government. This would meet the political aim of media subsidies independent of government influence.

Media policy should take into account the significant transformation of the media and in particular the daily press, in which not only traditional forms of journalism such as newspapers, but substantial contents are being marginalised and are gradually disappearing. They are part of a vigorous democratic culture. In the course of the trends described, valuable editorial structures have been lost. Soundly researched journalism with depth and influential power is ever more difficult to produce. Today we still

have skills and expertise in journalism which is evident at least in the training and activities of some media companies, but they are under enormous pressure, which is resulting in the erosion of a professional discipline important in the political environment. For these reasons media subsidies must be applied to the work and development potential of the journalistic media, and should concentrate on journalism and its editorial and organisational structures. Professional standards for editors and journalism must be maintained as a guarantee of ethical and robust professional independence, and in the light of the new demands posed by the trends described, reinforced. Journalistic activities in Switzerland should not only reflect the linguistic and cultural wealth of the country but conduct the discourse on it.

The FMEC considers it useful and necessary to give priority to subsidies for democratically relevant media. A subsidy strategy should take into account the functions of media in a democracy and the trends described above. Media subsidies must satisfy a number of requirements:

- (1) Media subsidies must describe and define its purpose and aims, must align their subsidy measures with these aims (purpose-driven), and assess achievement of such purpose periodically and verifiably.
- (2) Media subsidies must be able to assert a public interest, which legitimises intervention in economic freedom and in the principle of subsidiarity of government influence.
- (3) Media subsidies must respect media freedom and in particular journalistic and editorial independence, and consolidate and encourage it through organisational and human resources action.
- (4) Media subsidies should be competition-neutral as far as possible and neither distort nor hinder journalistic and economic competition unnecessarily. A minority of the Commission is of the opinion that subsidy measures should deliberately create economic incentives so media companies and media staff encourage journalistic quality and the diversity of media content. All competitors can enjoy the benefits of subsidy measures equally.
- (5) Media subsidies should concern itself with journalistic production and the use of such products by the public, but not with particular forms of media or technologies.
- (6) Media subsidies should promote and improve the infrastructures and general conditions of the journalistic media.
- (7) Media subsidies should have a long term plan and encourage innovation.
- (8) Media subsidies should be implemented with reference to sector and practice. The measures should be capable of dynamic ongoing development by representatives of the media industry.
- (9) Media subsidies should insist on recognised professional and industry standards, namely respect for the "Declaration of the rights and obligations of journalists".
- (10) Media subsidies should take into account the existing and related regulations, in particular those of public service broadcasting. These recommendations are of a general nature and relate to both the purposes and the planning of media subsidies. The FMEC evaluates the existing media – and press – subsidy system as at least partly fit for purpose, and then assesses the existing and potential new subsidy instruments and measures in light of these requirements and the situation described.

6. Existing subsidy measures

6.1. Reduced postal charges for regional and local press

The government gives an annual subsidy of CHF 50 million for reduced postal deliveries of newspapers and journals. CHF 30 million go to selected regional and local titles. As subsidies for a specific type of media (print) and distribution (post) the reduced postal charge supports the traditional structures and processes of the journalistic media, but fails to address journalistic media content directly. The purpose and effectiveness of this subsidy mechanism are not clearly apparent. The FMEC believes the current subsidy measures in the form of the reduced postal charges for press products are unnecessary and no longer really effective. Government subsidies for print media in the form of reduced postal charges are no longer appropriate for the times.

The FMEC recommends that the government consider discontinuing this subsidy in favour of other instruments. In the transition phase the following questions should be considered: Which media providers and activities produce content relevant to a democracy? Are the subsidy criteria applied appropriate? Might a direct payment be made to Swiss Post with which the government would bear part of its delivery deficit and Swiss Post would in turn waive any tariff increases? If no change to the system is made, it is essential that recipients of subsidies must be reviewed every two to three years.

6.2. Reduced postal charges for the professional press

The publications of the professional societies and foundations are also currently subsidized through reduced delivery charges to the tune of CHF 20 million. Continuation of subsidies for certain print products in this area may be advisable if, in a regional or local area, the existing media do not cater for the interests of these players. Even then there should be no attempt to maintain this structure. And it is also true for the professional societies that the subsidies should be future-oriented and should not be applied to a specific type of media (print) and method of distribution (post). Thanks to digitisation, organisations have a variety of ways of conveying messages to their members and seeking communication and interaction with them. Paper distribution should give way to online publication over the short and medium term.

A minority in the FMEC regards part of the professional press as democratically relevant. A cut in or axing of the subsidies for these print media would in their view result in a serious gap, because these media often initiate important social and political discourse on topics such as religion, development co-operation, business and environmental protection.

6.3. VAT rate

The provision for a reduced VAT rate for newspaper subscriptions should be reviewed. Today different rates apply for printed and electronic products of the periodical media. The FMEC proposes that a uniform reduced VAT rate be applied to all identical products of the journalistic media, regardless whether they are distributed in paper form, on the internet or in any other manner. Fundamental reconsideration of the VAT system (uniform rate, deduction of pre-tax, the question of complete exemption from the Swiss VAT Act) is reserved or should be looked at more closely.

6.4. Commercial radio and TV stations

In line with the object of this white paper, the FMEC does not take a view here on the licence fee régime as applied in the Radio and TV Act. The discussion about possible measures regardless of media type or journalistic production for today's print media is more urgent. The FMEC therefore considers it advisable that the commercial radio and television stations continue to receive subsidies for the terrestrial distribution of their programme services. This licence-based subsidies should be maintained for the time being, until new technologies allow cheaper distribution especially in the peripheral and mountainous regions. The FMEC is of the view that the increased funding proposed in the new RTVA

in favour of commercial electronic media is a step in the right direction, especially as the device-independent reception fee is likely to result in higher revenues.

7. Possible new subsidy measures

In view of the trends in the media sector and in light of the general requirements for media subsidies, the FMEC recommends two types of subsidy action. Both types differ in their timeline (short/medium-term versus long-term), in assuming a legal basis and in the issue of whether the state can itself undertake the subsidies while preserving the independence of the media. Given this premise, the establishment of a foundation is regarded as appropriate in order to give the new forms an institutional basis.

Subsidies type 1

1. Subsidies for basic press agency activities
2. Subsidies for journalistic training and professional development
3. Subsidies for innovation projects through a programme of the Commission for Technology and Information (CTI).

Subsidies type II

4. Subsidies for journalistic start-up businesses
5. Subsidies for outstanding editorial or journalistic services
6. Subsidies for media research

7.1. Subsidies type 1

7.1.1. Subsidies for basic press agency activities

Journalistic news reporting in all the country's languages gives the journalistic media a constant basic provision of new reports with immediate relevance. Agency reports are widely available and sometimes in excessive quantities. But they are the raw material of journalistic media without which an editor can hardly do his job. The narrow geographical markets of Switzerland have led to a situation where the Swiss News Agency (sda) has been left in a unique position. Today it is the only national news agency for the whole of Switzerland offering material in the three national languages German, French and Italian. It covers politics, economic affairs, society, culture and sport. Today it receives no media subsidies yet it has a supply contract with the Federal Chancellery. As a short-term measure that would bolster media content, financial subsidy for the sda under the heading of language understanding might be considered - while preserving editorial autonomy. The sda, with its decentralized regionally anchored structure, contributes to information exchange across the language regions and the regions in general. Financial subsidy can help the Agency maintain its broadly based service to customers more easily despite falling revenues. An economic supply of news to editors for basic use relieves the pressure on them where its unavoidable infrastructural cost position is concerned. It would be desirable to aim for a situation – and by other means as well – where editors use the freed resources for their own journalistic production and that the Agency is left with sufficient funds to maintain its service provision and the necessary innovation.

In the event of permanent funding, the governance of the sda should be monitored.

7.1.2. Subsidies for journalistic training and professional development

Those who undergo training and professional development so that they regularly review their work, their function and responsibilities, can act in a professional and self-critical way. Such subsidies should go mainly to professionally designed training and professional development programmes for journalists covering the full range of industry operations.

A journalistic qualification may be obtained either in a formal course of study or as a part-time course. Anyone aiming to select, comment on and explore the context of their respective topics has a lot to

learn. Nowadays when scarcely any time is allowed for in-depth research, a journalist needs the basics in his or her head. A good journalistic training therefore consists either of a non-consecutive master's programme or part-time further training following a vocational course or similar. Courses at different academic/educational levels bring more diversity to the editorial material.

Journalism is best learned in conjunction with theory and lots of practice. The ideal training grounds are the discerning smaller publishers that teach the craft of journalism thoroughly and from every angle. These publishers invest time and money in young staff, who are then however often poached from them later by larger companies in the bigger centres.

The professional skills are changing so enormously rapidly and fundamentally that professional development is becoming a vital condition. In today's difficult times, however, this is just what is under threat because it is these budgets that are usually cut first.

7.1.3. Subsidies for innovation projects with a CTI programme

Innovation is important if journalists are to keep up with these trends, and can help to achieve some important goals of media subsidies.

Subsidies should be given to innovation and development projects through a special programme of the Commission for Technology and Innovation (CTI), which can earmark project funds for an initiation and evaluation phase for new journalistic activities, initiatives, ways of working, skills, business models etc. A good example might be the projects subsidized by the Knight Foundation in the USA, which include both fostering entrepreneurial attitudes in journalism and focusing on new topics for reportage or multimedia modes of working and presentation (www.knightfoundation.org). The CTI would have to define special project requirements for media projects.

Innovation in relation to distribution: Technical standards (DAB+, HbbTV, Ultra-HD) are developing ever more rapidly, forcing providers to introduce new standards as fast as possible in order to remain competitive. The introduction of new technologies is an expensive business. It should be co-ordinated and financially subsidized so it can be firmly embedded in the market as rapidly as possible.

Bearing in mind that subsidy strategies must not interfere with the freedom of the journalistic media, subsidizing the infrastructures, technology and innovation is uncontroversial and generally accepted.

7.2. Subsidies type II

Subsidies type II action assumes institutionalising it in the form of a foundation. A foundation is organised at a remove from government and the award of subsidy measures should be free from state intervention with the close involvement of industry representatives.

7.2.1. Subsidies for journalistic start-up businesses

In order to be able to hold their ground successfully in an increasingly globalised media market, Swiss media providers need an enormous innovative boost. In addition to the CTI projects, start-up finance should be provided for innovative projects such as online platforms. The same applies to innovative partnership projects (e.g. big data and archiving) between media and colleges. To encourage diversity in the media market, the smaller media companies and innovation in all aspects of media development, journalistic or media start-ups that can make a lasting contribution to diversification in the Swiss media market and diversity of services must be subsidized. The subsidies should be restricted to genuine start-ups in their initial phase. The start-ups might be subsidized either as spin-offs from existing media companies or brand new companies requiring seed money for their market launch.

The subsidies should be limited in time, e.g. three years. It should be linked to the scope and extent of the start-up's economic success and its contribution to a pluralistic media system.

7.2.2. Subsidies for exceptional editorial or journalistic services

Through the foundation proposed by the FMEC (see section 8) a scouting trend can be established for the Swiss media sector, which should subsidize projects, initiatives or products of outstanding journalistic quality and innovative power. Projects should rely mainly on digital platforms, be designed for multimedia implementation and meet the challenge of interactivity (dialogue with and/or involvement of users). The project must be able to demonstrate at least one aspect in which the innovative content benefits journalism. The details of the submission requirements for applications will be defined by the foundation council.

Existing or new journalistic infrastructures (publishers) can be subsidized provided they make a significant and sustained contribution to the political and social discourse that is predominantly in the public interest. The subsidies must meet the criteria specified in section 5, i.e. in particular it must comply with the generally accepted vocational and industry standards and its scope should be appropriate to the journalistic quality of the product.

The FMEC also suggests subsidies for research funds that are either independent or belong to a publishing organisation or press bureau. Fund regulations guarantee that the research is conducted completely independently and that the fund budget is available in addition to the ordinary editorial budget.

7.2.3. Subsidies for applied media research

Although data is available on advertisers and advertising spend, the media sector and media provision (universal service), there is no detailed plan for the onward development of the media sector. Existing surveys of industry and consumer research, the statistics and analyses are fragmentary and not readily comparable. They cannot be correlated, are not intermedially produced, or are subservient to particular interests.

That is why subsidies should be given, on the one hand, to continuous monitoring of the media sector, which looks at existing data, gathers new data where necessary and links them to produce an overall picture. This would give an insight into the general conditions for the media sector, individual market participants and their competitive relationship with each other (including in the language regions). This should enable all the players concerned (e.g. media companies, press associations, regulatory authorities) and the public as a whole to reflect on the trends much more carefully than hitherto, to identify where things are going wrong and to take specific measures if necessary.

On the other hand, subsidies should also go to applied media and user research which is independent of interests and which analyses media use from an intermedial point of view and with reference to the migration issue. One outcome of this would be a credible basis for the marketing of media materials that don't have to bow to the interests of individual market players and that put the focus on internet use and mobile media usage. This should help the media companies in question by giving them greater economic security for their online materials and complete the media plan mentioned above.

To implement the plan, public private partnership (PPP) models should be examined, where collaboration between established media and user research organisations and scientific institutions would appear appropriate.

8. An independent media research institute

While the type I subsidy measures can be introduced promptly for the short term, the FMEC envisages for the longer term a more consistent and wide-ranging option for media research in the establishment of a foundation, which would be in the best position to guarantee the independence of such measures. There is also the possibility that this foundation could be granted funds that are not currently available to the media.

Government funded action is created and fulfilled within a political process. Apart from comprehensive abstract measures to improve the general conditions (such as tax legislation), all government subsidies for media activities face a particular challenge. The independence of the media must be guaranteed. This challenge is accentuated where direct government subsidies of institutions and/or content take place. Where targeted subsidies are financed from government funds and monitored by political functionaries, it makes institutional and organisational measures to ensure independence all the more important. The requirements of effectiveness (and economic efficiency) and state independence stand in a certain organisational conflict with each other: the more specifically targeted and therefore transparent the subsidies, the greater the temptation to exert political influence.

As far as the institutional level is concerned, Switzerland has experience with the legal form of the association and the cooperative: the Swiss Broadcasting Corporation (SRG SSR) is organised as an association in a decentralised structure as an association of regional companies, which are in turn organised as an association or cooperative. The requirements and advantages of company law are used for invoicing purposes in particular.

Associated with the issues of media subsidies are cultural, research and film industry subsidies. The Pro Helvetia Foundation is a cultural subsidy institution which is fully funded by the Federal Government and takes the legal form of a foundation in public law. The Swiss National Science Foundation (SNF) is likewise established as a foundation, albeit a foundation in private law.

For both foundations, Pro Helvetia and the SNF, the critical factor in the choice of legal form was the prospect of the greatest possible independence. This consideration might appropriately be applied to the concept of a media subsidy foundation, for the situation is in many respects comparable. A legal claim by the Federal Government to possession of a media company must be excluded; and this can be guaranteed with the choice of a foundation, since the founder relinquishes their right to the foundation assets. The purpose of the foundation would then be to organise financial help for third-party projects. The funds allocated could be financed from mixed sources, i.e. partly also by the government through compensatory payments.

Government influence is not necessarily excluded in the case of a foundation as long as the latter has no economic benefit from it and remains independent of further funding by the government. For this reason further steps would have to be taken to reinforce the independence. As with the SNF, Pro Helvetia and SRG SSR, these measures would have to be taken with the emphasis on the high credibility and authority of the institution and taking a long-term view of the political funding decisions.

It is possible and would underpin the independence of the foundation if it claimed part of the licence fees currently reserved for radio and television broadcasting. Since it would have no revenues apart from possible donations and grants, its ongoing expenditure would have to be covered from government funds depending on budgets at the time.

Private foundations and donations of private individuals to a foundation are of course also to be welcomed.

The foundation would be in a position to approve subsidy applications for media “infrastructures” and place development and production contracts. The FMEC considers it possible that the boundary between the current spheres of activity of the public service broadcasters (SRG and commercial, licence-funded radio and TV stations) and that of commercial, non licence-funded stations will shift, and that this will entail a more closely defined, possibly tighter and platform-independent (radio, TV, online) delimitation of the licence-funded public service.

The key aim of the Swiss media subsidy foundation would be primarily to facilitate or enable industry-wide projects. The foundation, the key organs of which should include representatives of the industry, politics, science and public life, would also help to conduct the wider dialogue about media developments. Its core task would be to further the development of quality media and journalism. Such a foundation could subsidize projects for all types of media, such as internet-based start-up projects,

making grants to individual sections of the print media or online platforms, funding of correspondents or reporters for various media, subsidies for special correspondents in especially important and journalistically challenging markets (e.g. China), training contributions in the form of scholarships, subsidies for special research and other projects, establishment of a research fund for media-wide research projects and the development of a research team for complex research work. The funding for such a foundation requires very thorough planning. It is at least conceivable that the subsidies funding already in place could be channelled to it; other sources that might be applied are advertising taxes, online-transaction taxes as compensation for funding of content and additional government grants.

9. Conclusions

In summary, according to the FMEC, the media are caught up in an irreversible process of transformation. In the interests of democracy it appears advisable that this process should be accompanied by supportive measures. Current press subsidy arrangements do little to meet this need and companies resident in Switzerland have only limited means to bear the burden of the necessary innovation on their own. While digitisation offers some new opportunities, it poses difficulties for the existing business models. The changes are happening at a rate that many traditional organisations cannot cope with. In addition, a process of internationalisation is taking place in the media sector, which exacerbates the challenges for industry structures in the confined limits of Switzerland. To ensure a diverse and pluralistic media landscape, the FMEC therefore proposes various measures, which should be introduced in a two-speed process. In this process the potential influence of the state should be kept as small and brief as possible, and thus prevent a situation which merely maintains the structures.