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9.1 The Austrian Print Media Landscape

Media in Austria have to cope with two basic and obviously unchangeable conditions: (a) the limited size and shortage of resources of the national and regional domestic markets and (b) Germany as large neighbouring country with a highly developed range of media products belonging to the same language area. Austria itself is a small market with about eight million inhabitants and it is divided into even smaller regional markets (with only one exception—the Viennese region with two million inhabitants). And it is part of the German language area, which means that a great number of widely read special interest magazines and some weekly magazines are produced and published in Germany. The same goes for the television sector.

The Austrian print media market is characterised by the following structural features (Trappel 1991a, b, 2007, 2010a, b; Steinmaurer 2002, 2009):

- A small number of daily newspaper titles, i.e. 18 (in 2012), 7 out of which are distributed on a national scale. Four of these seven titles are tabloid-style papers, while the remaining three titles (*Presse*, *Standard* and *Wiener Zeitung*) compete within the quality newspaper segment in Vienna.
- A regional press ecosystem which is characterised by strong regional players, dominating up to 90 % of the regional market. With the exception of two provinces, each province (*Bundesland*) is dominated by one regional publisher, typically controlling one, two or even three smaller newspapers. These secondary papers do not sell more than 10,000 copies each and are hardly profitable. But they

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Table 9.1 Number of daily newspapers in Austria—Data for 2012

	2012	2011	2010	2009
Dailies (total)	18	18	18	19
Paid-for	15	15	15	15
Free	3	3	2	3
Hybrid		0	1	1

Source: VÖZ—Austrian Newspaper Publishers Association (2012), <http://www.voez.at/b200m30>

help consolidate the regional market and prevent competition. The strong position of the regional publishers is challenged by the regional editions of the *Neue Kronen Zeitung*, which competes fiercely with the traditional regional press barons in these markets (e.g. *Tiroler Zeitung* for Tyrol, *Salzburger Nachrichten* for Salzburg, etc.). In eight (out of nine) provinces, the *Neue Kronen Zeitung* has either taken the lead or is as strong as the respective regional paper. Further, the *Krone* has even gained more power in economic terms as the daughter-in-law of the *Krone's* long-time editor and shareholder manages the free sheet *Heute*.

- The market dominator *Neue Kronen Zeitung* (commonly known as *Krone*), Austria's far biggest-selling national tabloid and, measured by population size, with one of the world's highest reach. According to *Österreichische Auflagenkontrolle* (ÖAK), the industry watchdog to control and publish print circulation figures in the country, the average daily readership of the *Krone* was 2,724,000 (14 years or older) in 2011 (i.e. 818,859 copies sold, thus reaching more than 40 % of all readers).
- A strong orientation towards boulevard newspapers, i.e. *Krone* to fight against *Österreich* which was launched in September 2006. *Österreich* is a free and partially paid-for tabloid daily.
- A high degree of ownership concentration, mainly exerted through the *Krone-Kurier* subsidiary *Mediaprint*, Austria's second biggest publishing house to belong to *Westdeutscher Allgemeiner Zeitung*, *Raiffeisen* and the *Krone* publisher Hans Dichand (Seethaler and Melischek 2006).

The following Table 9.1 depicts the number of daily newspaper in Austria (as of 2012). Table 9.2 shows daily newspaper by title, circulation and reach.

The *Handbook of the Austrian Press*, edited by the *Austrian Association of Newspaper Publishers* (VÖZ—*Verband der Österreichischen Zeitungen*), lists 263 weekly newspapers. Most of them are free regional and local papers with focus on advertising or special interest. In some provinces, especially in those without a regional daily newspaper, regional weekly papers are read by a remarkable number of people.

The following chapter profiles the government-mandated subsidy regime to the daily press in Austria. First, we shall present the historical framework on press subsidies in succinct terms, introducing the main mechanisms and instruments of subsidies to dailies. We shall then look more closely into current structural changes of annual appropriations, their costs for the Republic and their effects on the economic competition in the daily newspaper market segment. In the final part of this chapter, we shall present critical results of the press subsidy scheme. Attention

Table 9.2 Daily newspapers, circulation and reach (year average 2011)—Austria

Dailies	Printed	Sold	In 1.000
<i>Der Standard</i>	109.128	72.693	359
<i>Die Presse</i>	95.757	74.032	263
<i>Kärntner Tageszeitung</i>	^a	^a	45
<i>Kleine Zeitung</i>	309.815	280.983	806
<i>Kronen Zeitung</i>	931.559	818.859	2.724
<i>Kurier</i>	206.629	158.469	575
<i>Neue Vorarlberger Tageszeitung</i>	12.292	0	39
<i>Oberösterreichische Nachrichten</i>	134.946	109.441	355
<i>Salzburger Nachrichten</i>	87.953	69.867	240
<i>Tiroler Tageszeitung</i>	104.800	87.149	277
<i>Vorarlberger Nachrichten</i>	68.518	62.762	168
<i>WirtschaftsBlatt</i>	32.433	0	65

Source: *Österreichische Auflagenkontrolle—ÖAK* (i.e. Austrian Audit Bureau of Circulation), yearly average 2011, *Media-Analyse (MA) 2011*

Nota Bene: Only 12 out of 15 paid-for daily newspapers are listed here. The dailies *Neues Volksblatt*, *Salzburger Volkszeitung SVZ* and *Wiener Zeitung* are not covered due to the fact that they do not deliver any figures on printed or sold circulation to the Austrian Audit Bureau of Circulation (*Österreichische Auflagenkontrolle—ÖAK*). The working group *Media-Analyse* offers the largest study on reach of print media in Austria (*Media-Analyse 2011*)

^aThe daily *Kärntner Tageszeitung* did not participate in the ÖAK survey of 2011

shall only be given to subsidies to *daily* Austrian newspapers given out by the Austrian Federal Government (*Bundespresseförderung*). Thus an account of subsidies to weekly newspapers and periodicals (the so-called “*Publizistikförderung*”) shall not be offered. Subsidies granted by local authorities (*Landespresseförderung*) shall not be considered either.¹

Here, we hypothesise that the current scheme of government subsidies to Austrian daily and weekly newspapers needs to be radically redesigned. Its guiding principles, the direction of impact, the total amount spent and its general purpose to safeguard the future of news and quality journalism are to be radically questioned. Although there is no *magic bullet solution* to all these complex issues, this chapter presents further solutions.

9.2 Press Subsidies: The History

Financial government subsidies to the press were introduced in 1975 by the Social Democratic Party—single-government party under Chancellor Bruno *Kreisky*. Further amendments to this law with different motivations were enacted in the years

¹ These subsidies are covered by various regional Acts and, as regards weeklies, by a special Federal Government Act (*Bundesgesetz über die Förderung staatsbürgerlicher Bildungsarbeit im Bereich der politischen Parteien und der Publizistik*), commonly referred to as “subsidisation of periodicals and other printed matter” (*Publizistikförderung*).

1976, 1980, 1985, 1992 and 2004, whereas from 1985 to 2004 the scheme remained largely unchanged. The *Press Subsidy Act* in its current version is thus a historical reflection of the prevailing market conditions and all other contextual changes (Bruck 1994; Fidler 2008; Steiner 1972; Murschetz 1997, 1998, 2009; Trappel 2005).

In 1972, the influential Austrian Printer and Publisher Association (VÖZ—*Verband Österreichischer Zeitungen*) addressed the federal, regional and local authorities with a wish for exempting their newspapers from tax cost increases arising through a newly introduced value-added tax system which imposed additional costs on newspapers in the form of a tax payable on sales revenues.² Economic and financial problems of Austrian print media companies and an ongoing decline in the number of daily newspapers led the newspaper companies to oppose this additional strain on their economies.³ A compromise was found 3 years later when the federal government under the then Prime Minister *Bruno Kreisky* set up a bill on press subsidisation to daily and weekly newspapers as a means of financial compensation for the value-added tax.⁴ As political parties and various interest groups then controlled a considerably high share of the Austrian print media market, the introduction of public press subsidies in Austria was inextricably linked with public financing of the then existing political parties (Schmolke and Feldinger 1995). As stimulated by the federal government, the management of economic problems of the press was coordinated with the solution of the financial problems of the political parties. Consequently both acts, the *Federal Government Act on tasks, finance, and canvassing of political parties* and the *Federal Act on Press Subsidies*, were passed *en bloc* in the lower House of the National Parliament (*Nationalrat*) in 1975 (*Republik Österreich 1975a, b*).⁵

Since then, subsidies are given to daily and weekly newspapers which meet the following conditions:

- Subsidised papers are eligible for grants so long as they concern themselves with affairs other than of local interest in the areas of politics, economics or general culture and thus serve the political, general economic and cultural information and formation of opinion.
- Subsidised press products must not be mere advertising brochures (*Kundenpresse*) or press organs of interest groups.

² Additionally, the newspaper lobby called for an exemption of local business taxes, payroll tax, advertising tax as well as reductions in postal delivery and rail transport fees.

³ Journalistic titles fell from 27 units in 1961 to 20 units in 1972 and are referred to as full journalistic units, indicating institutionally independent editing as well as journalistic independence.

⁴ Reasons for newspapers in crisis were seen in the structural difficulties of Austrian media companies, low capital equipment, dependence on foreign countries and overall macroeconomic situation at the end of the 1960s, small internal market and deficits of qualifications of media personnel (see Fabris 1976).

⁵ Additionally, periodicals were already subsidised since 1972, when a federal government bill was passed in the National Parliament.

- They must not merely be of local interest and must at least have distribution and importance in one province.
- They must be printed and published in Austria.
- They must at least be published 50 times a year and mainly sold on a single copies basis or on subscription.
- They must have been issued regularly since 1 year at the time of application and must have met the conditions of subsidisation in that previous year.
- Weekly newspapers must have a proven minimum of 5,000 copies sold per issue, dailies 10,000 and both must at least employ two or three full-time journalists.
- Above-mentioned conditions are not applicable for the promotion and preservation of non-German-speaking ethnic groups (*Republik Österreich 1975a*).

While the original idea of subsidisation was equal treatment of all daily and weekly newspapers by means of a *watering can principle*, further strains on the costs of newspaper publishers made necessary major changes of the 1975 *Federal Press Subsidies Act*. When a constitutional commission reported the need for splitting the bill into a general section of subsidisation (*Presseförderung I*), representing the regulations of the previous bills enacted, and a new section of selective subsidies (*Presseförderung II*) was introduced, the so-called special subsidy for the maintenance of variety, granted to newspapers which promoted the formation of political opinion, but were economically weaker newspapers, that is to say, only “secondary” papers at their place of issue. While the original idea of the Act was to support newspaper companies in equal proportion, under the provisions of the new Act in 1985 economically suffering newspapers were to be supported selectively to guarantee press diversity within an advanced democracy. Specifically, the then existing daily newspapers of political parties represented in the parliament and major regional daily newspapers were to be supported selectively (*Republik Österreich 1985*).⁶ After consulting the seven members of the commission, selective subsidies were granted to newspapers and other press products with the following conditions of eligibility:

- The daily newspaper to be subsidised should be of special importance for the formation of political opinion in at least one province with a minimum circulation of 1 % and a maximum circulation of 15 % of the population in the province of origin.
- The newspaper to be subsidised should employ full-time journalists (editors).
- The newspaper to be subsidised should not be a monopolist in the specific market (should not dominate the specific market under consideration); a dominant market position was reached by a circulation exceeding 15 % of the total circulation in the province of origin or 5 % in the whole of Austria.

⁶ The new government bill was initiated by a controversial parliamentary debate on various models of promoting press diversity and curbing processes of concentration in Austria. Explicitly, the press subsidies model of Sweden supported the foil of argumentation for the Austrian considerations. It can only be suspected whether personal political contacts between the two countries had any influence on setting up the bill in its present form.

- The newspaper should not be eligible for subsidisation if the editor or publisher applying also publishes press products with major stress on advertising, calculated by volume of advertising space (by pages) of the previous year, or if there is any other economic or organisational closeness to the editor or publisher of these products.
- The selling price of the newspaper to be subsidised should not differ widely from comparable newspapers' prices.
- A newspaper is not considered as being eligible to subsidisation if more than 20 % of its yearly volume of pages is accounted for by advertising (*Republik Österreich 1985*).⁷

Direct subsidies are not the only financial support to daily newspapers in Austria. Generous and highly controversial subsidies have flown to some printing houses for the building of printing plants and premises or buying new machines and technical equipment under the title "subsidies for the promotion of the labour market" since the mid-1980s.⁸ Initiated rather late in European comparison, both independent and explicitly political printing houses were encouraged to create new jobs.⁹ Granting investment help to independent newspapers without their own printing plant was originally triggered by concerns of the intention of the Vienna-based daily *Kurier* to move to the province of Lower Austria near Vienna for reasons of tax avoidance. After political bargaining, the *Kurier* then eventually decided to stay to build its printing plant near Vienna for which it was granted 80 million Austrian schillings (2013: ca. 5.8 million euros) by the *Federal Ministry of Social Welfare*. Not only did *Familiapress*, the publishing house of Kurt Falk, was granted ca. 66.7 million schillings (2013: ca. 4.7 million euros) by the regional government in Vienna and an additional considerable amount of 133.3 million schillings (2013: ca. 9.6 million euros) by the *Federal Ministry of Social Welfare* in order to build a new printing plant near Vienna, but also did its market dominant counterpart *Mediaprint*, the joint subsidiary of the *Krone-Kurier* merger, receive 180 million schillings (2013: ca. 1.3 million euros), of which 2/3 were financed by the Federal Ministry and 1/3 by the local City Council of Vienna (Holtz-Bacha 1994, p. 531). Once granting these subsidies was started, a controversial *domino effect* of subsidisation was stimulated, which was inherently led by political consideration. Likewise, the regional print barons in the regions received considerable sums of cash grants as well.

Finally, the graphical industry was filled with indignation when government support was granted by the *Federal Ministry of Social Welfare* of another 68 million schilling (2013: ca. 4.9 million euros) to a new printing house in Salzburg (*Druckzentrum West*), enforcing the market power of media giant *Mediaprint*.

All in all, roughly 1 billion schillings (2013: ca. 72 million euros) were granted to Austrian publishing houses by the *Federal Ministry of Social Welfare* and

⁷ A new provision of the Press Subsidies Act in 1992 lifted this yearly volume of advertising pages to 22 %. See *Republik Österreich, Bundesgesetz, mit dem das Presseförderung 1985 geändert wird*, 31/7/1992.

⁸ For the following, see Holtz-Bacha (1994), and Schmolke (1995).

⁹ Sweden had already adopted similar subsidies in the mid-70s.

regional and local authorities to set up new printing plants and modernise existing equipment since 1984. Paradoxically, actual employment effects of new printing systems and technology were never evidenced (*Rechnungshof* 1992).¹⁰

As regards tax relief, the national Austrian tax authorities charge a VAT rate on newspaper sales revenues of 10 % in Austria, a somewhat reduced rate compared to the standard rate of 20 % on other goods and services. However, this is actually a top rate in European comparison. Moreover, 20 % VAT is imposed on advertising revenues. On top of that, regional and local authorities benefit from huge tax revenues from regional and local advertising taxes.

Austria is one of the few countries in the world and the only OECD country that collects this nationwide tax on advertising, leading to drastically high advertising rates in international comparison. These taxes are highly criticised by Austrian newspaper publishers (VÖZ 1995).

9.3 The Current Subsidy Scheme

The *Austrian Communications Authority (KommAustria)* was set up in 2001 in order to regulate the broadcasting sector. Since 2004, it has also been responsible for the federal press subsidy, whereas previously the power of decision lay within the federal government. Before taking a decision as well as before the yearly publication of detailed guidelines the *KommAustria* has to consult an advisory commission which is made up of seven persons: two members are appointed by the Prime Minister, two members by the Austrian Newspaper Association and another two members by the trade union responsible for the journalistic staff of daily and weekly newspapers. These six persons settle on a chairperson.

Although conditions of eligibility are established for the general as well as for the selective subsidies, drawing a definite line between “beneficiaries” and “non-beneficiaries” is not an easy exercise. So it is not only the expertise which makes up the importance of this advisory board, but also the fact that the professional groups of the sector are being represented. This helps to find wise solutions for difficult questions and makes sure that they are widely accepted.

9.3.1 Conditions of Eligibility

The general criteria for daily and weekly papers are designed in a way that only free papers, papers owned by regional or federal authorities, press organs of interest groups (as regards ownership—not to mention political parties and religious communities) and mere advertising vehicles are excluded entirely.

¹⁰ Grants for the establishment of new printing plants provided by the Ministry of Social Welfare were sharply criticised by the Austrian Audit Office (*Rechnungshof*) as both an incentive to distort competition by crowding out small private print media businesses and needlessly subsidising excess capacities.

Eligible newspapers must provide political, economic and cultural information. At least half of the editorial section of a daily and weekly newspapers must consist of contributions created by the newspaper's own editorial staff. Eligible newspapers must show a regular circulation and importance in at least one federal province (only local interest and distribution is not enough). The selling price must not differ widely from comparable newspapers—it has to remain a “fair” market price, thus excluding newspapers practising price dumping. When filing an application, daily and weekly newspapers must have been published regularly for 6 months and must have met the conditions for subsidy during that period.

9.3.2 Additional Premises for Daily Papers

- Minimum of 240 issues per year
- Proven minimum of at least 6,000 sold copies per issue in one federal province or 10,000 in Austria as a whole
- At least six full-time journalists

9.3.3 Additional Premises for Weekly Papers

- Minimum of 41 issues per year
- Proven minimum of 5,000 sold copies per issue
- At least two full-time journalists

Newspapers of the non-German-speaking national minorities (native ethnic groups) do not have to meet these additional conditions: Croatian, Slovenian, Hungarian, Czech, Slovak and Roma minority. In fact, no dailies in a minority language exist, but several weeklies in Croatian and Slovenian language do.

9.3.4 General Subsidy for Daily and Weekly Newspapers

As mentioned before, the general subsidy dates form the original idea of compensation. Thus all daily papers which meet the above-mentioned conditions get the same amount of money—with the exception that this sum is cut by 20 % in case that more than one daily of a publisher or publishing house is eligible. The subsidy for weekly papers is calculated according to the number of sold copies by subscription up to 15,000 and the number of issues per year. Due to the automatism of this subsidy, it is highly calculable for publishers. In 2012, the Austrian Federal Government handed over a total sum of 2.1 million euros to 14 dailies and 1.8 million to 35 weeklies.

9.3.5 Special Subsidy for the Maintenance of Variety

In addition to the general subsidy described above publishers may also benefit from a selective measure directed towards the availability of a diverse range of newspapers in the different provinces. It is granted only to daily papers which are not in a leading market position—neither as regards the reader market nor the advertising market. Thus, the number of sold copies must not exceed 100,000 per issue and the annual volume of advertising pages must not exceed 50 %. Importantly, newspapers which are—as regards the number of sold copies—national market leader or market leader in one of the federal provinces or in second position after the national market leader in one of the federal provinces are excluded. In 2012, seven daily papers were granted this selective subsidy (i.e. ca. 5.2 million euros in total).

9.3.6 Measures to Promote Quality and to Contribute to Securing the Future of the Press

The *Press Subsidy Act* of 2004 also provides for a number of new and additional measures which are aimed at enhancing quality and contributing to the future of the press sector. The reimbursement of the costs of certain activities of the publishing houses is one of the basic ideas. Thus it represents a step away from “automatism” towards a more future- and quality-oriented approach.

As journalistic training and first-hand information have been identified as crucial factors for the quality of newspaper content, publishers of eligible daily and weekly newspapers receive a reimbursement for the costs of the employment and training of young full-time journalists and for the costs of employing foreign correspondents. Further, associations in educating journalists and press clubs received grants under this heading?

Two measures are directed towards attracting new readers for the daily and weekly press: first, associations which have defined the promotion of reading of daily and weekly papers at schools as their only purpose receive subsidies up to 50 % of their yearly costs. Second, publishers which provide schools with daily and weekly newspapers free of charge can be reimbursed for up to 10 % of the regular selling price. But the beneficiaries of the special measures are not only publishers or publishing houses but also others who contribute to enhancing the chances for the print media sector.

For research projects which may contribute to the development of the press sector, a subsidy up to 50 % of the total costs can be granted. 15 studies have been subsidised so far, dealing with research subjects such as self-regulation in the press sector, copyright and electronic archives, media markets in Middle and Eastern Europe, changes in journalistic working conditions, development of instruments for the analysis of the reader market, eye-tracking studies on the readability of newspaper texts and best-practice cases in the field of journalistic training. Amounts between 8,000 euros and 40,000 euros have been granted.

The subsidies for non-profit associations of recognised prestige in the field of journalistic training and for press clubs (non-profit organisations which organise press conferences) have existed since the late 1970s.

9.3.7 Subsidy for Periodicals

Periodicals being published at least four times a year and dealing exclusively or primarily with issues of politics, culture or religion or associated scientific disciplines on a high level and thus serve to provide civic education are granted a subsidy by the *Austrian Communications Authority* if they meet the criteria of Section II of the Act on Political Education. Every year, approximately 120 periodicals apply for this subsidy. In 2012, 341,000 euros were spent under this regime.

9.3.8 Transparency

Besides objective criteria drawing a precise line between eligible and “non-eligible” newspapers, transparency is another important requirement for the granting of state subsidy to the media under the perspective of independence and freedom of the press. Three legal measures are directed towards ensuring this:

- Publication of the results of the allocation process: Since 2004 the *Austrian Communications Authority* is obliged to publish all decisions within 2 weeks. Therefore detailed information on the number of applications, the names of the applicants and the amount of money they are granted or the reason for rejection can be found on the Internet.
- Annual publication of guidelines before the beginning of the so-called “*observation year*”, which provide detailed definitions and explanations of the—to a certain degree—rather general legal provisions.
- Publication of an evaluation report.

9.3.9 Acceptance of State Subsidy

In autumn 2006, the Austrian Communications Authority carried out an evaluation study of the new measures established by the present federal law and presented a written report to the federal government. On this occasion, the newspaper publishers and the journalists’ trade union were given the opportunity to answer to a questionnaire. By reaching 65 % the rate of return was quite high. Only the largest and the second largest publishing companies in the field of the daily press and several publishers of weeklies and magazines abstained from the survey by not

answering. The majority of publishers expressed a positive attitude towards the current subsidy scheme. The following reasons were mentioned:

- Press subsidy is a necessary instrument against market domination.
- The special subsidy for the maintenance of plurality is an important contribution to the existence of smaller papers.
- The new measures are very helpful.

Among the new subsidies, the reimbursement for the distribution of newspapers at schools found the widest approval, followed by the reimbursement of journalistic training costs. Although predominantly satisfied with the subsidy scheme, publishers of weekly papers expressed some reservations. Most frequently, they criticised the limitation of the special subsidy for the maintenance of variety to daily papers and the total funds for weeklies. Moreover it turned out that they benefit less from the new measures like the reimbursement of costs of international correspondents. As most of them focus on regional or even local affairs, they simply do not employ any. Whereas all publishers of daily papers have already benefited from the new measures, only half of the publishers of weekly papers have been able to do so.

The journalist's union expressed all in all a positive attitude towards press subsidy and the reform of 2004. The need for the reimbursement of additional training costs was emphasised. Stressing the necessity of press subsidy from a democratic perspective, the introduction of two further criteria of eligibility was suggested: the existence of an editorial statute governing the cooperation in journalistic matters and the commitment to a code of conduct which addresses ethical standards of journalism.

9.3.10 Effectiveness of Subsidy Measures

The question of effectiveness of the press subsidy measures was also touched on in the course of the evaluation. It has to be mentioned that *KommAustria* did not embark on the interesting but highly complex question of the impact of press subsidy measures on pluralism of content. As the measures of Sections II and III are directed at maintaining a variety of newspapers, the number of newspapers was referred to as an indicator of effectiveness. In 1973, after the first round of concentration, 19 daily newspapers existed. In the following years, the number of newspapers remained stable, though the papers of political parties lost market shares and were financially dependent on state subsidies and financial contributions of the owners. Between 1987 and 1991 a number of those daily papers left the market. The figure went down from eight party papers in 1986 to three 10 years later. Today, the party press has virtually disappeared. The latest sizeable additions to the Austrian daily newspaper market include the boulevard free sheet *Heute* in 2004 and a newspaper called *Österreich* (German for Austria) launched in 2006. The latter is printed all in colour and frequently distributed for free in town centres. This newspaper is oriented towards young adults from 18 to 35 years old. The founders and owners of the newspaper, Helmut and Wolfgang Fellner, are

Table 9.3 The Austrian press subsidy scheme, by type, amount and number of applications (in 2012)

Subsidy type	Amount in euros	Submitted applications	Subsidised applications
Distribution subsidy (Section II of Subsidy Act)	3,923,799.60	50	49
Of which dailies	2,118,851.90	14	14
Of which weeklies	1,804,947.70	36	35
Special subsidy for daily newspapers (Section III of Subsidy Act)	5,287,000.00	7	7
Promotion of quality and future (Section IV of Subsidy Act)	1,575,000.00	68	65
Total	10,785,799.60	125	121

well-known Austrian publishers who managed to restructure the Austrian magazine market earlier in their professional life. They sold their highly profitable magazine group, *News*, to the German *Bertelsmann* group (*Gruner+Jahr*) and invested the revenue in this tabloid.

The financial subsidy scheme may play a key role in supporting economically weak newspapers with low circulation and advertising revenues and thus in preserving them from dying. As regards the concentration of ownership it seems that it is not an important factor: the number of independent publishing houses as owners of the subsidised daily papers went down steadily during the last years. The effect of press subsidy on weekly papers needs a more profound analysis, but the fact that three of them were closed down after cutbacks of the amount of subsidy due to a new calculation method is striking at first glance (see, Table 9.3 above).

Conclusion: Debating the Future of the Scheme

Over the years, the Press Subsidy Act has been hotly debated. It has also been evaluated (*KommAustria 2006; Prognos 1998*). The Austrian Press Subsidy Act was repeatedly criticised. To initiate reform, the Austrian state secretary for media, Josef Ostermeyer (Austrian Social Democratic Party—SPÖ), commissioned an academic expert group led by Hannes Haas, Professor of communications at the University of Vienna, to undertake research into proposals for reforming the current press subsidy scheme. The “Haas Study”, as it is more colloquially called, was later published in February 2013 (*Universität Wien 2013*). Pre-publication leaks of this report had already triggered some expert debate around a plethora of issues for reform of the scheme. In what follows, the main lines of this debate shall be redrawn. Notably, various print media pressure groups in journalism and education (i.e. *Presseclub Concordia*), the Vienna educational forum for journalism (*Forum Journalismus & Medien Wien—fjum*), the Austrian Press Council (*Österreichische Presserat*), the board of trustees in journalism education (*Kuratorium für Journalisten- und Medienbildung*) and the *Austrian Publishers Association (VÖZ)* have issued the following claims:

First, to reform press subsidy law, a single majority is necessary in parliament. This may be achieved by the current grand coalition between the social democrats SPÖ and the conservative party ÖVP. Haas suggested an increase in the subsidy budget from an average 10 million euros allocated annually to 15–20 million euros per year in order to financially alleviate the structural downturn of the industry as such. In addition, Haas argued that over a period of about 4 years, an additional handout of 30 million euros should be allocated to support the transition of print to online. Overall, the Austrian State Secretary Ostermayer resounded positively to the Haas draft and stressed that the amount of subsidies allocated to newspapers would not be the critical issue of the reform. Rather, the scheme's design needed some major refurbishing and this would be the critical mission for its reform.

In general, reforming the current subsidy scheme was deemed necessary across the board of stakeholders: It was claimed that the current system would not represent an effective, fair and innovative scheme. On top, the new scheme would have to focus on efficiency criteria (automatic allocation, clear regime, bright-line criteria, exact and repeated controlling). As it stands, many observers demand a higher budget overall: 50 million euros should be paid out to newspapers (instead of 11 million euros). Fair rules, transparency, innovation and accuracy should be guiding principles of the new Act in 2014.

Further, critics of the press subsidy scheme demand that the licence fee to the Austrian public service broadcaster ORF (i.e. some 600 million euros are collected every year from the Austrian ORF listener/viewer) should be taken into consideration when allocating the new budget to the press. On top, the 120 million euros investment of government advertising into the boulevard press is another very critical issue to be discussed in the context of designing the new press subsidy scheme. These hidden subsidies needed to stop (Trappel and Zettl 2013).

In theory, it was claimed, quality journalism has always been subsidised across markets. Particularly in a country like Austria, which is characterised by a corporatist political culture, government intervention to preserve and promote public value dimensions of the press is still considered to be structurally formative (Hallin and Mancini 2004; Steiner 1972). However, structural change through the Internet would now destroy the traditional business model of subsidising print media (i.e. mixed financing from advertising and sales revenue). The debate was always centred on the question of whether print has a chance against digital information. Innovative alternative cross-media funding models have yet to prove to be sustainably attractive. Following this line of debate, it could be concluded that state funding is obliged to ensure quality journalism in the print media sector comprehensively and effectively. Now, the Haas study report revealed that structural diversity in the print media market is to be ensured by press subsidies; i.e. the structural diversity of titles and views and the editorial quality of content were to be promoted rather than generally the sales of print titles (*University of Vienna* 2012). The economic analysis of the media markets in general and the analysis of the situation in Austria in particular

show that the Austrian market is highly consolidated. This consolidation is reflected in a high degree of supplier concentration and the low diversity of titles of newspapers. This can be explained by high fixed costs, high entry barriers, efficient use of economies of scale through market leading companies and a high degree of saturation of the recipient markets. These Austrian structural features cause a constant shift of competition from quality journalism to business imperatives.

According to Matthias Karmasin, professor of communication studies and an expert observer of the subsidy debate for over some longer time, cuts driven by planned government austerity measures needed to be avoided at any cost. After all, newspapers would deliver almost 50 million euros on advertising taxes and would thus legitimately receive subsidies worth 50 million euros (VÖZ 1995). Further, Haas demanded that subsidies should be given out to online newspapers as well: Competition on promoting cross-media services (i.e. quality online offerings) would allow for structural diversity. Bloggers, citizen journalists, etc., however, are not yet supported. Thus, grants should be given out to specified projects in this field which have evident democratic–political relevance (University of Vienna 2012).

The President of the *Austrian Publishers Association* (VÖZ), Thomas Kralinger, claimed that Austria should follow the Danish model of reform. Denmark has just approved a subsidy for online media. Kralinger welcomed this step. As far as identifying a success performance index for subsidisation is concerned, per capita funding would be a valuable one. While the Danish per capita funding is 9.8 euros (5.5 million people meet 54 million euros), Austria's is only 1.3 euros year per head as Austria currently spends 10.6 million euros for a population of about 8.5 million euros.

Haas also argued for a substantial widening of topics to the subsidy scheme. It claimed that the scheme should be changed into one promoting media more comprehensively across various infrastructures. In the future, non-commercial private TV and private radio should be supported, as well as new media, film and the press council. It is also conceivable to support regional media and free newspapers if an editorial content is recognisable. The funds should come from the ORF-household levy earmarked for the media promotion scheme.

The *fjum* demanded a regular quality monitoring of the Austrian media landscape as well as a yearly monitoring of the media promoting scheme itself. Notably, to ensure quality standards, a code of ethics needed to be introduced that would be linked up to press subsidies as another way of government control. Who is not member of the *Austrian Press Council* (or any other self-regulatory body) should not be eligible to subsidies. Of course, hidden government advertising campaigns and other below-the-line subsidies should be abolished.

The issue of identifying indicators and metrics for subsidy success: Indicators such as the number of full-time employed journalists, the number of foreign correspondents or training days may be introduced.

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