DRAFT REPORT

(2021/2017(INI))

Committee on Culture and Education

Rapporteur: Dace Melbārde
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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

(2021/2017(INI))

The European Parliament,

– having regard to the Treaty on the Functioning of the European Union, and in particular to Articles 167 and 173 thereof,

– having regard to the European Union’s Charter of Fundamental Rights, and in particular Article 11 thereof,

– having regard to the Commission communication of 3 December 2020 to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘Europe’s Media in the Digital Decade: An Action Plan to Support Recovery and Transformation’ (COM(2020)0784),

– having regard to the Commission communication of 3 December 2020 to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘On the European Democracy Action Plan’ (COM(2020)0790),

– having regard to the Commission communication of 25 November 2020 to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘Making the most of the EU’s Innovative Potential: an Intellectual Property Plan to Support the EU’s Recovery and Resilience’ (COM(2020)0760),

– having regard to the joint communication of the Commission and the High Representative of the Union for Foreign Affairs and Security Policy of 5 December 2018 to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘Action Plan against Disinformation’ (JOIN(2018)36),


– having regard to its resolution of 25 November 2020 on strengthening media freedom: the protection of journalists in Europe, hate speech, disinformation and the role of platforms⁴,

– having regard to the digital targets for 2030 in the Commission communication of 9 March 2021 to the European Parliament, the Council, the European Economic and

Social Committee and the Committee of the Regions entitled ‘2030 Digital Compass: the European way for the Digital Decade’ (COM(2021)0118),

– having regard to the Council conclusions in the area of culture and audiovisual of 5 May 2020,

– having regard to the Council conclusions on media literacy in an ever-changing world of 25 May 2020,

– having regard to the Council conclusions on Shaping Europe’s Digital Future of 9 June 2020,

– having regard to the Council conclusions on the Work Plan for Culture 2019-2022 of 12 December 2018,

– having regard to the Council conclusions on media freedom and pluralism in the digital environment of 26 November 2013,

– having regard to its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences²,


– having regard to the study requested by the Committee on Civil Liberties, Justice and Home Affairs entitled ‘Safety of Journalists and the Fighting of Corruption in the EU’ of July 2020,


– having regard to the report of the Parliamentary Assembly of the Council of Europe entitled ‘Threats to Media Freedom and Journalists’ Security in Europe’ of 3 January 2020,

– having regard to the Centre for Media Pluralism and Media Freedom report entitled ‘Media Pluralism Monitor 2020 Results’ of July 2020,

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the report of the Committee on Culture and Education (A9-0000/2021),

A. whereas the cultural and creative sectors, of which news media and audiovisual sectors are an integral part, have been among the hardest hit by the fallout from COVID-19; whereas these sectors are also expected to recover at a more moderate pace than the general economy;

B. whereas, according to early estimates, news media saw its advertising revenues drop by 20 % to 80 %; whereas media organisations face liquidity issues;

C. whereas quality, well-financed and independent news media and professional journalism are an essential pillar of democracy; whereas every effort must be made to increase media pluralism;  
D. whereas the audiovisual sector plays a vital part in fostering the resilience of our democratic societies; whereas the heterogeneity of the sector is also one of its strengths, helping to promote and strengthen Europe’s cultural, linguistic, social and political diversity;

Recovery and support

1. Stresses the fallout of the economic downturn, and strongly reiterates its call on the Commission and the Member States to increase support available for the news media and audiovisual sectors, and the cultural and creative sectors more broadly; considers that allocations for the media sector should be increased across various multiannual financial framework (MFF) programmes; 
2. Welcomes the launch of the ‘NEWS’ initiative for the news media sector, including the European News Media Forum; reiterates emphatically its repeated calls for the creation of a permanent European news media fund; 
3. Highlights the importance of the cross-sectoral strand in the Creative Europe programme, which for the first time provides for actions focused on the news media; 
4. Acknowledges that some parts of the audiovisual ecosystem are not covered by current support measures; invites the Commission to continue exploring tailored support schemes; urges particular attention be paid in all support actions to Member States with low audiovisual production capacity; 
5. Invites the Commission to conduct a study, develop guidelines and share among Member States the best practices in public financing mechanisms; 
6. Believes that tax policies can help recovery and resilience of these sectors; encourages Member States with adequate fiscal scope to help boost media and cinema consumption through VAT rates that accommodate this; 
7. Considers that support for strengthening independent media and media and information literacy should also be an integral part of the EU’s foreign policy; 

Ensuring a level playing field

8. Draws attention to the fact that the current crisis risks speeding up news media consolidation to the detriment of media pluralism in the Union; considers that these trends are particularly unwelcome in smaller markets where the choice is already limited; asks, therefore, for the competition authorities to remain vigilant and consider the long-term impact of mergers and acquisitions not only on market share, but also on

3 No EU country registers a low level of risk in the market plurality area according to ‘Monitoring Media Pluralism in the Digital Era’, p. 50:  
linguistic and cultural diversity;

9. Notes with concern that global online platforms have a vast disruptive impact on the media sector, as they dominate the data and advertising market, and have radically changed audience consumption patterns; underlines that current legislation does not regulate pivotal issues in the information ecosystem such as access to data, digital advertising, algorithmic transparency, platform accountability, must-show and other questions; considers that timely adoption of legislation to help address these shortcomings is a matter of urgency;

10. Recognises the additional challenges for news media operating in smaller markets, including local, regional and niche media, which have limited revenues, and are not viable using current commercial business models, and which cannot embrace new ones that media operating in larger markets can; believes, therefore, that public funding mechanisms based on the arm’s length principle are increasingly necessary;

11. Stresses that it is essential to ensure and maintain the independence of private and public service media from political interference, including from external actors; acknowledges the specific situation Member States which are exposed to geopolitical risks arising from third country interference in their information space, including through media financing; believes that the best viable antidote is a more robust media landscape with steady revenue streams; considers increased transparency to be important, and therefore welcomes the Media Ownership Monitor initiative;

12. Expresses concern about the disruptive trends created by the platforms, as they can undermine competition in the long term, and reduce opportunities for other actors; asks the Commission to monitor the situation closely and, if appropriate, take necessary action to make conditions for competition more equitable;

13. Welcomes the progress made in working out a global solution to effectively taxing the digital economy, based on digital businesses paying tax according to their economic activities in each country; considers that these new sources of revenue should be channelled by Member States to support their audiovisual and news media sectors;

14. Calls on the Commission to elaborate comprehensive European news media and audiovisual sector strategies;

Towards transformation and promotion of the European media and audiovisual sectors

15. Stresses the need for transformation in the news media sector, including through the digitalisation of newsrooms, the uptake of artificial intelligence (AI), changes and improvements to content creation and presentation, as well as better distribution and subscription models, including micro-payments; notes that the above require additional investment and skills that news media sector players often lack, especially those with small market share; calls on the Commission and the Member States to provide tailored support for the digital transformation of the sector;

16. Acknowledges the importance of independent freelance journalism and its potential for growth due to lower entry costs and easier ways to reach an audience, facilitated by innovative publishing and payment solutions, which can improve the economic situation
17. Underlines the added value of including the media sector in media and information literacy initiatives;

18. Considers that in order to help spur competition, the EU also needs to promote the creation and growth of digital media start-ups through easier access to finance and a supportive framework that enables scalability;

19. Acknowledges that the existing creation and distribution models in the European audiovisual sector are largely based on territorial exclusivity, and ownership of intellectual property rights by independent producers and creators;

20. Is of the view that targeted co-production, translation and co-distribution could contribute to increasing the availability of diverse European audiovisual content;

21. Underlines that video on demand (VOD) platforms and other innovations are reshaping the audiovisual media landscape, and by extension creating challenges and also opportunities for incumbent players; notes that in many respects, an irreversible transformation is under way; encourages the sector’s legacy players to enter new markets and embrace innovative business models;

22. Stresses the importance of reducing the audiovisual sector’s carbon footprint, especially at the production stage, which accounts for most CO₂ emissions; notes that digital solutions such as virtual production techniques can facilitate this reduction; believes that the current MFF provides a unique opportunity for funding greening projects and reaching net zero emissions within this decade;

23. Highlights that film literacy is particularly important for making younger audiences aware of European cultural diversity; considers it necessary to develop a film literacy toolkit;

24. Considers that financing for digitisation and promoting the availability of Europe’s audiovisual and film heritage is necessary in order to make it more accessible;

25. Instructs its President to forward this resolution to the Council and the Commission.
EXPLANATORY STATEMENT

Pluralistic, independent and well-funded news media sector\(^1\) is critical to the smooth functioning of our democracies and societies, while a competitive and resilient European audiovisual sector\(^2\) helps promote European cultural and linguistic diversity. The protection and resilience of our European values depend on these sectors. Moreover, the media sector\(^3\) plays also significant economic importance, contributing to job creation and growth, constituting around 3% of the EU’s GDP.\(^4\)

Recognising economic sustainability as a prerequisite to freedom of expression and cultural diversity, the report focuses on restoring the financial viability of the news media and audiovisual sectors. While many of the challenges, that the news media and the audiovisual sectors are facing are similar, substantial differences persist.

The media ecosystem has been fragile already before the COVID-19 outbreak, with media pluralism on a decline.\(^6\) In addition to exacerbating existing problems, the pandemic and the recent economic fallout have brought new ones.

In order to help mitigate the COVID-19 consequences and the continuous market failures as well as to strengthen resilience and restore the economic viability of the media sector, your rapporteur considers that a holistic approach is needed, covering legislative and policy actions in combination with financial support mechanisms. Therefore, the report calls on the Commission to elaborate comprehensive industrial strategies for both the news media sector and the audiovisual sector.

Addressing the pressing issues: recovery and support

When the pandemic hit the audiovisual sector, its effects were immediate. Film productions were stopped, cinemas shut and new releases were suspended or delayed. The recovery remains difficult as the health and sanitary measures continue to be an economic and logistical burden for the sector. In parallel, the relevant markets are changing, shaped by the increasing competition by the video-on-demand services and other innovations. Whilst the EU’s fragmented audiovisual sector helps strengthen the cultural and linguistic diversity, this fragmentation in many ways prevents it from competing effectively on international markets.

For the news media the situation is more complex. Even though journalists throughout the pandemic worked relentlessly to deliver reliable information and news consumption was boosted, the financial situation for the news media further deteriorated, mostly due to vast decline of advertising revenues. This in parallel to the fact that global online platforms in

\(^1\) The news media sector, for the purpose of this report, covers television, radio, print and digital media.
\(^2\) The audiovisual sector, for the purpose of this report, covers players of broadcasting, video and multimedia industries across different stages of the value chain – from the development to exhibition.
\(^3\) The media sector, for the purpose of this report, covers the news media and audiovisual sectors.
\(^4\) According to the European Commission estimates.
\(^6\) Media Pluralism Monitor 2020 Results.
recent years have virtually taken over the relevant data and advertising markets and have also radically changed the media content consumption patterns, without adequately investing back in the European media ecosystem. Moreover, while legacy media remains highly regulated, the existing legislation does not provide similar high standards for online platforms.

In order for the news media sector to endure the crisis, direct and indirect public support measures are needed. However, the challenges are not uniform across the EU. News media operating in smaller markets, including local, regional, cultural and other niche media, face an additional layer of challenges as these markets are too small to implement economically viable business models. The relevant landscape is threaded and the emerging ‘news deserts’ can have an impact on cultural and linguistic diversity. On top of that, for some Member States the geopolitical risks through third country interference in the information space, also through foreign direct investment, are high.

On the side of the audiovisual sector, we should pay a particular attention to Member States with low audiovisual production capacity, and help internationalise and export content from smaller countries.

Given the various challenges the above sectors face, your rapporteur calls to address the financing problem in a structural way both at the EU and at the Member States level, with the former substantially increased. Moreover, the report calls for an increase in allocations for the media sector across various MFF programs already within this programming period as well as to enlarge significantly financing available in the new programming period.

The report welcomes the fact the Creative Europe’s cross-sectoral strand for the first time foresees actions focused on the news media and media and information literacy. Your rapporteur regards many of the ideas put forward by the Commission, including the ‘NEWS’ initiative. At the same time, tailored flinching for the news media must be reinforced inter alia by creating a permanent, well-funded European NEWS media fund. At the same time, your rapporteur stresses that any media support mechanisms need to be transparent, fully respect editorial independence and ensure an arm’s length principle.

The report also invites the Commission to continue exploring tailored support schemes for the audiovisual ecosystem, as some aspects, for instance guarantees for co-production, have not been covered by the existing support measures.

Still, it is Member States that bear the main responsibility in developing favourable environment for the media sector. Direct financing mechanisms at Member State level should be improved and enlarged substantially. Among other initiatives, the report highlights that tax policy is one lever that can help the recovery efforts, where accommodative VAT rates can help boost consumption. The rapporteur invites the Commission to assist Member States by conducting a study and coordinating the sharing of best practices of public financing mechanisms and programs, and through developing guidelines.

In this respect, the report notes the progress made in working out a global solution to effectively tax the digital economy, and considers that such new sources of income should be channelled by the Member States to support the audiovisual and news media sectors.

Regarding the EU’s external dimension, the rapporteur considers that strong political and

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7 Reuters Institute Digital News Report 2020
Financial support for strengthening independent media and media and information literacy should be also an integral part of the EU’s external policy, paying particular attention to the European Neighbourhood and Enlargement region.

**Ensuring a level playing field**

The media sector has been at the forefront of the digitalisation, AI and data revolution. However, digital ecosystem, in the absence of sufficient legal, regulatory and policy frameworks, has been failing the media sector. There is an urgent need for an improved legal framework that provides a level playing field, fosters democracy and cultural diversity.

The existing legislation does not provide regulatory framework covering pivotal issues in the information ecosystem, such as access to data, digital advertising, algorithmic transparency, platform accountability, protection of editorial integrity, must-show and others. As an example, global online platforms do not share relevant consumption data with media sector. In fact, data is used as a competitive advantage by targeting advertisements and content. The report calls for closing of the existing gaps, and in this regard to use opportunities provided by the Digital Services Act and Digital Markets Act.

Another important aspect to address is implementation and enforcement of the existing legislation, in particular AVMSD and Copyright directive, and competition rules. The Commission should ensure that large online platforms do not circumvent the application of these rules. Your rapporteur believes that the Commission could provide crucial assistance to the media sector by ensuring fair and transparent rules for negotiations with the platforms. Furthermore, cooperation within the European Regulators Group for Audiovisual Media Services (ERGA) should be strengthened.

Your rapporteur stresses that it is essential to ensure and maintain independence of private and public service media from political interference, including coming from external actors. The report welcomes the Media Ownership Monitor initiative. Nevertheless, a more comprehensive monitoring of the political economy of the news media sector in the European Union and in the European Neighbourhood is needed. European strategic cultural and democratic assets need to be protected. There is a great danger that economic developments in the media sector might lead to increased concentration of media ownership through, for example, low-cost buyouts, including by foreign adversaries.

At the same time scaling up for the media sector is crucial in order to be able to keep smaller titles afloat and to successfully compete with the global online players, in particular those acting as gatekeepers. The fragmentation of the media sector poses challenges in this respect. Therefore, the report acknowledges that the right balance has to be found. One suggestion would be supporting European media players in their efforts to scale up in line with the Commission’s proposal that envisages the use of European Digital Single market as a native market. At the same time it must be recognised that there is not one single European media market, but many different markets, even within one Member State. European media diversity and local offers are an indispensable part of European democracies, yet the extreme fragmentation is a downside when it comes to competitiveness.

The report acknowledges that the existing creation and distribution models in the European audiovisual sector are largely based on territorial exclusivity and ownership of intellectual property rights by independent producers and creators.
The report acknowledges that VOD platforms and other innovations are reshaping the audiovisual media landscape and by extension both posing challenges, but also providing opportunities. Your rapporteur is of the view that in many respects an irreversible transformation is under way and as such encourages the sector’s legacy players to enter new markets and embrace innovative business models.

Towards transformation and promotion of the European media and audiovisual sectors

The European audiovisual and news media sectors should be at the centre of the EU’s twin digital and green agendas.

Transformation of newsrooms and adoption of innovative business models needs to be facilitated, and also creation and growth of digital media startups through easier access to finance and a supportive framework that enables scalability should be promoted. The report notes, that in particular smaller European media are lacking financing for innovation and investment in digital and green transitions. Hence the need for additional support to be able to fully embrace the opportunities offered by the digital environment, and to be able to compete with the global online platforms for the attention of audiences.

Your rapporteur considers it is necessary to increase availability of diverse European audiovisual content, particularly from smaller Member States, across the EU. Targeted measures for co-production, translation, subtitling, co-distribution and promotion could play a part.

The rapporteur pays particular attention to the financing for digitisation and availability of European audiovisual and film heritage in order to make it more accessible. This should go hand in hand with film literacy initiatives, where, in order to bring together already existing good practices and develop new approaches, the report calls to develop a Film literacy toolkit. The large online platforms should also pay role in promoting media and information as well as film literacy.

The report stresses the importance of reducing the carbon footprint of the audiovisual sector, especially at the production stage, and considers that net zero emissions can be reached within this decade, if opportunities within the current MFF are used effectively. At the same time the Commission should study the impact across the value chain and elaborate targeted measures.

Conclusion

Holistic approach in developing comprehensive media policies at the EU level will require to combine measures, programs and policy initiatives covered by a number of policy fields. It is beyond the scope of this report to address many other important issues such as protection of journalists, particularly addressing the need of an anti-SLAPP directive, situation of artists and cultural professionals, piracy issues, impact of AI on the audiovisual sector and others.

The implementation of relevant initiatives under the European Democracy action plan need to be closely monitored. The numerous challenges of the media sector have to be explicitly taken into account in the legislative work on the Digital Services Act, Digital Markets Act and other forthcoming acts in relation to digital ecosystem. If these horizontal instruments will be short of closing the existing gaps unaddressed issues will inevitably have to be addressed through sector specific legislation.
Your rapporteur stresses that this is a landmark moment for the development of EU news media and audiovisual policies. In order to preserve and protect our European values, promote pluralism and diversity, make European media sector stronger, more resilient and competitive, we should take a balanced approach and properly address all the players across the value chain. Despite being largely driven by private market players, the media sector has a strong ‘public good’ component and is critical for healthy functioning of our democracies.