



Brussels, February 10, 2009

Dear Commissioner Kroes,

We are writing to you on behalf of the European media business to urge you and your services to resist pressure from national cultural ministries who are currently attempting to derail the sensible proposals on state aid to public broadcasters that have been drafted by your department. We refer of course to the current debate over the review of the Broadcasting Communication.

It is our firm belief that European competition policy has a vital role to play in shaping the globally competitive, diverse European industry which we all hope will emerge from the current downturn. Today, however, broadcasting and new media markets are hugely distorted by the lack of clarity and guidance regarding appropriate state aid to public broadcasters who are now not only competing head on with commercial broadcasters, but also with publishers and other media as they continue to use the public purse to launch onto new media platforms, sometimes with questionable public interest and with significant damage to competition in the media sector.

In the EU 27, state aid to broadcasting is estimated – and it is surprising that there are no definitive figures available – as being worth at least €22bn per year. Clearly, this has a significant impact in our sector, an impact that will become even more pronounced given the challenging market conditions in which the private sector currently has to operate. We agree entirely with the analysis you made, following lengthy consultation of stakeholders, in Strasbourg in July 2008: that the 2001 Communication needs to be revised to make it relevant for the digital media age, and that this could best be done in partnership with the Member States. We wish to stress the full support from our businesses for your initiative.

While the draft communication issued by your services in November 2008 may not satisfy all our demands, your text contains very important guidance to Member States on issues such as ex ante scrutiny for new media ventures, independent regulation, the use of reserves and functional separation. These elements are crucial in finding a sensible equilibrium, allowing publicly-funded broadcasters to offer new services, while preventing the huge tactical advantage of guaranteed state funding from distorting the market for other entrants.

Our concern is therefore not so much with your proposals as with the political reaction which they have provoked, particularly among national entities such as Culture Ministries. In particular, it is worrying that the very Member States who annually grant vast (if unquantified) sums of state aid should simultaneously seek to dictate the terms under which such state funding would be compatible with the EU Treaty. Such an approach appears not only to be very damaging to competition in European media markets, but also to rob the European Commission, the guardian of the Treaties, of its vital role as an independent competition authority, tasked *inter alia* with enforcing the rules on state aid, ensuring aid does not affect trading conditions and competition in the Community, and does not run counter to the common interest.

In the wider economy, the trend for more and more sectors to seek financial assistance from governments makes it all the more important that the European Union rules on state aid are rigorously applied so as to ensure that those private sector companies who do not seek public assistance are not unfairly disadvantaged.


We call on you and your services to resist this pressure from ministries who have a vested interest in ensuring minimal scrutiny of state aid and instead to stand by the principle consistently advocated by you, your predecessors and your services: that the interest of Europe's consumers are best protected by thriving, competitive markets in which state aid, while permissible, is not allowed to distort the market.

We are copying this letter to Commissioner Reding and to President Barroso.

Yours sincerely,



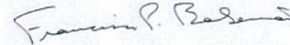
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