STRICT EMBARGO: 30 MARCH 2004

NEWS RELEASE

MEDIA INDUSTRY SETS OUT MARKET DISTORTIONS AND CALLS FOR RIGOROUS APPLICATION OF STATE AID RULES TO PUBLICLY-FUNDED BROADCASTERS

For the first time, Europe's leading private media organisations have come together to commission a detailed White Paper amounting to a frank exposé of the most striking examples of anti-competitive behaviour by the publicly funded media. This major publication from the European Publishers Council (EPC), the Association of Commercial Television (ACT) and the Association Européenne des Radios (AER), coincides with the Commission's current consultation on the future relationship between public services (including publicly-funded broadcasting) and State Aid rules.

Commission officials are due to meet again in April to continue discussions on this issue.

With public broadcasting the **third most subsidised industry in Europe**, the report concludes that years of over-funding and under-regulation of publicly funded broadcasters (PFBs) have undermined the competitiveness of the television industry as well as adversely affecting multi-channel television, TV programme production, radio broadcasting, internet content and the press.

According to the report, entitled "Safeguarding the Future of the European Audiovisual Market", PFBs received 82.2 billion euros of State Aid between 1996 and 2001. It took the Commission over 10 years to deal with some of the complaints against the PFBs. This delay, compounded by:

a) inadequate financial transparency in publicly-funded broadcasting,
b) the failure of Member States to properly define the remit of publicly funded broadcasters in receipt of State Aid,

has resulted in an unprecedented level of market distortion in a liberalised market, evidence of which is detailed in the White Paper.

Specifically, ACT, AER and the EPC contend that PFBs have benefited and will continue to benefit from:

- Forecast growth in State Aid to European PFBs of 4.8%, more than 20% ahead of forecast GDP growth over the period 2001-2004;
- Lack of independent regulation: over half of Europe's PFBs do not fully comply with the independent regulation requirement set out in the Commission's Communication on the application of State Aid rules to public service broadcasting;
- Options to capture commercial revenues in addition to State Aid, something not permitted in other liberalised sectors according to the EU Treaty.

EPC Chairman Francisco Pinto Balsemão said: "Whilst we all support distinctive public service broadcasting, we do not support activities that distort markets or run contrary to the letter or spirit of the EU Treaty. We believe, and our White Paper clearly demonstrates, that a combination of massive State Aid and inappropriate regulation is affecting trading conditions and competition within Member States distorting in particular the advertising market for TV and other media, including the press and new media. The logical conclusion of our study is that publicly funded broadcasters should in future be prevented from having access to commercial revenues when also in receipt of State Aid. "

To this, ACT Director General Ross Biggam added: "Every European State has a unique broadcasting system. But there are some common competition issues, such as the need for independent regulation and for financial transparency. These will become more, not less, important as Europe's media markets move towards the digital future. We will continue to debate these important issues with EU and national institutions".

AER Chairman Sergio Natucci concluded: "As the Commission debates the future of State Aid rules for services of general interest - including broadcasting - we call on everyone involved in the decision-making process to consider what is at stake for the European audiovisual sector. Especially now, on the eve of EU enlargement, we ask the Commission, as champion of fair competition, to ensure that any decisions taken on this issue *strengthen*, not weaken, the existing procedures in order to guarantee, not hamper, the future development of a vibrant, pluralistic audiovisual industry in Europe."

For more information, please contact Heidi Lambert Communications on Tel: +44 1245 476 265 or Angela Mills Wade, EPC, Tel: +44 1865 310 732 or Ross Biggam, ACT, Tel: + 32 2 736 0052 or mobile: +32 477 407733 or Christina Sleszynska, AER, Tel: 32 2 736 9131

ENDS
24 March 2004