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The funding of the online press - from its origin to the temporary state subsidies.

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Introduction

Following the objectives of the Media Pluralism Monitor, this section aims to analyse to what extent the introduction of public funding dedicated to the online journalism contributes to reinforce the independence, plurality and the quality of the journalistic offer in the country. We will first provide an overview of the issues online media face in Luxembourg before dealing more in detail with the new national regulation on online media funding. Specifically, we will analyse how it differs from the existing public subsidies for the print media and to what extend online media have benefited from these fundings. This analysis should allow us to evaluate whether the introduction of the subsidies for online journalism positively affects the media concentration, the linguistic and ideological plurality and whether it contributes to improving the quality of the media production.

The first online media in Luxembourg were created in the 1990s with the launch of *rtl.lu* in 1994 followed by *wort.lu* and *tageblatt.lu* one year later. As opposed to the so-called *digital native media*, the three first online news platforms did not start online but were linked to a media company operating in the offline world. The reasons that brought companies like RTL, the Groupe Saint Paul (GSP) and Editpress to venture into the World Wide Web are manifold. Though they are not dissimilar to the motivations of other, foreign media companies, the social, economic and demographic context of the Grand-Duchy has also played a role in the digitalisation of the national news market.

First of all, the Luxembourgish media landscape had become much more competitive starting from the early 90s and the different companies were forced - then as now - to adapt to the choices made by their competitors on the market. The launch of the first news websites coincides with the liberalisation of the electronic media and the emergence of a new rivalry between the different national media companies. Whereas the privately owned company RTL had hitherto benefited from a monopolistic position in the broadcasting sector, a law introduced in 1991 attempted to liberalise the sector.[1] RTL would no longer constitute the sole producer of commercial and journalistic audiovisual content but would soon be rivaled by new players - first and foremost the giant of the printed press GSP, which launched its in-house radio station *De Neie Radio* (DNR). RTL having fired the starting shot of media digitalisation in 1994, the GSP and its rival in the printed sector, Editpress, were both forced to follow suit. Secondly, the traditional media - first and foremost the printed press - would be able to reduce its production and distribution spending thanks to the digitalisation process, saving costs related to the acquisition of raw material and industrial devices as well as costs related to transport and delivery.

Lastly, the media companies were hoping to attract new consumers as well as advertisers which were both starting to flock the Net. As consumer rates of traditional media - and especially the printed press and TV - were plummeting, the Internet seemed at first sight to be a potential financial bonanza. According to several interviewees, the Internet quickly lead to a frenzy within the Luxembourgish media landscape as most companies were eager to put as much content as possible onto their digital version. One of the main advantages of the Web was the possibility to attract a readership and audience that did not (yet) belong to the traditional consumer group in the offline world. This new readership/audience includes not only younger consumers but also linguistic minorities. In a

[1] Loi du 27 juillet 1991 sur les médias électroniques. (URL: http://legilux.public.lu/eli/etat/leg/loi/1991/07/27/n1/jo)

linguistically diverse country as Luxembourg, Internet offered the possibility to publish content in a language other than the one traditionally used.

The advantages initially associated with the digital turn quickly proved to be over-optimistic. Instead of being a bonanza, the Internet exacerbated the financial difficulties of the Luxembourgish press. Firstly, the offline supports of media companies were rapidly losing revenue due to the migration of ads to the Internet. The *Luxemburger Wort*, which had so far occupied a dominant position in the classifieds[2] market, has sustained serious losses owing to the emergence of online competitors such as *Monster*, *atHome* or *ImmoTop*. Though the GSP has by now created its own classifieds portals, it has not managed to re-establish its hegemony in the sector. Similarly to the classifieds, the revenue resulting from commercial ads has decreased as well. Instead of placing their ads on the traditional media's digital support, a growing number of Luxembourgish advertisers have preferred to disseminate their ads via platforms such as Google or Facebook. What makes these platforms so attractive is their sophisticated system of commercial diffusion, sometimes called "targeted advertising". Facebook and Google are able to direct specific ads to specific consumers based on the latters' interests, sociodemographic profile and geographic location.

Furthermore, as a result of the intensive competition on the Internet, the price that advertisers are paying online to buy advertising space is much lower on the Internet. As opposed to the printed press for example, which establishes the price of its advertising space on the basis of a thousand views (the so-called CPM[3]-model), Facebook and Google use a monetisation model based on the number of clicks an ad manages to attract (the so-called CPC[4]-model). While CPC may be adapted for targeted ads disseminated by Facebook and Google, it is not profitable to media websites. Interrogated about the online monetisation model used by their respective Luxembourgish company, the interviewees stressed that they would not switch over to a CPC-model. However, they also insinuated that there is a certain pressure either to adapt a CPC-model or to drastically lower their "cost per mille"-ratio, due to the competition. Summing up, the media companies are struggling to make profits from ads online while their offline ad revenues are also diminishing due to the migration of ads from analog broadcasting and paper to the Web.

The monetisation on online advertising can also have an impact on the quality of the journalistic content - especially in a CPM-model. If news companies online earn money per thousand views, they may resort to questionable methods aimed at attracting a larger readership. Though tactics like sensationalist titles and shocking visuals have existed ever since the press was invented, it is no surprise that phenomena such as clickbait or fake news have intensified in the age of the Internet. This in turn has exacerbated the so-called crisis of the press by further eroding the trust in the media - especially due to the fact that respected media companies in Luxembourg and abroad have resorted to these tactics in order to increase their ad revenues. Generating traffic has become the *mot d'ordre* of online journalism. The more circulation an article manages to generate, the more profitable it is for the company that produced it. The risk inherent in this system is not only to use manipulative devices like clickbait titles and outrageous images but also to choose the topics according to the traffic it may or may not be able to generate. If articles on the annual amusement park attract more readers - and thus more revenue – than coverage of the financial situation of the country, purely economic calculations would bring media companies to put more emphasis on the former rather than the latter.

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[2] Classifieds ("petites annonces" in French) are small ads usually not published by commercial companies but by ordinary citizens who want to sell an item, who are looking for - resp. who are offering - a job.

[3] "Cost per mille" - i.e. the amount an advertiser needs to pay per thousand views.

[4] "Cost per click" - i.e. the amount an advertiser needs to pay per click on his ad.

Furthermore, in order to generate a maximum amount of traffic, the articles produced by the editorial staff need to be freely accessible. An article hidden behind a paywall will not be able to reach a large readership. For this reason, Luxembourgish media companies with an online presence had initially decided to put their journalistic content on the web for free. Although, the articles reached a larger audience as a result, not only did the media companies lose ad revenue (given the lower tariffs online) but furthermore they were losing on sales. By launching free online versions of their papers, media companies have created their own business rivals. Unless the companies offer exclusive information which cannot be found online, news consumers will have little reason to pay for the consumption of news any longer. Some Luxembourgish newspapers have by now introduced the so-called "freemium"-model consisting of a selection of freely available articles alongside content that is hidden behind paywalls. In other words, this model allows for a free online presence while at the same time limiting the access to some articles to readers which are willing to pay. By doing so, the media company hopes to retain some of the revenues generated by the sales of their product. But in practice, the model has not yet been fruitful.

In a nutshell, the Internet has worsened the financial situation of traditional media companies by reducing both their revenues from ads as well as their revenues from sales. Yet, despite these shortcomings, every Luxembourgish media company has a presence on the Web today. Some interviewees have even admitted that their company intends to further develop their online offer. After all, the consuming habits of the future generations will most likely move away from analog and paper. While there is thus little doubt that the future of the media is online, it is also clear that the financial difficulties and the effects on quality need to be seriously addressed. One of the possible solutions to the issues that online media face, could be a state aid regime for the online press.

Emergence of press subsidy for online journalism

For several years, the Luxembourgish government has been planning to adapt its obsolete public subsidy regime to the new digital media consumption habits. State subsidies for the press were introduced in 1984 and were only designed for the paper press. In the 2013 coalition program, the government committed to study solutions meant to adjust the existing regime of subsidies to the internet era.[5] The first concrete measure has been the introduction, in January 2017, of a transitory regulation offering new subsidies to online journalism in order to assure a more equitable distribution of these subsidies. In fact, several generalist media outlets did not benefit from the state subsidies because they did not fulfill one or several eligible conditions defined in the 1998 law on the promotion of the written press.[6] Two examples of media outlets which were disadvantaged by the existing regulation despite their wide circulation are the Portuguese-language weekly newspaper Contacto, belonging to the GSP, and the monthly magazine Paperjam, founded in 2000, belonging to Maison Moderne. Even though they have a high visibility (both offline and online), provide general

[5] « Le régime actuel de l'aide à la presse écrite, garant de média pluralistes réalisés par des éditeurs professionnels, sera optimisé en concertation étroite avec les éditeurs luxembourgeois. Son évolution à long terme dans le contexte de l'internet et de l'ère numérique sera étudiée. » (programme de coalition gouvernemental 2014)

[6] In order to be able to benefit from a support to the press, a publication must for at least one year meet the following criteria: 1) be published in Luxembourg and appear there at least once a week without interruption except in case of force majeure or fortuitous event; 2) be edited by a natural and legal person established in Luxembourg whose stated purpose is the information trade; 3) have an editorial team of at least 5 full-time journalists linked to the publisher by an indefinite employment contract and admitted by the Press Council as a journalist or journalist-trainee; 4) be likely to affect the entire population and mainly using Luxembourgish, French or German languages; 5) provide general information (national and international); 6) be financed primarily by the proceeds of the sale (with advertising space not exceeding 50% of the total surface area on average); 7) the purchase / subscription must not be linked exclusively to affiliation to an association / organization. (Law of 3 August 1998 on the promotion of the written press)

information, and produce daily online content, they did not receive any direct State support so far.[7] In a speech held in May 2019 at the Chamber of Deputies, the Prime Minister Xavier Bettel, who is also Minister for Media and Communication, stated that this transitory funding procedure will be replaced by general reform of the public subsidy regime that will merge the print press subsidy and the subsidy for online journalism.[8] This project is confirmed by the 2018 new coalition program that also adds two important eligible criteria. Namely that eligible media i) should comply with qualitative criteria and ii) should better take into consideration the plurality of formats, such as for example the online media and the linguistic plurality in the country.[9] To date (October 2019) the government was not able to find an agreement with the editors and journalist representatives on a new general public subsidy regime. As a consequence, what was supposed to be a short transitory regulation appears to become increasingly a permanent one.

Existing regulation to benefit from the funding

The temporary subsidy for the promotion of online journalism is defined by the governmental regulation of 16 March 2018, which modifies the government Regulation of 13 January 2017. Its aim is to encourage "the development of online journalism" (art.1) without other specifications.

The subsidy is not only available to new players in the field who do not yet benefit from state aid but also to existing players, provided the latter are developing their online offer by respecting certain criteria. It should be noted that the body that may benefit from this new subsidy does not need to be specifically associated to the print news sector. It can for example be a news blog, a radio or television website, or any other producers of online content. This broader definition of the state aid beneficiary has been updated in the 2018 regulation. It replaces the notion of "press institution" (organe de presse) that was used in the 2017 regulation, with the notion of "online journalism" (journalisme en ligne).

In order to get funded, the online media have to submit their application to the Communications and Media Service (Service des Media et des Communications). Eligible bodies must have met for at least six months at the time of filing their application seven main conditions[10]:

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[7] According to the study Plurimedia 2019 (TNS/ILRES), Paperjam is read by 11.6% of the population and is the most read monthly magazine. Contacto is the second-most read weekly newspaper with a readership rate of 11.5%. (url: https://www.tns-ilres.com/news/tns-ilres/2019/etude-tns-ilres-plurimedia-luxembourg-2019ii/)

[8] «*D'Regierung huet sech kloer an däitlech hannert de System gestallt an en och erweidert duerch d'Aféiere vun enger zousätzlecher Ënnerstëtzung fir déi professionell Press och um Internet. Mir wëllen déi Pressehëllef net nëmmen erhalen, mä de System och weider reforméieren an adaptéieren, soudass en och deenen neien Erausfuerderunge gerecht gëtt. Mir schaffen un enger Reform, déi als Zil huet, fir déi klassesch Pressehëllef an d'Aide à la presse en ligne zesummenzeféieren* » (Bettel Xavier, Débat de consultation sur l'évolution des médias et la qualité de la presse, séance 36, mardi 9 mai 2017, Chambre des Députés)

[9] « Sur base des travaux déjà entamés, le système actuel du régime de la promotion de la presse écrite sera réformé pour tenir compte de l'évolution des médias et des habitudes d'information et de consommation des citoyens au cours des dernières années. Un régime réformé sera mis en place qui, d'un côté, liera le soutien financier à des critères qualitatifs. De l'autre côté, le champ d'application du nouveau mécanisme sera élargi pour prendre davantage en considération la pluralité des formats, comme par exemple les médias en ligne et la diversité linguistique au Luxembourg. » (programme de coalition 2019)

[10] For the sake of clarity, we will not comment the three supplementary conditions aiming at increasing the users control of *and* from the media. These that online media should: 1) Put in place appropriate means of protection against illicit material on the pages with personal contributions from readers. These means must allow any individual to report all types of illicit content and the editor must be able to immediately delete such content or to prevent any access to said content; 2) Put in place an appropriate tool allowing for the identification of the web users surfing under a false identity in order to empower the persons harmed to exert their rights; 3) Put in place a tool guaranteeing the exercise of the right to reply;

1) *To be a natural or legal person established in Luxembourg who is in the information business*.

2) *To have an editorial team with at least 2 full-time journalists bound to the editor by an employment contract and fully recognised by the Press Council (Conseil de Presse) as professional journalists or trainee professional journalists (2 journalists employed half-time can be counted as one full-time journalist)*;

3) *Offer general information on both national and international levels in the fields of politics, economy, social issues and culture;*

4) *Clearly differentiate themselves, by their content, from the subsidised written press and other online publications which also benefit from the subsidy*;

5) *Publish at least 2 original contributions per working day*;

6) *Be likely to reach the totality of the population with their method of information dissemination*;

7) *Provide proof attesting expenses for online media which are equal to or higher than EUR 200,000 per financial year.*

In this section we will limit ourselves at analyzing to what extend the conditions expressed for the financing of online media differ from the ones applied to the print media and whether they contribute to a type of journalism that is more diverse and qualitative.

A first notable difference with the print sector concerns the access to public funding. In fact, instead of five full time journalists requested for the print media sector, the online media outlet should only have two. Another important difference is that the new regulation also deleted the demand, applying to the print media, that it should be financed primarily by the proceeds from the sale (with advertising space not exceeding 50% of the total surface area on average). From a financial perspective, an online media outlet should attest expenses that are equal to or higher than EUR 200,000 per financial year. While the access to the public funding is clearly facilitated by this new regulation, an amount of EUR 200.000 per year, may still constitute an important hurdle for newcomers. At the same time, it may be justified to limit the proliferation of demands that are not serious.

With regard to the promotion of plurality, the only improvement of the new regulation is the absence of any reference to the language of the content. Unlike the print press subsidy – which stipulates that the information ought to be provided mainly in one of the official national languages, i.e. Luxembourgish, French or German – the public subsidy for the online journalism does not make any reference to the language. This measure alone however is not sufficient to guarantee the plurality of the offer. On the opposite, as we will see in the next section the extension of the linguistic offer has paradoxically reinforced concentration of the media in favor of the two dominant national media groups.

The criteria referring to the content of the online production also do not guarantee a larger plurality. These conditions require that the online media should offer general and original information, on average two times a day. In addition, for the online media, which have an offline support that also benefits from state subsidies, the content of the articles should be clearly different from the content in the subsidized written press. The reason why these criteria do not promote a more plural offer is the absence of an official interpretation of what is meant by “original contribution” and for evaluating whether a contribution “clearly differentiate” from already subsidies news. In addition, there are no criteria referring to the quality of the contribution as well as its length. Finally, the consultative commission does not have the competence nor the human resources to evaluate the content of the media production.[11]

Lastly, whether the independence of the media may be improved is a broad question. We already explored in the precedent section how the progressive transfer of the news from the print media to the online media have radically transformed the relation of the media with the advertising income and therefore the content of certain online publications. Potentially the introduction of the state subsidy may contribute to reinforce their independence of the online outlets from this advertising logic. This raises at least two questions that would deserve further investigation. The first is whether a subsidy of just 100.000 euro is sufficient to guarantee a greater independence. The second is whether the extension of the public subsidy to the online media will further expand the reliance of the media to the State and therefore its capacity to control them.

To sum up, the analysis we did of the new regulation for the funding of online journalism suggests that, while it may help increase the offer of quantitative journalism, it does not guarantee a media offer that is more plural (i.e. less concentrated) and independent. Moreover, in the absence of any criteria dealing with the content of the media offer, there are important risks of misuses of this new funding scheme. In the next session, we will observe whether such fears are justified by looking at the online media that so far have benefited from it.

Comparison of online beneficiaries

So far, 13 online news media have received financial aid - eight of which belong to the two dominant press groups GSP and Editpress. Two websites belong to the group Maison Moderne. The online version of the weekly newspaper Woxx which belongs to a cooperative company (*société coopérative woxx*) also received state support. The list only counts two independent pure players benefitting from state aids - namely on the one hand, *moien.lu* which provides general information exclusively in Luxembourgish and *repoter.lu* which is the first media outlet to be a fully crowdfunded (before getting the public aid for online media).

[11] Government-in-Council Regulation of January 13, 2018 indicates that the advisory commission that is composed of six members: 1) one representative of the editors appointed by the press council; 2) one representative of the journalist appointed by the press council; 3) one academic appointed by the University of Luxembourg; 4) one member of the Service Media and Communication (attached to the Ministry of State); 5) one member of the Information and Press Service (attached to the Ministry of State), 6) one member of the Ministry of Finance.

Online news outlet	Ownership	Language	Print press support
wort.lu/de	Saint-Paul	German	Yes
luxtimes.lu	Saint-Paul	English	No
wort.lu/fr	Saint-Paul	French	Not applicable[12]
contacto.lu	Saint-Paul	Portuguese	No
lequotidien.lu	50% Editpress and 50% Républicain Lorrain	French	Yes
tageblatt.lu	Editpress	German	Yes
lessentiel.lu/de	50% Editpress and 50% Tamedia (Suisse)	German	Not applicable
lessentiel.lu/fr	50% Editpress and 50% Tamedia (Suisse)	French	No
paperjam.lu	Maison moderne	French	No
delano.lu	Maison moderne	English	No
woxx.lu	Société cooperative woxx	German/French	Yes
Moien.lu	Moien News Media S.A.	Luxembourgish	Not applicable
Reporter.lu	Reporter Media SARL-S	German	Not applicable

It results from this breakdown that the online funding scheme reinforces the already very strong media concentration. In fact, almost two thirds of the media that benefit from the online press support belong to two dominant national media groups - that is Editpress and the GSP - both with four media outlets. These groups are also the ones that most benefit from the funds distributed to the print press. In 2018, Editpress received 61% of the total funds allocated to the print press (corresponding to 4.32 M) while the share of the GSP amounted to 25% (corresponding to 1.75 M). Among the remaining media companies on the list, only the société coopérative Woxx is also a beneficiary of state aid for the print press. The other media groups that benefit from the online journalism aid belong to Maison Moderne (i.e. Delano and Paperjam), and the two remaining ones are independent press groups that only offer an online media outlet, i.e. moien.lu and reporter.lu. In sum nor did the online press aid contribute to

[12] "Not applicable" refers to online papers which have no paper equivalent.

mitigate the concentration level in Luxembourg, nor did it contribute to the emergence of new media outlets. In fact, the two independent pure players did already exist before the introduction of the public subsidy for the online journalism.

From a more positive perspective, the media that benefited from the online subsidies reflect rather well the linguistic diversity of the country: five funded online media outlets are in German, four are in French, two are in English, one is in Portuguese and one is in Luxembourgish. The fact that this new funding scheme also allowed to finance media outlets that do not belong to one of the three official administrative languages is an improvement compared to the print press fund scheme, and contributes to reinforce the socio-linguistic offer of the media.

The effect on the ideological plurality is contrasted. First, and most notably, it reinforced the ideological influence of the two dominant media group (outside RTL group): that is Editpress, which is more left-wing and Saint-Paul, which is more traditional oriented. Paradoxically it is by extending their linguistic offer that the dominant media groups managed to further increase their weight. A good example is the group Saint-Paul that offers online news in four languages and therefore is funded four times. Second, the two pro-business and liberal outlets of the media group Maison Moderne receive funding for the first time as well. Third, what appears to be the most positive effect is that it contributed to reinforce the crowdfunded and independent online journal *reporter.lu*. If the new subsidy was not decisive in its creation, it allowed the hiring of new investigative journalists.

A last question that needs to be raised, is whether the introduction of the online press subsidy has contributed to improve the quality of the online offer of the media, which after all should be its main objective. In the absence of any empirical investigation on the quality of the journalistic offer it is not possible to answer this question. What is clear, however, is that the existing criteria referring to the content of the online production are not aimed at improving the quality of online journalism.

Conclusion

Our main conclusion is that while the transitory public fund for online journalism may contribute to increasing a quantitative journalistic offer, it does not fundamentally contribute to fostering a media offer that is more plural (i.e. less concentrate), independent and qualitative. In the absence of criteria focusing on the quality of the media offer, there are important risks of misuses of this new funding scheme.

It appears necessary that the future media funding strategy introduces measurable criteria assessing that the production is truly diversified and original. In addition, as indicated by the coalition program, the future funding scheme should also introduce criteria aiming at assessing the quality of the production as well as the linguistic diversity of the country. The legislator has the extremely challenging task to define what should be these qualitative criteria, who should be responsible for evaluating them and on how regularly this evaluation should be realized.

It is out of the scope of this paper to provide solutions adapted to the Luxembourgish context in order to improve the online media funding scheme, not to mention to introduce a global funding scheming that would merge the online and offline ones. We can only invite the responsible authorities to launch an ambitious research project to respond to these different challenges based on a comparative analysis of the practices implemented in other national contexts. This endeavor is of paramount importance for the credibility and survival of the journalistic profession in Luxembourg.

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