Case No: 74036
Event No: 649732
Dec. No: 112/14/COL

EFTA SURVEILLANCE AUTHORITY DECISION

of 12 March 2014

not to raise objections to a production grant scheme for news and current affairs media

(Norway)

The EFTA Surveillance Authority ("the Authority")

HAVING REGARD to the Agreement on the European Economic Area ("the EEA Agreement"), in particular to Article 61 (3) (c) and Protocol 26 thereof,

HAVING REGARD to Protocol 3 to the Surveillance and Court Agreement ("Protocol 3"), in particular to Article 1(3) of Part I and Article 4(3) of Part II,

Whereas:

I. FACTS

1. Procedure

(1) Following a pre-notification phase, the Norwegian authorities notified a number of changes to an existing aid scheme granting operating aid to newspapers on 21 June 2013 (Event No 676287).

(2) The Authority requested further information on 12 July 2013 (Event No 678092), which the Norwegian authorities provided on 29 August 2013 (Event No 681268). Following changes to the notified scheme that required a further public consultation, the Norwegian authorities submitted an amendment to the notification on 14 February 2014 (Event No 699409).

2. Description of the measure

(3) Norway intends to introduce a new regulation on production grants for news and current affairs media. This regulation replaces the existing scheme granting operating aid to Norwegian news providers. The aid is to be financed through the budget of the Ministry of Culture and be based on media circulation figures.

2.1. Objective

(4) According to the Ministry of Culture's budget proposition for 2013, *"... the main goal of media policy is to ensure a pluralistic media landscape that will provide the population access to a diverse and open public discourse, news and information of high editorial standards, and cultural expressions of high quality and great breadth. An important prerequisite to obtain this objective is the production of content reflecting the Norwegian language, culture, identity and society. [...] The production grants shall contribute to maintain a diversity of newspaper publications throughout Norway and stimulate local newspaper competition.*"[1]

(5) Consequently, the Norwegian authorities intend to support both local media in markets that are too small to be sustainable and secondary nationwide media that represent views and interests that are different from those of their leading competitors.

2.2. Background

(6) According to the Norwegian authorities, direct press subsidies were introduced in 1969 with the aim of maintaining the pluralism of daily newspapers. At the time, paper was an important cost element in the production of newspapers. The subsidies were therefore calculated based on the tons of paper used, multiplied by a grant rate that differed according to the competitive situation of each newspaper. However, this created incentives for companies to increase the use of paper in order to get higher grants. Therefore, as of 1984, Norway switched to calculating the grants based on the number of circulated copies. At the same time, the scheme was extended to include weekly newspapers with a circulation of at least 1000 copies.

(7) Since then, the scheme has been maintained largely unchanged – including with regards to the objective, the target group of the scheme and the qualification criteria. Now, in a more digitalised world, the Norwegian authorities want to make the support scheme independent from the publication platform. In particular, the Norwegian authorities want to open up the scheme to digital publishers of news.

2.3. National legal basis

(8) According to the Norwegian authorities, the scheme is based on Chapter 335, Item 71 of the Ministry of Culture's budget and will be implemented through a regulation. The Norwegian authorities submitted a draft regulation ("the Draft Regulation") as part of the notification.

2.4. Beneficiaries

(9) Under the notified scheme, two groups of news media will be eligible for aid, namely companies publishing leading and sole media and those publishing secondary media.

Leading and sole media

(10) The *leading medium* is defined as a media company that has the largest circulation at the publishing site. A *sole medium* is defined as a media company without any competition at

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[1] See Prop. 1 S (2012-2013).

the publishing site. Leading and sole media companies are only eligible if their circulation figures are above 1000, but do not exceed 6000 copies per edition. Consequently, this group consists mostly of smaller local news providers.

Secondary media

(11) *Secondary media* are defined as media that have a competitor with a greater circulation at the publishing site. In cases where the actual media offerings consist of a portfolio of associated services on different distribution platforms, the competitive position is defined based on the principal medium. Secondary media companies are only eligible if their circulation figures exceed 1000 copies per edition.

Eligibility conditions

(12) Under the notified scheme, media may only receive grants if, for at least one year before the grant is provided, they

"1. have as their primary objective to engage in journalistic production and the distribution of news, current affairs and social debate to the general public. Grants are not awarded to media that have a primary objective of engaging in advertising or marketing. In addition, grants are not awarded to media that are aimed primarily at members or employees of specific organisations, associations or companies.

2. contain a broad range of news, current affairs and debate content from different areas of society. Grants are not awarded to media in which a majority of the content consists of advertisements. In addition, grants are not awarded to media that primarily contain material from just one or a few areas of society, or which primarily contain material aimed at a specific professional, political, ideological, religious or ethnic background.

3. have an editor in chief as defined in the provisions of "Redaktørplakaten" [a set of ethical guidelines for editors which also gives the editor in chief full responsibility for the editorial content].

4. receive genuine payment for news, current affairs and debate content, and advertising, according to a publicly available price list.

5. sell at least half of their approved net circulation through subscription. The product sold in non-subscription sales shall be identical with the product sold through subscription."[2]

(13) Furthermore, the scheme contains a number of conditions to ensure that only companies with a frequent and regular circulation will receive aid. Media with weekly publications must have at least 48 editions and media with twice-weekly publications must have at least 96 editions per calendar year.[3]

(14) Finally, the scheme sets out a number of additional conditions related to the organisation, management and the use of funds. These conditions exclude media companies from the aid scheme that are state-controlled, that cross-subsidise parent or its sister companies or

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[2] Draft Regulation, Section 4.

[3] Draft Regulation, Section 5.

that are very profitable.[4] If media companies distribute dividends, these dividends may not exceed the interest rate on the company's equity, set according to the average effective year rate for government bonds yield for 10 years, with an addition of 2 percentage points to reflect commercial risk. Moreover, dividends per year may not exceed 25% of the production grant received for the previous year, nor a maximum of NOK 1 million.[5]

2.5. Allocation of aid

Calculation of the grant amounts

(15) Under the notified scheme, leading and sole media that are entitled to aid receive a fixed base grant plus another fixed amount for each additional edition beyond a weekly publication. Leading and sole media with a circulation of less than 4000 receive an extra grant. In addition, leading and sole media with a publishing site in Nordland, Troms or Finnmark receive grants at double the normal rate for days when they publish on paper, and not only electronically.

(16) The remaining portion of the budget allocation is distributed between secondary media that are entitled to a grant based on their annual circulation, multiplied by a set rate. This rate varies according to whether the secondary media are nationwide[6], based in large towns[7] or do not fall into these two categories. The grant calculation is subject to adjustments depending on the competitive situation of the media concerned.[8]

(17) The combined grant cannot exceed 40% of the total production cost of each medium. The grant per net circulation copy cannot exceed the medium's average subscription price for the year prior to when the grant is awarded.

(18) Grant amounts and rates are set by the Ministry of Culture based on the budget allocation for the individual years and the financial performance of the various groups of grant recipients.

Allocation procedure

(19) The notified scheme is managed by the Norwegian Media Authority, supported by a Grant Committee whose members are appointed by the Ministry of Culture for a term of four years. The Grant Committee will assist with the assessment of grant applications and otherwise make comments on matters in relation to the aid scheme.

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[4] Section 5 of the Draft Regulation excludes media companies with average profits after taxes of more than NOK 2 million or with an average operating margin of over 10%.

[5] In addition, a media company that forms part of a group may not pay administration fees or overhead costs to the group in excess of 1% of its operating revenues.

[6] Defined as media that have at least 30% of their circulations sold outside the county where the undertaking is established, that have a circulation of at least 100 copies in one-third of the counties and that are published at least six times a week.

[7] Oslo, Bergen, Stavanger and Trondheim.

[8] Secondary media with a circulation of 6000 or more receive a reduced grant if the circulation amounts to 45% or more of the circulation of the leading medium. The grant is reduced by 2.25% for each percentage point the circulation exceeds 45% of the leading medium's circulation. Moreover, secondary media benefit from the nationwide rate if the leading medium has a circulation of over 6000 copies. If all the media at the same publishing site have a circulation of between 2000 and 6000 and have at least two weekly publications, they will all receive grants based on the nationwide rate. In addition, newly established media receive an extra grant for the first year in the scheme, with the exception of newspapers in Nordland, Troms and Finnmark.

(20) Individual decisions made by the Norwegian Media Authority under the Draft Regulation may be appealed to the Media Appeals Board.

(21) The Norwegian Media Authority may grant derogations from the provisions in the Draft Regulation if it is necessary to either maintain the competition on the publishing site concerned or to secure the existence of a medium in a market that is too small to be sustainable. Any decision to apply these derogations is subject to a prior consultation of the Grant Committee.

2.6. Amount of aid

(22) According to the Norwegian authorities, the annual amount of aid under the notified scheme will be similar to the aid amount spent under the existing scheme. In 2012, the total production grant under the existing scheme amounted to NOK 287.6 million (EUR 38.4 million), divided into NOK 55.8 million (EUR 7.4 million) for 109 leading or sole media and NOK 231.8 million (EUR 31 million) for 24 secondary media.

2.7. Duration and transitional rules

(23) The notified scheme will enter into force as soon as the Authority approves the measure. It will last for six years.

(24) Given that the eligibility criteria in the notified scheme differ from those in the existing production grant scheme, some media might lose their entitlement to grants. In order to allow these media sufficient time to adapt their business to these changes, the notified scheme foresees that affected media may benefit from a transitional period of three years during which they will receive a reduced grant.[9]

2.8. Cumulation

(25) According to the Norwegian authorities, the notified aid cannot be cumulated with aid received from other local, regional, national or EEA schemes to cover the same eligible costs.

3. Comments by the Norwegian authorities

(26) The Norwegian authorities do not contest that the notified scheme will result in the granting of state aid within the meaning of Article 61(1) of the EEA Agreement.

(27) The Norwegian authorities have decided to notify the proposed scheme as new aid. They argue that the new scheme introduces substantial changes in comparison to the existing aid scheme given that there will be a change to both the qualification and the allocation criteria. This opens the possibility of receiving grants to further beneficiaries and affects the calculation of the aid amounts. Furthermore, these changes cannot be severed from the existing scheme, which will be replaced.

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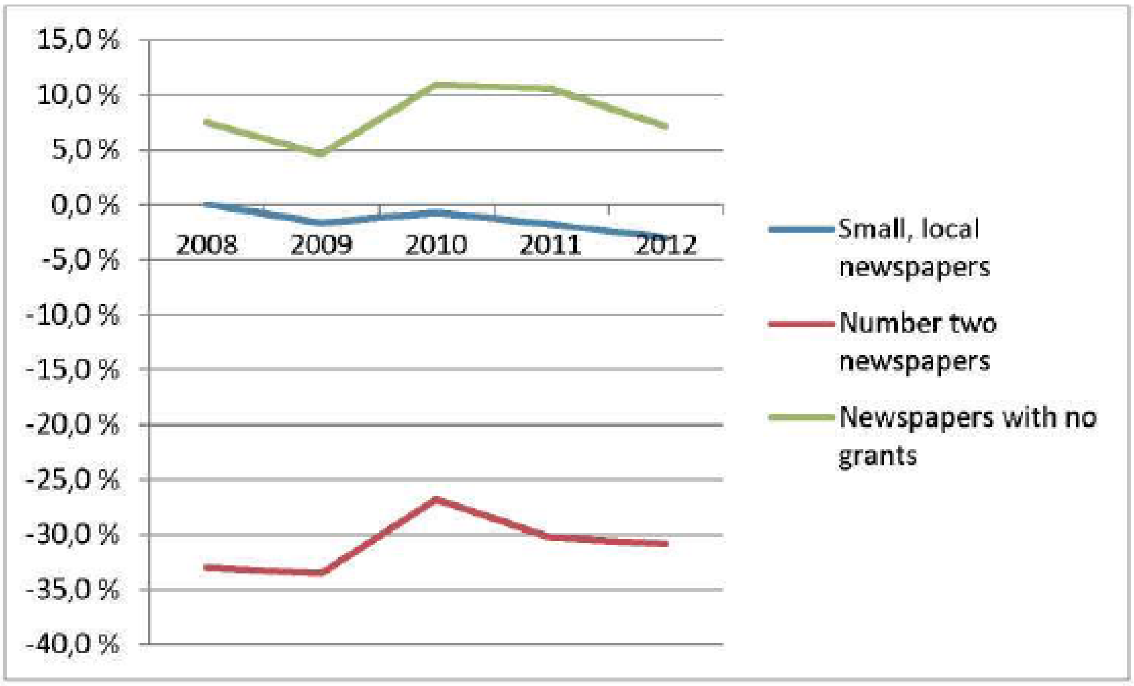
[9] During the first year after the change has taken place, the media will receive a grant corresponding to two-thirds of the grant they received the last year they were entitled to a grant. This will be reduced to one-half and one-third respectively in the following two years.

(28) Regarding the compatibility of the notified scheme, the Norwegian authorities argue that it should be declared compatible under Article 61(3)(c) of the EEA Agreement. The scheme promotes media diversity, which is a recognised objective of common interest. Furthermore, there is a market failure in relation to the ability of smaller news media to finance their operations themselves from advertisement revenue and other income. Indeed, most news media in Norway are structurally loss-making without subsidies:

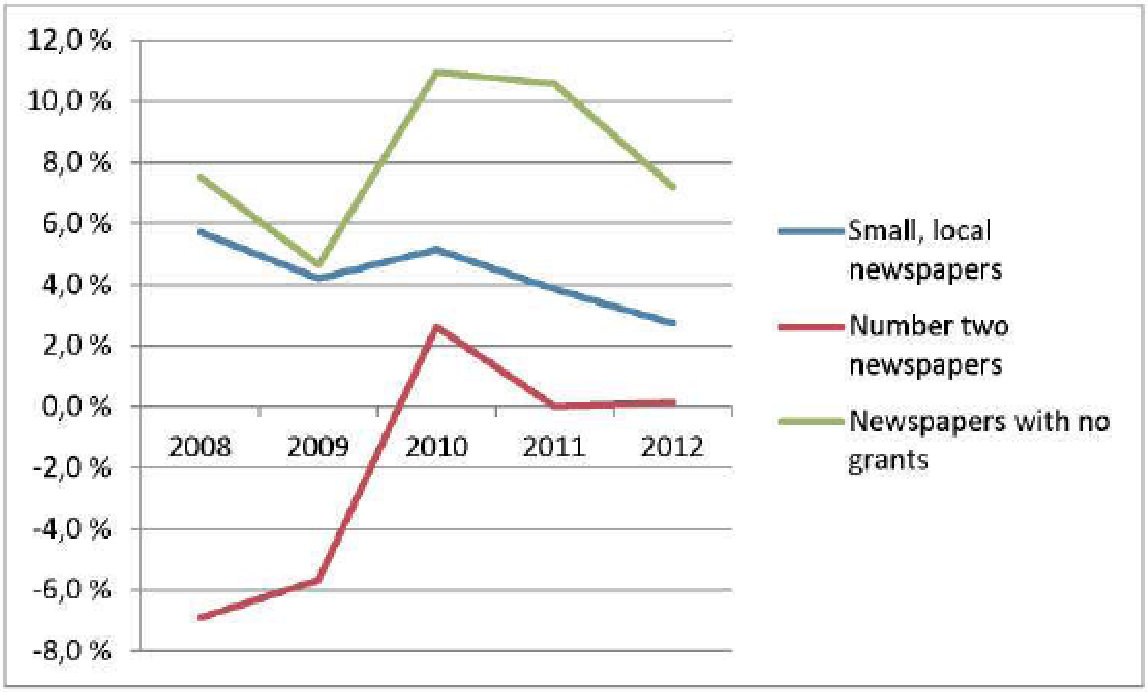
Appendix graph 1. Operating margin before grant – all newspapers



(29) Regarding the need for transitional rules, the Norwegian authorities argue that the media sector in Norway has been receiving subsidies for a long time, and that individual media have integrated them into their financial planning. Accordingly, media that will no longer be eligible for aid under the notified scheme should be afforded sufficient time to adapt to the new rules. Without any transitional rules, there is a high risk that media would simply go out of business, given the generally feeble financial situation in the sector.

(30) The Norwegian authorities also consider that the scheme is an appropriate measure and proportionate, in particular given the limitations in the Draft Regulation with regards to the profitability of aid recipients and the maximum aid amount, which ensures that beneficiaries cover a majority of their costs from sources of income other than state aid. They point out that the state aid under the scheme would not lead to beneficiaries obtaining an unduly strong financial situation. Rather, the Norwegian authorities highlight that most secondary media would only break even with the aid, whereas leading and sole media would be able to make a small profit, enabling them to remunerate their capital within the strict limits of the scheme:

Appendix graph 2. Operating margin after grant – all newspapers



(31) Finally, they highlight that any distortion of competition and effect on trade from the scheme would be limited. Eligible sole or leading news media are small and operate in local markets. In addition, the aid amounts are very small and often remain below the *de minimis* threshold. It is therefore unlikely that trade will be affected. In the case of secondary media, any distortion of competition caused by the production grant is inherent in addressing the difficulties encountered by secondary media in attracting advertisement revenues.

II. ASSESSMENT

1. The presence of state aid

(32) Article 61 (1) of the EEA Agreement stipulates that *"[s]ave as otherwise provided in this Agreement, any aid granted by EC Member States, EFTA States or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Contracting Parties, be incompatible with the functioning of this Agreement."*

(33) A measure thus constitutes state aid if it is funded by the state or through state resources, confers an advantage on selected undertakings or economic activities, and is liable to distort competition and to affect trade between Contracting Parties.

State resources

(34) The notified scheme will be financed from the budget allocation controlled by the Ministry of Culture. The measure is thus financed by the state within the meaning of Article 61(1) of the EEA Agreement.

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Selective advantage

(35) A state intervention favours an undertaking if it provides it with an economic advantage that the undertaking would not have obtained under normal market conditions.[10] In the case at hand, the Norwegian state grants subsidies to news media.[11] It is established case law that subsidies provide an economic advantage that an undertaking would not obtain under normal market conditions.[12]

(36) A measure is selective if it differentiates between economic operators who are otherwise in the same legal and factual situation.[13] In the case at hand, the Norwegian authorities grant the subsidies only to certain undertakings active in the press sector. Other undertakings in Norway do not benefit from the scheme, even if they are otherwise in the same legal and factual situation.

(37) The measure at hand thus entails the granting of a selective advantage to undertakings within the meaning of Article 61(1) of the EEA Agreement.

Distortion of competition and effect on trade

(38) A measure distorts or threatens to distort competition if it strengthens the financial position and opportunities of the recipients with respect to competitors who do not receive the aid.[14] Such a distortion affects or threatens to affect trade between the Contracting Parties if the recipients are active in a sector in which trade between Member States takes place.[15]

(39) In the case at hand, the aid strengthens the financial position of certain undertakings in the Norwegian press sector, while other undertakings in the same sector do not receive such aid. Furthermore, even though undertakings in the Norwegian press sector mainly focus their activity on the Norwegian market, trade between EEA States does take place.

(40) Consequently, the scheme is liable to distort competition and to affect trade between the Contracting Parties within the meaning of Article 61(1) of the EEA Agreement.

Conclusion

(41) The Authority concludes from the above that the measure at hand constitutes state aid within the meaning of Article 61(1) of the EEA Agreement.

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[10] Case C-303/88 *Italy v Commission (ENI-Lanerossi)* [1991] ECR I-1433, para. 22; Case C-39/94 *SFEI and others* [1996] ECR I-3577, para. 60; Case C-342/96 *Spain v Commission (Tubacex)* [1996] ECR I-2471, para. 41.

[11] A subsidy is a *payment* in cash or in kind made in support of an undertaking other than the payment by the purchaser or consumer for the goods or services, which it produces (Case 30/59 *De Gezamenlijke Steenkolenmijnen v High Authority* [1961] ECR 50, p.19).

[12] Case 310/*85 Deufil v Commission* [1987] ECR 921, para. 2; Case T-109/01 *Fleuren Compost* [2004] ECR II-132, para. 53.

[13] Case C-143/99 *Adria-Wien Pipeline* [2001] I-8365, para. 41; Cases T-211/04 and T-215/04 *Gibraltar v UK (Gibraltar corporate tax)* [2008] ECR II-3745, para. 143.

[14] Case C-310/99, *Italian Republic v Commission* [2002] ECR I-02289, para. 65.

[15] Case 102/87, *France v Commission* (SEB) [1988] ECR 4067; Case C-310/99, *Italian Republic v Commission* [2002] ECR I-289, para. 85; Case C-280/00, *Altmark Trans GmbH and Regierungspräsidium Magdeburg v Nahverkehrsgesellschaft Altmark GmbH (Altmark)* [2003] ECR, I-7747, para. 77; Case T-55/99, *Confederación Espanola de Tranporte de Mercancias (CETM) v Commission* [2000] ECR II-3207, para. 86.

2. Procedural requirements

(42) Pursuant to Article 1(3) of Part I of Protocol 3, "*the EFTA Surveillance Authority shall be informed, in sufficient time to enable it to submit its comments, of any plans to grant or alter aid (…). The State concerned shall not put its proposed measures into effect until the procedure has resulted in a final decision*". By notifying their intention to grant the present aid the Norwegian authorities have complied with the notification requirement. The measure has not been put into effect and is conditional on the Authority's approval.

(43) The Authority can therefore conclude that the Norwegian authorities have respected their obligations pursuant to Article 1(3) of Part I of Protocol 3.

3. Compatibility

(44) The Authority notes that there are no guidelines that are applicable to assess measures such as those subject to this decision.

(45) The Norwegian authorities have notified the measure under Article 61(3)(c) of the EEA Agreement, which states that "... *aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest*" may be considered to be compatible with the internal market. Based on the above, the assessment should be in line with the balancing test, which consists of balancing the positive effects with the negative effects of granting the aid.[16] It is based on the assessment of the following questions:

1. Is the state aid measure aimed at a well-defined objective of common interest?

2. Is the state aid well designed to deliver the objective of common interest?

   a. Is the state aid an appropriate policy instrument?

   b. Is there an incentive effect in the sense that the aid changes the behaviour of undertakings?

   c. Is the aid proportional, that is, could the same change in behaviour be obtained with less aid?

3. Are the distortions of competition and effect on trade limited, so that the overall balance is positive?

3.1. Objective of common interest

(46) The measure has to aim at a well-defined objective of common interest. An objective of common interest is an objective that has been recognised by the Contracting Parties as being in their common interest.

(47) The Norwegian authorities submit that the objective of the measure is the promotion of media pluralism and media diversity. The importance of these objectives was confirmed in the Authority's State Aid Guidelines on public service broadcasting, which refer i.a. to the

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[16] This is also in line with the approach taken in the Authority's Decision No. 503/08/COL of 16 July 2008 on the *Mongstad Test Centre* as well as with the Authority's Decision No. 27/09/COL of 29 January 2009 on the *Carbon Capture and Storage Project at Kårstø*.

2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.[17] The Convention states that each party may adopt *"measures aimed at protecting and promoting the diversity of cultural expressions within its territory"*. Such measures may include, among others, *"measures aimed at enhancing diversity of the media..."*.[18]

(48) Furthermore, the European Union also recognises pluralism as one of its fundamental values in the Treaty of Lisbon,[19] and its Charter of fundamental rights sets out that the freedom and pluralism of the media shall be respected.[20]

(49) The Authority concludes from the above that the promotion of media pluralism and media diversity is a well-defined objective of common interest.

3.2. Appropriate instrument

(50) A measure is appropriate if there are no other less distortive instruments to achieve the objective of common interest.

(51) The Norwegian authorities have assessed possible non-aid as well as alternative aid instruments. They point out that there is already legislation in place to ensure a diversity of media ownership and to safeguard editorial freedom. However, although these non-aid instruments also aim at promoting plurality, they are insufficient to create a financial basis for a pluralistic media sector. Regarding alternative aid measures, the Norwegian authorities have assessed proposals for both project-based schemes and production grants with different conditions. However, these alternatives were considered less appropriate and therefore discarded.

(52) Sole and leading media that are eligible for grants operate in small local markets. Given their limited audience, their ability to attract advertising and subscription income is small. Also, given the small circulation, it is difficult for these media to dilute fixed costs and to reach economies of scale. For these reasons it is reasonable to assume that these media need subsidies to remain in business. Furthermore, the data submitted by the Norwegian authorities shows that these media are mostly unprofitable.

(53) Increasing their income by way of subsidies is therefore an appropriate instrument to achieve the objective of fostering media plurality.

(54) In the case of secondary media, the main issue addressed by the scheme is related to the market failure that a disproportionately high share of advertisement accrues to the largest publication in any given market. Again, subsidies are an appropriate instrument to address this imbalance and to foster media plurality.

(55) The Authority therefore concludes that in the present case, state aid is an appropriate instrument to achieve media pluralism and diversity.

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[17] UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions was signed in Paris on 20 October 2005. It was ratified by Norway and accepted by Iceland. The European Union also acceded to the convention.

[18] Article 6(1) and 6(2)(h) of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

[19] OJ C 306 of 17 December 2007, p.1, Article 1(a).

[20] OJ C 364 of 18 December 2000, p. 1.

3.3. Incentive effect

(56) The measure provides the necessary incentive effect if it changes the behaviour of the beneficiaries in such a way that they engage in the activity that would contribute to the objective of common interest.

(57) The Norwegian authorities have submitted information on the financial situation of the potential beneficiaries of the notified scheme. The information shows that most of the media would incur losses without state aid, which in turn would lead to them either ceasing their activities or having to reduce cost.[21] A decrease in the number of different media would be detrimental to media diversity. Cost reductions would most likely affect the quality of the media, e.g. if they result in less editorial staff or a lower number of editions.

(58) Regarding the transitional rules, the Authority notes that subsidies have played an important role in the financing of the Norwegian media sector in the past, and that a sudden withdrawal would be likely to result in the closure of the affected media. The Authority also notes that the transitional rules foresee grants that are limited to three years, at rates that are reducing every year. This should provide an incentive for media that become ineligible under the notified scheme to quickly adapt to their new situation.

(59) Against this background, the Authority considers that the notified scheme has a sufficient incentive effect to induce the eligible media to maintain their offerings, thereby contributing to the objective of ensuring media plurality and diversity.

3.4. Proportionality

(60) A state aid measure is proportional if the desired change in behaviour of the beneficiaries cannot be obtained with less aid.

(61) The Authority notes that the notified scheme provides for a differentiated approach between (mainly small and local) sole and leading media[22] on the one hand, and larger secondary media on the other. Within the latter group, the scheme further distinguishes between media that are published nationwide, in large towns or do not fit in either category. In each case, the scheme attempts to tailor the aid amount to the actual economic situation of the respective group of media. The scheme also contains a possibility for the Media Authority to grant derogations from certain conditions in the Draft Regulation under duly justified circumstances to promote media plurality and competition. Furthermore, it excludes media that show an average profits after taxes of more than NOK 2 million or an average operating margin of over 10%, as there should be no need for any state aid given their profitability.

(62) At the same time, the notified scheme also keeps the level of financing to a reasonable level by introducing an upper aid limit of 40% of total production cost and by limiting the aid to a maximum amount per copy that cannot exceed the media's average subscription price. These limitations ensures that media do not become overly dependent on state aid, and that they retain an incentive to raise revenues from sales and advertisement.

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[21] According to the Norwegian authorities, raising prices or increasing advertisement is unlikely to lead to further revenues.

[22] With the possibility for a further aid amount for certain media in Nordland, Troms or Finnmark, see para. (15) above.

(63) Finally, the scheme contains a number of safeguards to ensure that the aid is actually used within the medium to which it is granted. For this purpose, the scheme limits the possibility of media to cross-subsidise other companies within a group, as well as the payment of dividends. The mechanism for limiting dividends, set out in paragraph (14) above, is intended to enable in particular small media to remunerate their capital, whilst at the same time ensuring that the aid is not misused.

(64) Regarding the transitional rules, the Authority notes that the grants are limited to three years, at rates that are reduced every year. This should ensure that the aid is limited to the amount necessary to assist the affected media in adapting to their new situation.

(65) On the basis of the above, the Authority concludes that the aid is proportionate.

3.5. Distortion of competition, effect on trade and balancing

(66) State aid can be declared compatible if the distortions of competition and the effect on trade are limited, so that the overall balance is positive.

Distortion of competition

(67) As set out in paragraph (40) above, state aid for the production of news media is liable to have an effect on competition. Given that the notified scheme contains different provisions for state aid to sole and leading media on the one hand, and secondary media on the other, the extent of the distortion needs to be determined separately for both categories.

(68) Regarding sole or leading media, the Authority notes that these media are usually small and local in nature. They normally do not have any local competitors (sole media) or only face competing publications that would also in principle be entitled to state aid under the scheme. Furthermore, these sole or leading media will only receive relatively small aid amounts under the notified scheme. Against this background, the Authority considers that the notified scheme will only lead to very limited distortions of competition resulting from state aid to sole or leading media.

(69) Under the notified scheme, state aid to secondary media is likely to put them into a more favourable situation than the competing leading media, which are not eligible for aid. However, this represents a direct and unavoidable consequence of addressing the market failure identified in paragraph (54) above. Furthermore, the Authority notes that the aid level is proportionate and the notified scheme contains sufficient safeguards that prevent media from receiving excessive aid amounts.

(70) Regarding the transitional rules, the Authority notes that the existence of direct production grants since 1969 shaped the competitive structure of the news media sector in Norway. The gradual withdrawal of aid from certain media as foreseen in the notified scheme affords them the opportunity to adapt their business and thus helps preserve media plurality. Against this background, the Authority considers that the transitional rules have only a limited effect on competition.

Effect on trade

(71) Sole or leading media eligible for state aid under the notified scheme are usually small and local in nature. They are mainly aimed at local communities, but might occasionally also be purchased and read outside of Norway, in particular in digital format. In most cases, the aid amounts disbursed to sole or leading media under the notified scheme will be very

small and might even be below the *de minimis* threshold. Against this background, the Authority considers that aid grants to these media are unlikely to have any significant effect on trade.

(72) Secondary media are more likely to be sold abroad or find themselves in competition with imported media. Furthermore, they receive larger aid amounts. However, the Authority considers that the overall effect on trade is nevertheless limited, given the relative size of the media concerned as well as their limited potential readership outside Norway.

Balancing

(73) The overall balance of a measure is positive if the benefits for the objective of common interest outweigh the limited distortion of competition and effect on trade.

(74) With regard to the distortion of competition and the effect on trade, the Authority concludes that they are very limited in case of sole or leading media as well as concerning the aid granted under the transitional rules. For secondary media, the distortion of competition and the effect on trade are more substantial, but represent a direct consequence of addressing the market failure and reaching the objective of the notified scheme.

(75) With regard to the positive effects, the Authority notes that the notified scheme is necessary and proportionate to address the identified market failures and to foster media plurality.

(76) In view of the above, it can be concluded that the negative effects of the measure on competition and trade are outbalanced by the positive effects of the aid, so that the overall balance of the measure is positive.

3.6. Cumulation

(77) The Norwegian authorities have undertaken to ensure that state aid granted under the notified scheme will not be cumulated with state aid received from other sources to cover the same eligible costs.

3.7. Conclusion

(78) On the basis of the foregoing assessment, the Authority considers the notified scheme to be compatible with the functioning of the EEA Agreement within the meaning of Article 61(3)(c) of the EEA Agreement.

(79) The Norwegian authorities are reminded of the obligation resulting from Article 21 of Part II of Protocol 3, in conjunction with Article 6 of Decision 195/04/COL, to provide annual reports on the implementation of the aid.

HAS ADOPTED THIS DECISION:

Article 1

The EFTA Surveillance Authority raises no objections to the production grant scheme for news and current affairs media as notified by the Norwegian authorities.

Article 2

This Decision is addressed to the Kingdom of Norway.

Article 3

Only the English language version is authentic.

Done at Brussels, 12 March 2014

For the EFTA Surveillance Authority,

Oda Helen Sletnes
President

Frank Büchel
College Member