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## France: Press Subsidies-Inefficient but Enduring

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► **To cite this version:**

Matthieu Lardeau, Patrick Le Floch. France: Press Subsidies-Inefficient but Enduring. Paul Murschetz State Aid for Newspapers - Theories, Cases, Actions., Springer, pp.195-214, 2013, Media Business and Innovation, 978-3-642-35691-9. 10.1007/978-3-642-35691-9\_13 . halshs-01290903

**HAL Id: halshs-01290903**

**<https://shs.hal.science/halshs-01290903>**

Submitted on 13 Apr 2017

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## 13.1 The French Press Landscape

The French press has been facing significant economic problems over time. It is called to be in a state of agony or severe and chronic crisis at least. No wonder then that the French State has been intervening into its print media sector rather generously and at length. It would probably not have survived without the many forms of state-mandated cash handouts to keep its ailing print media industry afloat.

However, as the title of our chapter indicates, many of these current state subsidies are more than controversial and thus needed to be analysed carefully and in depth.

The French press is at present regulated by a complex body of press legislation, whose roots may be found in Article XI of the 1789 *Declaration of the Rights of Man and the Citizen*. However, it was not until the Law of 29 July 1881 that the principle of a free press was institutionalized, guaranteeing freedom of opinion and according the right to publish and disseminate information freely without prior restraint through any state authority. The extremely liberal Law of 29 July 1881 was overturned by two major legislative pieces of 1944, and 1986, formulating a stop-and-go policy of both liberal, low-interventionist and strict, high-interventionist press regulation policies. During the Second World War, the provisional government of 1944 announced three orders to protect the press both from government interference and from financial pressures and subordination to commercial interests. Although the immediate post-Liberation period saw a sharp increase in the total print run of daily newspapers, showing an apparently healthy condition of

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the French press, this post-war boom was short-lived: newspaper sales soon began to decline and the number of titles and copies per 1,000 inhabitants contracted, punctuated by only sporadic bursts of growth (Albert 2008).

The core transformation with regard to state intervention occurred at the end of the Second World War, between 1944 and 1947: the *Liberation* movement has settled an extensive public system designed to regulate and financially and politically support newspaper firms which then faced major shortenings of required resources for normally operating a newspaper business (paper, printings, and distribution). Since 1947, the French State has thus played a major role in the economy of the press industry through a full-scale interventionist regulation system, which, up until today, has especially included a range of both direct and indirect public financial subsidies (Santini 1966; de Tarlé 1980; Charon 1991; Eveno 2008).

Since the beginning of the 1980s, however, the French press has been subjected to fundamental changes, the foremost of which are major economic problems as evidenced in falling advertising revenues and increasing costs, with unfavourable production techniques and an underdeveloped distribution system, leading to extraordinarily high sales prices and readers deserting the press (Albert 2008).

Significantly, while French regulators in the 1980s claimed to be preoccupied with efforts to limit concentration and thwart the voracious appetite of domestic press barons, today's emphasis has shifted to enabling French media empires to grow sufficiently large and prosperous to compete with international rivals.

The French press structure is very complex. It is, however, appropriate to typify three segments of newspapers in France:

1. The national daily press of general and political news (abbreviated as PQN, i.e. *la presse quotidienne nationale*), which remains an important segment of the industry even though it was heavily and first hit by the newspaper crisis, losing 7.0 % for total paid-for dailies between 2007 and 2011 (WAN-IFRA 2011). The PQN segment includes the daily opinion press which has practically disappeared, with the remaining newspapers adopting a more neutral tone and limiting political commentaries to editorial articles and op-ed pages.
2. Regional daily newspapers (abbreviated as PQR, i.e. *la presse quotidienne régionale*), published in the morning and circulated throughout the 22 metropolitan regions and the 96 metropolitan departments, which are in a much healthier state than the PQN.
3. The periodical press (*la presse magazine*, e.g. *L'Express*, *Le Nouvel Observateur*), represented by four major general weekly news magazines as well as other press products of specialist nature, together with a family which is spurred by a financial boom and editorial variety and has succeeded in offsetting the national dailies' poor economic performance and the regionals' tendency towards concentration of ownership.

The following Table 13.1 shows titles, political orientation, and paid-for circulation of daily newspapers for 2012. *Le Figaro*, *Le Monde*, and *Libération* are the daily information press's most important titles. However, their influence on domestic public opinion has waned rather dramatically. Today, the PQN is in dire straits and, according to Professor Toussaint-Desmoulin, suffers from "several factors

**Table 13.1** Daily newspapers in France—Title, editorial orientation, and circulation

Title	Editorial orientation	Paid-for circulation
<i>Le Figaro</i>	Right-of-centre	332,064 <sup>a</sup>
<i>Le Monde</i>	Centre	317,742 <sup>a</sup>
<i>L'Équipe</i>	Sports	287,233 <sup>a</sup>
<i>Aujourd'hui en France</i>	Right-of-centre	180,916
<i>Libération</i>	Left	128,122 <sup>a</sup>
<i>Les Échos</i>	Financial	122,669
<i>La Croix</i>	Catholic	86,160
<i>L'Humanité</i>	Communist	44,904 <sup>b</sup>
<i>Présent</i>	Far-right	2,500 <sup>c</sup>

Source: OJD (2012), *diffusion France & étranger payée* (paid circulation in France and abroad) Numbers are a mean of paid-for daily circulation in France and abroad, between July 2011 and June 2012

<sup>a</sup>Including digital version

<sup>b</sup>Data from publisher (not approved by OJD)

<sup>c</sup>Figure 2011 (Direction générale des médias, de l'information et de la communication, Ministère de la Culture et de la Communication)

whose negative effects cumulate: (1) a fall of circulation and readership; (2) weak and irregular advertising revenues; (3) badly controlled production and distribution costs; (4) a high selling price; and (5) increased dependency on state subsidies” (Toussaint-Desmoulins 2002, p. 97). On top, there are further variables which aggravate the deep structural crisis of the French press: concentration and the reader's further disentanglement with its press on a broad scale. The media and defence conglomerate *Lagardere*, for example, has become one of the main shareholders of one of France's most respected dailies, *Le Monde*, and, in 2005, the leftist *Libération* was rescued from bankruptcy by the financier Edouard de Rothschild. Despite protestations on the part of the new financial backers of these two papers and *Le Figaro* that they had no intention of attempting to influence editorial content, the restructuring of the titles coincided with the departure of several long-standing and respected editors.

On the other hand, it is more than noteworthy that the Rennes-based regional daily *Ouest-France* sells more copies than any other French daily paper and has been relatively unaffected by the decline in circulation that has bedevilled the national press over the last half-century, reaching 2.5 million readers daily (and a circulation of almost 750,000 units).

The following Table 13.2 shows France's free daily newspapers and their circulation as of 2012, again as measured by OJD, the French audit bureau of circulation.

Table 13.3 shows the five most popular daily regional newspapers in France, numbers for paid circulation and the covered area of distribution (as of 2012).

To present the French governance scheme of state aid for newspapers first requires locating the nexus of issues firmly into its historical context. To organize this chapter, we shall attempt to provide a historical overview of major developments of the French press subsidy scheme. After reviewing major state and government initiatives and their effects on the country's print media landscape,

**Table 13.2** Free daily newspapers in France: publication title, number of editions, and distributed circulation

Publication title	Distributed circulation
<i>20 Minutes</i> (13 editions)	1,017,633
<i>Direct Matin</i> (12 editions)	918,308
<i>Metro</i> (10 editions)	747,194

Source: OJD 2012, circulation as measured in November 2012

**Table 13.3** The big five daily regional newspapers in France

Publication title	Paid circulation	Covered area
<i>Ouest France</i>	748,394 <sup>a</sup>	12 Departments/North West
<i>Sud Ouest</i>	285,932 <sup>a</sup>	8 Departments/South West
<i>Le Parisien</i>	282,805	8 Departments/the Great Paris/Ile-de-France (and Oise)
<i>La Voix du Nord</i>	255,796 <sup>a</sup>	2 Department/North
<i>Le Dauphiné Libéré</i>	225,832 <sup>a</sup>	9 Departments/South East

Source: OJD (2012), *diffusion France payée*

Numbers are a mean of paid-for daily circulation in France, taken between July 2011 and June 2012

<sup>a</sup>Data from publisher (not approved by OJD)

we shall eventually offer some critical discussion and acclaim of the scheme, a scheme that is as old as 1944.

## 13.2 Press Subsidies: The Early Phase

### 13.2.1 The First General Laws

The French press is based on Article XI of the 1789 Declaration of the Rights of Man and of the Citizen. The Declaration opens by affirming “*the natural and imprescriptible rights of man*” to “*liberty, property, security and resistance to oppression*”. The article 11 states: “*The free communication of ideas and opinions is one of the most precious of the rights of man. Every citizen may, accordingly, speak, write, and print with freedom, but shall be responsible for such abuses of this freedom as shall be defined by law*”.

However, it was not until the *Law of 29 July 1881* that the principle of a free press was included in the French Constitution, guaranteeing freedom of expression and speech and according the right to publish and disseminate information freely without prior restraint through any state authority. The legislation on the press came to limit the abuse of freedom (press offences, defamation) and promote free expression and consumption of the printed press. In the following, a flood of publications was unleashed, pushed by technological innovation and pulled by a strong increase in demand for newspapers.

The extremely liberal Law of 1881 was overturned by the three major legislative push phases, formulating a steady but myriad growth policy of press subsidization.

### 13.2.2 The Liberation Period (1944–1947): Regulating Press Freedom

The government run by Pierre Laval—the chief of government owned a local newspaper himself—initiated the first drive for press support during the Second World War under the Nazi German occupation. Basically, today's scheme still strongly refers to this period.

In mid-1944, the French press needed to be rebuilt (Beuve-Méry 1947). Most newspapers had been closed in 1940 to avoid operating under the control of Nazis. During the Liberation period, the French government defended the following legitimate goal: the end of the Second World War imposed the need to rebuild the whole Nation and this need also affected to entirely restructure the press from scratch to fit the new political, economic, and social conditions. This nation-building exercise was supported by the hopes and aspirations of many French *Resistance* fighters to become journalists and run newspapers themselves, quite in coincidence with their support of the new government and elites coming from the French *Resistance* movement itself. However, they did not own any printing machines or newsrooms and property rights of newspapers, so that creating a newspaper from scratch required time and equity. Thus, only one solution seemed to match: by order of the ordinances of 6 May 1944 and 30 September 1944, newspapers identified as collaborating with Nazi Germany were expropriated and their property transferred to organizations of the French *Resistance*. These were selected by government and top civil servants (Hisard 1955).

From 1944 to 1947, French government and parliament were mainly run by individuals coming from the French *Resistance* movement and implemented policies defined by the *Resistance* spirit (promoting values of fraternity, generosity, and idealism) (Jacquemart 1948; Viannay 1988). Effectively, the laws on press taken between 1944 and 1947 contributed to protect the press from intervention of political power, but also financial pressures and commercial dependencies. Further, these first instances to build a subsidy scheme were also characterized by the pooling of printing paper purchase, the transfer of power to run printing offices (for national dailies) to printing trade unions (in particular, CGT, the *Confédération Générale du Travail*, long affiliated to the French Communist party), and the pooling of the nationwide distribution system (for dailies and magazines).

Among the laws enacted in these years, we shall emphasize the most significant set of “1944–1947 *Ordinances*” (Eveno 2003; Martin 1997) as follows:

- The rules of the *Ordinances* of 22 and 26 August 1944 set forth the economic, financial, and moral standard of the new press industry which intend to protect press from financial and economic pressures and to promote the diversity of opinion; in particular, these ordinances strictly forbade monopolies and press companies' integration and merger (i.e. a single person is not allowed to own more than one newspaper).
- The rules of ordinance of 25 November 1944 authorized the Ministry of Information to set the cover price of a newspaper issue.

- The rules of law of 2 April 1947 (called the *Loi Bichet*) first legalized the freedom of press distribution and put it under the monitoring of a cooperative: the former NMPP later became *Presstalis* (100 % owned by Press publishers' cooperatives). NMPP distributed most national newspapers and nearly 80 % of magazines and multimedia products. This cooperative system gives every publisher and press outlet an equal nationwide access to newsstands.

Although this *Liberation* legislation was supposed to support pluralism and forbid concentration of newspapers ownership, the regional daily press could never be prevented from a de facto monopoly in almost every region of France. The first newspaper—whose publishers and editors were coming from the French Resistance—to be established in the Liberation period benefited from the first-mover advantage and strong barriers of entry into this market (Eveno 2003; Le Floch 1997; Le Floch and Sonnac 2005; Martin 2005; Pigasse 1975; Servan-Schreiber 1972; Texier 2006; Toussaint-Desmoulins 1978/2008).

### 13.2.3 The Post-Liberation Period (1947–1958): Indirect Support

After the newspaper revival petered out by 1950, leaving the country with a permanent sense of imminent doom in its newspaper industry, all professional organizations of the press, principally the federal newspaper association of the French press (*Fédération nationale de la presse française, FNPF*), and various trade union associations addressed the government with a memorandum, asking for support from the state in the interest of free circulation of information. Although newspapers had already benefited from preferential postal tariffs since the French Revolution, the persistent economic problems of the press had to be answered with an extension of support measures. As a result, the post-Liberation administration of the Fourth Republic (1946–1958) came out with preferential tariffs for post and telecommunications, a 50 % reduction for newspaper delivery by the SNCF (*Société nationale des chemins de fer français*), the French national rail operator, an exemption of half of the taxes on newspapers' turnover, and investment benefits. Created in 1948, the subsidy for distribution by rail still operates in 2012 and consists of an annual agreement between the SNCF and the state by which state refunds the SNCF as compensation for reduced tariffs for newspaper delivery.

Dating back to the French Revolution of 1789 (*Declaration of the Rights of Man and the Citizen*) and enacted as law in 1796 (*loi du 4 Thermidor an IV*) with various other legal stipulations following, state support for postal delivery of daily newspapers is thought of as an important service to the French reading public. *La Poste* uses a regular list of subscribers which have to conform to criteria of frequency of publication and nature of delivery [benefits from a reduced tariff when first having received a certificate of selection from the *Commission paritaire des publications et agences de presse* (CPPAP), a state-structured press regulatory agency created by decree on 25 March 1950 that is equally composed by five ministries' delegates and press industry representatives].

Against what was planned as a non-discriminatory regime, based on objective criteria, changes were introduced in 1974 by offering most preferential tariffs to daily newspapers of general and political information with a circulation of less than 150,000 copies which weigh less than 100 g and, importantly, have less than 20 % advertising volume.

As promulgated by the “General Code on Taxes” (*articles 72 et 73 du paragraphe III du Code général des impôts*) on 29 December 1976, it was finally decided that newspapers recognized by the CPPAP should benefit from a reduced rate of 7 % on paper, ink, editorial copy, outside composition and printing, and subscription to news agencies with the beginning of 1977. Even more reduced was newspapers’ VAT on income from sales, which was subject to rebate based on the frequency of publication and advertising volume, thus mainly privileging dailies by taxing them by a rate of 2.1 % on their cover price, and all others with 4 %. On top of that, some non-dailies of general and political information, which were distributed in the provinces or regions and appeared at least once a week and whose cover price did not exceed 75 % of the majority of dailies, were equally allowed a VAT rate reduced to 2.1 %. When the government finally came to extend the favourable rate of 2.1 % to even national weeklies of political character in 1987, last hurdles fell to reduce the 7 % rate to 5.5 % and, more importantly, to fix a rate of 2.1 % as VAT on sales revenues on single copy and sales on subscription for all of the print press when granted an inscription number by the CPPAP. The financial law of 1989 finally created a permanent legal basis for these fiscal advantages, to be financed by the general annual budget. In 2012, the press still benefits from this reduced rate of VAT (2.1 %, with an even more reduced rate of 1.05 % for delivery to French overseas departments and territories).

Further, print and online newspaper publishers and, under certain conditions, printers, distributors, and press agencies are exempted from professional tax (now called “property tax”) (*article 1458 du Code général des impôts*). On top of that, newspapers are released from paying tax on their invested profits (*article 39 bis A du Code général des impôts*). Already introduced in 1945 and originally conceptualized for only 1 year but then renewed annually, this form of support intends to make it easier for newspapers to purchase all necessary equipment and facilities.

### 13.2.4 Since 1972: Direct Support for Pluralism

Following the *Serisé*-report in 1972, a first government report of a working group analysing state aid to the press appeared as a result of which help was directed to daily newspapers with weak financial resources. Introduced in 1972, renewed in 1982, and institutionalized in a decree on 12 March 1986, this assistance fund for national dailies of general and political interest with low advertising resources (*Fonds d’aide aux quotidiens à faibles ressources publicitaires*) provided cash to newspapers in the form of an extraordinary operating subsidy in order to safeguard the economic survival and promote pluralism. This subsidy still



existed in 2012—important modification has been added in 1998, and a last modification dates from 13 April 2012—and is reserved for publications which satisfy in particular the following conditions (as of December 2012):

- French language newspapers
- General and political interest publications
- National newspapers
- Newspapers published at least five times a week
- Newspapers printed on newsprint
- Newspapers with a print run of under 250,000 copies
- Newspapers with sales lower than 150,000 copies
- Newspapers whose cover price range from 80 % to 130 % of the average cover price of all national dailies of general and political interest
- Newspapers with advertising revenues lower than 25 % of their overall annual incomes

In 2012, 9.1 million euros had been given out. Main beneficiaries are the following: The close to Communist Party's daily *L'Humanité* (3.1 million euros), the catholic daily *La Croix*, the left-of-centre daily *Libération* (2.9 million euros), and the far-right daily *Présent* also received 227,000 euros (Françaix 2012).

Similarly, an assistance fund for daily provincial (i.e. regional, departmental, and local) general and political interest newspapers with low revenues from classified advertisements (*le fonds d'aide aux quotidiens régionaux, départementaux et locaux d'information politique et générale à faibles ressources de petites annonces*) was introduced by decree on 28 July 1989. This subsidy still exists in 2012 and is dedicated to publications which satisfy in particular the following general conditions (as of 2012):

- Newspapers with a print run of under 70,000 copies.
- Newspapers whose cover price of the most-run local edition is inferior to 130 % of the average cover price of regional and local general and political interest newspapers.

Further, the beneficiaries should satisfy the specific conditions of one of two following options:

1. First:
  - Paying sales inferior to 60,000 copies.
  - Not be the most important circulated newspaper in the covered area.
  - Advertising revenues coming from classifieds inferior to 5 % of overall revenues.
2. Second:
  - Paying sales inferior to 50,000 copies.
  - Advertising revenues coming from classifieds inferior to 15 % of overall revenues.
  - More than 25 % of the overall paid circulation is supplied for by subscription and postal delivery.

### 13.3 Press Subsidies: The Saturation Phase

As a reflex of still close ties between the political classes and the press, the French government has expanded and improved a system of public aid to the press in a skilful fashion. With the help of various press commissions, established to report on the development of the press sector, French public policy activity performs on a high level of expansive interventionist mechanisms, scarcely surprising in a political culture and system where the ethos and practice of *étatisme* have played, and continue to play, a key role in its internal affairs. In a symptom of the state as rule maker and enforcer of press matters, the former director of the French Press Institute and author of numerous works on the French press, Pierre Albert, has pointed to the differences of other policy approaches to the French way of regulating the press as follows: “*As for the role of the State, in France, it is the exact opposite of its Anglo-Saxon counterpart. In the United States or in England, freedom of expression is considered the natural sequel to ‘laissez faire’, which means that the market rules the world of information, that any regulatory infringement is considered as intolerable, letting the judges dispose of any excesses under common law proceedings. In France, with the tradition of Roman law, the press asks for the law to guarantee its freedom in the name of the necessary protection of pluralism against the eventual excesses of the powers of money: the media cannot be treated as ordinary products or goods for the simple reason that they perform a public service. (...) While certain State subsidies are, for us, considered as a natural contribution of the collectivity to safeguard the press’ pluralism, they are across the Channel - and even more so, across the Atlantic, - considered as a soft-core form of corruption of the paper’s independence*” (Albert 1994, p. 3).

State-sponsored subsidy measures aiming at offering access to information for all citizens in order to stimulate their participation in public life have undergone a series of changes in nature and extent over time, following changes of the responsible political forces. Budgeted either within the general service of the Prime Minister (until 1986 and after 1990), or attached to the budget of the Ministry of Culture and Communication (from 1987 to 1990), subsidies to the daily press were steadily increased from 1985 to 1989. In the summer of 1995, the new government decided to abolish above Ministry and transferred all press affairs to the Ministry of Culture, also then responsible for postal service affairs and new communications technologies. Between 1985 and 1989, total financial subsidies increased by 2.9 %, following increases in the general state budget. Direct subsidies were up by 39.1 % and indirect subsidies up by 1.7 %. It is noteworthy that total direct subsidies accounted for only 4.5 % of total subsidies, so stressing the government’s preference for indirect subsidies.<sup>1</sup> Indirect subsidies are not contained in the national

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<sup>1</sup> If direct subsidies to national and regional dailies of limited advertising resources were to be accounted as “real” direct subsidies, and the other positions the authorities call direct subsidies were not taken into account, the percentage of these “real” subsidies were even reduced to a minuscule 1.2 % of total subsidies.

budget as they do not involve cash payments and are therefore more difficult to assess with precision.

Then Prime Minister Edouard Balladur's initiative to produce a special government rescue plan of altogether French francs 200 million for the written press in 1993 was regarded as vital by many observers to foster a market shaken by an economic downswing in advertising, under-capitalization of companies, escalating production costs, and a disconnected readership.

### 13.3.1 The First "Sarkozy Plan" of State Aid to the Press (1995)

Soon after Alain Carignon announced his demission as minister of communication from the Balladur government, finance minister Nicolas Sarkozy took over command of press affairs in July 1994 and affirmed his intention to prepare efficient and transparent changes in the economic regime of the subsidy scheme with a view to resolving the burning issues ahead. What sat right at the centre of Sarkozy's concerns was the desire to assess the efficacy of what he called "an archaic system" which had to be freed from its dust, thus to gradually relocate its main principle of non-discrimination among its beneficiaries and its culture of pure state dependency. Practically speaking, Sarkozy tackled three main areas of re-evaluation (a) the development of distribution, (b) the defence of pluralism, and (c) the reduction of papers' escalating operating costs.

Sarkozy then came to announce the following ten measures of change in the fiscal, social, and distributional characteristics of the old regime:

- *First measure:* Reduction in social security contributions for hawkers and vendors of newspapers. To accelerate daily newspapers' postal delivery to French households in the early morning, a mere 140,000 copies out of 2.2 million were delivered into the home by December 1994, Sarkozy advocated a reduction of compulsory social security payments for home deliverers from 6 to 4 % in accordance with the Minister of Social Affairs (Bonnet, *Libération*, 26/1/95, p. 47).
- *Second measure:* Exemption of social security contributions for hawkers and vendors of daily national newspapers for 5 years in order to stimulate the particularly underdeveloped home delivery of Parisian newspapers, further to create local delivery structures and complementary dispatches.
- *Third measure:* Contribution to the modernization of distribution costs. Sarkozy's concern over distribution, equally shared by publishers as they generally account for up to 25 % of their total costs of daily newspaper production (Toussaint-Desmoulin 1987, p. 45), stimulated Sarkozy's impetus and centred on the second working group's results of noticing the rather drastic disappearance of selling points over the years, the prohibitive costs of postal delivery of newspapers, and the low percentage of home delivery of particularly the national daily press. Mastering the exorbitant distribution costs of newspapers was first addressed by injecting 140 million French francs into the modernization of the dominant player in national newspaper distribution, the *Nouvelle Messageries de*

*la Presse Parisienne* (NMPP), owned by the powerful industrial conglomerate *Matra-Hachette* by 49 % and controlling one-third of total distribution of the press and half of the kiosk business, with the objective of facilitating early retirement of 374 of its employees (Junqua 1995, pp. 72–73). On top of that, negotiations on early retirement plans between trade associations and the powerful trade union, the *Syndicat du Livre-CGT*, already initiated in 1992, were backed by a sweetener of 385 million French francs to the Paris press, to be spread over 9 years, thereby cutting 872 employees at the end of 1995 with the aim of bringing down the operating costs of newspapers.<sup>2</sup> The modernization plan concerning the NMPP, to be effected from 1994 to 1997, further set out two other goals: qualitatively, an improvement in services and thus productivity, and, second, the reduction of the NMPP's average cost of intervention from 14 to 9 %, with the objective to reduce the average cover price of dailies and periodicals by 10 %, thus aiming at economies of 800 million French francs beneficial to all publishers going with the NMPP. Costs for the state were estimated at 105 million French francs for 8 years (Lambert 1996, pp. 50–51).

- *Fourth measure*: Exemptions from the professional tax on newspapers distributors. As for reversing the trend of kiosks' closures, counted 500 yearly, Sarkozy proposed fiscal advantages for kiosk vendors on the basis of exempting each from their professional tax by an average of 2,000 French francs per annum. This measure was designed to exempt 50 % of distributors from professional tax.
- *Fifth measure*: Moratorium on the VAT rate of 2.1 %. Sarkozy rejected publishers' demands for reducing VAT on newspapers sales by single copy and subscription by pointing to the EU's intended plan to harmonize VAT across the EU at 5.5 %. Publishers acquiesced in Sarkozy's offer for a moratorium.
- *Sixth measure*: Extension of the framework of social plans to regional dailies. Here, the government supported frameworks of social plans of regional weeklies in order to develop stable conditions for plans of early retirement in printing.
- *Seventh measure*: Doubling of the two funds to dailies of low advertising resources. "Defence of pluralism" located the ethical reference point for Sarkozy's emphasis in providing a lifeboat for the national dailies of low financial resources. In practice, the assistance funds for national dailies of general and political interest with low advertising resources would be doubled from 18 million to 36 million French francs.
- *Eighth measure*: Propositions aiming at making the field of applications for state aid more precise. Sarkozy ordered the re-examination of the total number of certified publications inscribed at the CPPAP as well as the limitation of validity of the certificates to 5 years.
- *Ninth measure*: Establishment of a permanent loan fund for new investments. This loan fund was introduced to alleviate investments into new technologies

<sup>2</sup> Interestingly, to facilitate the financial restructuring of the recession-stricken press, the minister also announced to guarantee half of the adverts for the government's privatization plans to be placed in newspapers. See *Le Figaro*, *Un soutien financier exceptionnel*, 13/1/94.

and multimedia operations in order to support an equivalence of 3 % of financial costs of projects submitted. The fund was endowed with 20 million French francs for a period of 5 years.

- *Tenth measure*: Establishment of a fund supporting the weekly regional press of general and political information. Endowed with 5 million French francs, this fund was aimed at supporting weekly regional newspapers with low advertising resources (*Rapport Lambert*, pp. 23–24).

After the presidential elections and the change in government in May 1995, and press affairs subsequently being aligned to the Ministry of Culture under the auspices of incoming Philippe Douste-Blazy, the first Sarkozy plan was expected to be brought to successful conclusion. Despite continuing problems of the press and a flurry of demands addressed from industry leaders to the president and the government, the authorities threw into doubt their future engagement as active agents in the field of information by dissipating various forms of support, moves which have resulted in unease that crept into the relationship between the state and the press.<sup>3</sup> Bitterness in the relations between the national press and the government deepened when the government later decided to put the knife on the projected funds for 1996 and especially failed to deliver Sarkozy's promise to double direct help to the national dailies with limited advertising resources, in order to come out with new but cheaper instruments.<sup>4</sup>

Later, President Jacques Chirac's decision to re-examine the mechanisms of support in order to make them more effective came as another reminder that old guarantees of financial support were continuously to be thinned out. Although total subsidies were increased by 4.1 % in 1996, with national and regional dailies with limited advertising resources benefiting most, long-engrained privileges were steadily dismantled. Most importantly, journalists were stripped off their yearly income tax breaks of 30 % of their first 50,000 French francs (ca. 15,000 euros), a fiscal privilege granted since 1934, sparking off protest strikes on many of the national and regional newspapers, among them *Libération*, *L'Humanité*, and *Le Monde* in October 1996. Given the then profound crisis of the national daily press, the difficulties of public spending as extra austerity measures were brought in, as well as a further liberalization of postal services pending, new support measures seemed only to bottom out a subsidy regime which was continuously downgraded and cut across the board.

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<sup>3</sup> Mutual accusations culminated in Chirac's move to campaign for his presidency in the strong regional daily *La Voix du Nord*, not failing to criticize the national dailies of denigrating the government. See Lloyd (1997). The French are said to be in a bad mood, but perhaps it is their press which is miserable. *Prospect*, January 1997, p. 69.

<sup>4</sup> A projected budget increase in 8.8 % would have resulted in direct help of 287 million French francs. See de Gasquet (1995). Juppé n'envisage pas d'aide conjoncturelle à la presse. *Les Échos*, 30/8/95.

## 13.4 Press Subsidies: The Crisis Phase

### 13.4.1 The Late 1990s

In 1999, Government created the “FDM—*Fonds d’aide à la modernisation de la presse quotidienne et assimilée d’information politique et générale*” (a special fund to grant projects of modernization into printing presses and newsroom facilities of the news press), later endowed with 25 million euros in 2010 (about 5 % of overall direct aids), the FDM was designed to increase productivity of the press, drive innovation in editorial content production, and enhance readership.

At the same time as the state sought to encourage newspapers to modernize and invest in new technologies, it also sought to support them in their policy of reducing overstaffing in print. The *Plan de Modernisation Sociale* was part of the FDM but had a different focus: It aimed to help social modernization in order to adjust labour productivity in the printing plants.

The FDM had several impacts. Most importantly, aid for modernization of printing and, to a lesser extent, for the development of the online offerings emerged as the two main tracks of subsidization which exercised the greatest influence on revenues. Beyond the leverage effect that had been highlighted in the previous reports on the FDM, it emerged that 1 euros of public money directly triggered an investment level of 4 euros out of private budgets. In this respect, the FDM more than achieved its goal.

However, many questions remained concerning the investments subsidized and the mode of governance of the FDM. First, beyond the fact that a number of subsidized investments in the FDM seemed to have no impact on particularly, EBITDA many questions remained about the effectiveness of aid for the modernization of printing. First, measures of productivity gains actually obtained by newspapers were not in sight. Similar to all previous reports, it was revealed that the regulator failed to observe microeconomic impacts of subsidies on production costs of newspapers. A second issue referred to the dilemma of funding printing innovation in an environment of reduced circulation in print. Overall, while it seemed undeniable that the FDM had actually improved business conditions over the past decade, issues of overcapacity could not be resolved through these modernization grants.

On another level, however, the FDM scheme had addressed several important questions for the first time. Notably, the need to invest into print media’s web services had been given much higher attention in the wake of allocating the general budget to the press (*Etats généraux de la presse écrite*). This political drive had further led to an expansion of the scheme *Fonds d’aide au développement des Services en Ligne*<sup>5</sup> (FSL), a new fund to help newspaper publishers go online.

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<sup>5</sup> FSL was initially intended for the periodical press. The fund is now extended to all newspaper publishers and pure players. Only news agencies continue to finance their digital development projects via FDM.

By this, the state provided an interesting incentive framework: It directed the publisher's investment plans into the future fitness of their businesses and, importantly, strengthened the market position of traditional print media houses in the segment for online news provision at the expense of journalistic pure players.

### 13.4.2 The Second Sarkozy Plan of State Aid to the Press (2009)

From October to January 2009, French journalists, publishers, experts, and members of parliament got together to discuss the future of the press in France. The forum, called *Etats généraux de la presse écrite*, was held on the initiative of the then President Nicolas Sarkozy. Its stated goals were to find ways to solve the sector's financial problems and to keep the press alive, pluralistic, and independent.

In January 2009, Sarkozy pledged to help the sector—to the tune of 600 million euros over 3 years. The state measures were wide-reaching. A planned rise in postal rates has been delayed by 1 year, the budget for government messages in the press increases from 20 million to 36 million euros, and 70 million euros has been set aside to fund home delivery of newspapers (up from a previous 8 million euros). The government is also looking at ways to help press distributors financially (notably by reducing social taxes by 30 %).

Further, in a bid to raise the interest in newspapers among the youth, those aged 18–24 will be offered a free weekly subscription to a newspaper of their choice as from September. The newspapers are to be given by the publishers themselves. Delivery would be paid for by government. Press unions expect 200,000 out of a potential 750,000 people will take the grant during the scheme's test phase. But the money is not all for the print media, whose future is increasingly questioned. "*If the press does not take the internet turn it will have nothing to offer the generations born in the digital age*", Sarkozy said. In April, the French parliament passed a bill which grants online news publishers the same status as those in the print media. A fund with 20 million euros has also been set up to help the press move into the Internet era.

In addition to the 600 million euros budget, the government has also pledged to help press publishers cut printing costs. It was assumed that this measure would likely be more difficult to implement because it would effectively lead to lay-offs in printing staff.

State aid was not the only outcome of the *Etats généraux*. The forum also gave birth to an independent initiative aiming to create a new code of practice for journalists. As opposed to existing codes of practice, the new code, if adopted, will feature in the profession's collective labour agreement and therefore have more clout. To come into effect, it will need the backing of unions and publishers.

### 13.4.3 The Cardoso Report in 2010

After the *Etats Généraux de la Presse*, President Sarkozy missioned Aldo Cardoso—a consultant and managing director of *Andersen* for France—to review state subsidies for press and suggest how to reform it. He gave the Ministers of communications and of the budget a report on the State subsidies scheme on September 8, 2010.

First Cardoso concluded that the country's press has been kept in a state of permanent artificial respiration by the huge amounts of financial state aid they receive. Nearly 80 % of state grant is used to cover the operating costs of newspapers' companies and 20 % only goes for investments. Following so many experts and previous reports, Cardoso reminds that government subsidies have discouraged newspapers from finding sustainable financial strategies and have failed to prompt the emergence of strong political and general and herd-news newspapers not dependent on State grants.

The report lamented that the massive subsidies had failed to create the “*emergence or the presence of political and general press titles that were strong and not dependent on public aid*” (p. 2). In order to survive, Cardoso claimed, the French press industry needed to shake up itself, with government pushing it into the right direction. According to Cardoso, state aid would even discourage newspapers from trying to find sustainable financial strategies. Cardoso did not call for an end to public subsidies but suggests a notable reduction, from 1,026 million euros in 2010 to 835 million euros by 2016.

Overall, by end 2012, the French press subsidy scheme instruments covered:

- Direct subsidies:
  1. Distribution aid
  2. Aid for safeguarding editorial pluralism
  3. Modernization aid
  4. Other additional aid
- Indirect subsidies:
  1. VAT reduction on sales revenues
  2. Exemption from professional tax (Tables 13.4–13.7).

All in all, in 2010, the French press received over a billion euros in state subsidies: some 400 million euros in indirect grants, and some 615 million euros (Table 13.8).

Cardoso proposed 15 measures to reshape the press subsidies scheme and make it conditional on innovation in the sector. Among them we highlight the following: allocating subsidies to fund innovation projects, implementing accountability and transparency in the way to allocate subsidies, and in checking the right use of them. But Cardoso did not suggest abolishing the regulating philosophy. Rather, he suggested refining press regulation by state and public bodies in a more efficient way that is by building on an effective outcome-centred intervention strategy.



**Table 13.4** Distribution subsidies

	2008	2009	2010
Postal subsidies	242	265.7	270
SNCF subsidies	5.8	5.5	5.8
Subsidies for distribution abroad	2	2	2
Newspaper distribution subsidies	8.2	70	70
Special help for distributors	0	58	0
Social security exemption for distributors		8	12
<b>Total</b>	<b>258</b>	<b>409.2</b>	<b>359.8</b>

Source: Cardoso (2010), in 1,000 euros

**Table 13.5** Subsidies for safeguarding pluralism

	2008	2009	2010
National dailies with low ad revenues	7	7	9
Subsidies for weekly newspaper	1.4	1.3	1.4
Subsidies for regional newspapers with low level of classifieds	1.4	1.3	1.4
<b>Total</b>	<b>9.8</b>	<b>9.6</b>	<b>11.8</b>

Source: Cardoso (2010), in 1,000 euros

**Table 13.6** Modernization subsidies

	2008	2009	2010
Social plan subsidies to daily newspapers	26.7	24.7	22.7
Modernization subsidies for distribution to the daily national press	12	12	12
Help for modernization of distribution	2	13	12
Modernization aid for online migration	0.5	20	19.5
Modernization aid for editing	20	25	24.2
<b>Total</b>	<b>61.2</b>	<b>94.7</b>	<b>90.4</b>

Source: Cardoso (2010), in 1,000 euros

**Table 13.7** Other direct additional subsidies

	2008	2009	2010
State subscription to AFP <sup>a</sup>	109	111	113
Restructuration help of <i>Presstalis</i> <sup>b</sup>	0	0	15
Printing subsidies (plan “ <i>imprime</i> ”)	0	0	25
<b>Total</b>	<b>109</b>	<b>111</b>	<b>153</b>

Source: Cardoso (2010), in 1,000 euros

<sup>a</sup>The primary client of *Agence France Presse* (AFP), a government-chartered public corporation operating under a 1957 law, is the French government, which purchases subscriptions for its various services. In effect, those subscriptions are, however, an indirect subsidy to AFP. The statutes of the agency prohibit direct government subsidies

<sup>b</sup>*Presstalis*, known until December 2009 as *Nouvelles Messageries de la Presse Parisienne* (NMPP), is a French media distribution corporation. More than 100 newspapers and 3,500 French and foreign magazines are distributed by *Presstalis*. In total, the company distributes many of the national newspapers of France and nearly 80 % of its magazines and multimedia products, using a network of distributors

**Table 13.8** Total direct and indirect aid to newspapers in France

Total direct aid	438	624.5	615
Exemption from commercial tax	200	200	200
VAT reduction	200	200	200
Other	1	1	1
Total indirect aid	401	401	401
<i>Total aid</i>	839	1,025.5	1,016

Source: Cardoso (2010), in 1,000 euros

## Conclusion

The intervention of the French state in the newspaper industry has often been justified by the public service mission that daily newspapers would exercise in ensuring the widest possible dissemination of information. From a historical perspective, the state intervention took place in several stages. The first significant step in the development of the press was the enactment of the 1881 law on freedom of the press. The negative effect of the law was that political freedom was not a sufficient condition ensuring the economic freedom of the press.

As is clear, the French state has played a hyperactive role in financially supporting its newspaper industry over time,<sup>6</sup> itself darkened by a disrupted advertising market, escalating costs of production, and a growing disengagement of readers disaffected by high cover prices. Both unique in amplitude and diversity, governments of either side of the political spectrum have applied generous shot-in-the-arm policies of financial assistance, indiscriminately encompassing the greatest possible number of beneficiaries.

Additionally, another thrust of the interventionist ethos has survived in the vast array of financial aid measures to the press funded by the state. Having developed press subsidies long before the international wave of press concentration, the subsidy scheme in France is said to be the most costly and diversified in Europe, building upon the main principle of non-discrimination towards its beneficiaries. Laid down in a plethora of decrees, supplementary decrees, ordinances, and policy documents, the scheme's main objective has remained to provide access to information for all citizens, to stimulate their participation in public life, and to safeguard and promote the plurality of titles and thus diversity of views.

Subsidies have strengthened the economics of newspapers over the decades, so much that these subsidies are nowadays salient guarantors of survival for many newspapers, in particular the national daily press (Charon 2005; Le Floch 2006; Mathien 2003; Murschetz 1997; Schwartzberg 2007). In all, analysts, commentators, and newspaper executives disagree on the success of state aid to

<sup>6</sup>In 2008, direct subsidies accounted for 60 % of revenues of *France-Soir* and 30 % of *L'Humanité*, ignoring all other indirect aid (Cardoso 2010). In 2012, *France-Soir* went bankrupt. It is obvious that this system did not solve structural problems.

the press as much as politicians argue about its desirability (Truffly 2010). But while the struggle for audiences and advertisers has heated up, with a daily French newspaper industry continuously in danger of becoming a footnote of national media progress, scepticism has emerged about the value of government intervention resulting in the authorities' decision to gradually and relentlessly prune major parts of aid to its press while compensating these reductions with some new instruments, moves much in dissonance with the past. In an advice to the 2012 finance bill, presented by the MP Michel Françaix (*Parti Socialiste*, i.e. the socialist party that holds the parliamentary majority since May 2012) this ethos of "continuity goes change" has been prolonged (Françaix 2012). There, the MP called for focusing on the titles that are the most in need that is the not-for-profit citizen press of quality content. These papers would benefit from only 30 % of public aid.

When asked whether the subsidy scheme to French daily newspapers is successful and coherent in financially strengthening a French newspaper market best thought to exemplify a failed market, only a few specialists have considered the regime to be a success, while the majority pointed to deficiencies regarding its capacity to enable both an effective marketplace for press goods and a democratic marketplace for ideas. As regards the scheme's intention to strengthen the daily newspaper market, most analysts agreed on its fragility. A need for reform was inevitable should the scheme ever become more effective. It now appears that the state has failed to create the conditions for an economic system that would allow publishers to be in a strong position to meet the new challenges. Today, the urgency is not to simply reform the system. Stated simply, it is not about to improve the efficacy of the scheme's design but to question the overall legitimacy of a regime which has historically failed to guarantee the economic survival of the French press.

To conclude, critics of the scheme have pushed into the spotlight the argument that state aid has been far too ineffective and has aimed principally at merely preserving the appearance rather than the reality of a pluralistic press. Freiberg (1981) critically commented on this phenomenon as follows: "*If the European states had been truly interested in such a press [i.e., pluralistic], they could have done far more to protect the financial integrity of the small enterprises from the monopolistic practices of the larger ones. 'Laissez faire' in the realm of the press is an active state policy: 'Laissez mourir'. The aid policies of the French state have clearly served to help big capital in the sector at least as much as small and medium capital; at the same time, though, they have helped legitimate the 'neutral' state apparatus*" (Freiberg 1981, pp. 171–172).

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