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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a common framework for media services in the internal market (European Media Freedom Act)

Delegations will find attached document SWD(2022) 287 final.

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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council
establishing a common framework for media services in the internal market (European
Media Freedom Act)

{COM(2022) 457 final} - {SEC(2022) 322 final} - {SWD(2022) 286 final}

EXECUTIVE SUMMARY SHEET

Impact assessment on the European Media Freedom Act

A. Need for action

What is the problem and why is it a problem at EU level?

As media markets become more digital and inherently cross-border, several problems hinder the proper functioning of the internal media market. These are:

- obstacles to cross-border activity and investment;
- insufficient regulatory cooperation and convergence;
- interference in the free provision of quality media services; and
- opaque and/or unfair allocation of economic resources.

While the gravity of the problems varies across the EU, overall they make it difficult for media players to use the internal market to its full potential, to maintain economic sustainability and to fulfil properly their societal role to inform citizens and businesses.

What should be achieved?

The general objective is to improve the functioning of the internal media market.

Specific objectives of the initiative are the following:

- fostering cross-border activity and investment in the internal media market;
- increasing regulatory cooperation and convergence in the internal media market;
- facilitating free provision of quality media services in the internal market; and
- ensuring transparent and fair allocation of economic resources in the internal media market.

What is the value added of action at the EU level (subsidiarity)?

The initiative will reduce the burden market players face in order to comply with different national legal regimes when they operate in several Member States. It will increase predictability and legal certainty, promote fair competition (especially vis-à-vis global online platforms), enhance cross-border investment and improve the quality of media services provided in the EU. Intervention only at national level would lack scale and the necessary approximating effect. In any case, the initiative will not interfere with national identities or regulatory traditions in the media field.

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

Three options were assessed in detail in addition to the dynamic¹ baseline.

Option 1: Recommendation on media pluralism and independence, encouraging Member States and, in certain areas, companies in the media market to implement a set of actions to promote media pluralism, editorial independence and as transparency and fairness in the media market.

Option 2: Legislative proposal and recommendation on media independence, the former providing common rules for the internal market for media services and the latter encouraging media companies and Member States to foster media independence and transparency.

Option 3: Enhanced legislative proposal adding on top of all the legislative elements of Option 2 further obligations for companies in the media market and regulators to foster the availability of quality media services and transparent/fair allocation of economic resources in the media market.

¹ The baseline scenario is dynamic, as it takes into account all existing relevant EU laws (e.g. AMVSD) and those being finalised (e.g. DSA and DMA).

Legislative proposals would envisage the creation of a board composed of representatives of the relevant national regulatory authorities, assisted by a secretariat provided by the Commission (**Sub-option A**), or an independent EU office (**Sub-option B**).

The preferred option recommended for political adoption is **Option 2 Sub-option A**.

What are different stakeholders' views? Who supports which option?

The option of a balanced legislative intervention as opposed to no action or detailed standard-setting is supported by the public and most other stakeholders, including the media freedom community, consumer organisations, national media regulators, the European Regulators Group for Audiovisual Media Services (ERGA), public and private broadcasters, content distributors, online intermediaries and the advertising ecosystem players. Only publishers would prefer a recommendation, although they do support measures on audience measurement, state advertising and protection of journalistic sources. As regards governance, there is wide support for an oversight structure based on ERGA. Regulators and the media freedom community in particular are in favour of strengthening ERGA, while companies and business associations would rather keep it in its current form.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

A better functioning internal media market will lead to increased investment, scaling up and competition, thus improving the viability of media companies and providing consumers with access to a more diverse range of quality media content. The annual net economic benefits, in terms of increased revenues of media companies, are estimated at EUR 2.9 billion. The expected societal benefits include growing accountability and trust in the media and improving media freedom and pluralism, thus strengthening the rule of law and democratic standards.

What are the costs of the preferred option (if any, otherwise of main ones)?

The preferred option will entail no costs for citizens, and only negligible adjustment costs for businesses, i.e. overall one-off costs for all companies between EUR 9.4 and 14 million and recurrent annual costs between EUR 5.6 and 14.5 million all of which will be absorbed into business-as-usual costs. The annual costs for public authorities will be EUR 6.1 million. This will include approximately EUR 2 to 2.3 million in annual costs for the EU: 8-10 full-time equivalent posts plus around EUR 1 million² operational budget estimated for the governance solution set out in Sub-option A.

What are the impacts on SMEs and competitiveness?

Costs for SMEs are expected to be minor, mainly linked to familiarisation with the new measures. They will be balanced by increased benefits, which are expected to be significant as the preferred option would enable SMEs to operate, including across borders, in a more predictable and consistent regulatory environment. The initiative would expand the playing field for SMEs to compete with other market players, including online platforms. In addition, more transparent and fairer allocation of state advertising would reduce market distortions, for the benefit of SMEs.

Will there be significant impacts on national budgets and administrations?

National authorities will incur recurring administrative and enforcement costs, but also savings: national media regulators could expect to save up to 20% of their current annual expenditure related to coordination in ERGA. The preferred option is expected to increase the quality of cooperation among media regulators and help them to tackle the cross-border challenges. In addition, the measures on state advertising and independence safeguards for public service media will increase transparency and effectiveness of the use of state resources.

² The legislative financial statement includes detailed figures on the costs for the EU.

Will there be other significant impacts?

Growing provision of quality media content, greater market transparency and safer information space will empower and better protect consumers, improving the conditions for the exercise of freedom of expression and information. In addition, improved access to quality media services for the public and businesses will improve the integrity of the single market as a whole.

Proportionality?

The measures envisaged in the preferred option are focused and do not go beyond what is necessary to achieve the objectives of the initiative. In particular, the preferred option only envisages balanced harmonisation measures, coupled with a cooperation framework for national media regulators in an EU board, which are necessary for the proper functioning of the internal media market. The proposal is mindful of the burden on different actors and limits the new obligations to the essential ones, with direct compliance and enforcement costs commensurate with the initiative's objectives.

D. Follow up**When will the policy be reviewed?**

After the adoption of the legislative instrument, Member States will be given between 3 and 6 months to adapt their national frameworks, depending on the relevant provisions. Its first evaluation will take place 4 years after the new rules' entry into force, and subsequent evaluations will be carried out every 4 years. An independent mechanism to monitor risks to the functioning of the internal market for media services will be established under the legislative instrument. In the case of the recommendation, a specific monitoring scheme will also be envisaged. In particular, Member States will submit to the Commission all relevant information regarding measures and actions taken on media ownership transparency. Other areas of the recommendation will be monitored as part of the mechanism established by the legislative instrument.