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STATE SUPPORT OF THE LOCAL PRESS: WHAT MECHANISM SHOULD BE IMPLEMENTED?

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Abstract

The aim of the article is to study the national legislation, the results of which evidence a certain disagreements between legal terminology and understanding of the role and functions of the state in mass media. Due to existence of certain reasons, both objective (complexity of regulatory and legislative procedures) and subjective (cumbersomeness of the state administration apparatus, excessive bureaucracy, in competency), the development of the state information policy is lagging behind changes in social development. In particular, it relates to the change of a model and review of the fundamental mechanisms of the state support of media in Ukraine. Most urgently this issue concerns the print media for local distribution markets.

Key words

expert discussions of the optimal mechanism, criteria of the state support, terms for providing such support; efficiency, control and monitoring indicators.

1. Introduction

The issue of modernization of the state information function of the state becomes extremely urgent at the modern development stage. The topic draws attention of not only specialists, scholars, administrators, politicians, but also the great variety of general public, since modern interpretation of tasks and objectives of the state information policy is a matter of interest, to some extent, of each legally capable citizen.

It needs to be mentioned that contemporary studies of the media-state relations, positively view the idea of the state support of local media. Thus, the

Council of Europe Recommendation No. R (99) 1 „On Measures to Promote Media Pluralism” regulates the right of the member states to introduce, with a view to enhancing media pluralism and diversity, state support schemes for the print media, in particular at local level.

It is considered that national newspaper markets are more inclined to conformity with external pluralism than local markets. At the same time conceptual models of understanding these factors in a comparative analysis have practically not been developed.

On a basic level, the states are distinguished between liberal democracies (USA) and welfare state

democracies (Western Europe), which are expected to intervene with media markets to achieve a series of goals – from political pluralism and strengthening the democracy to racial harmony and support of national language and culture. In turn, researchers suggested to review three models of modern media-systems, among which, we believe, the most suitable for Ukraine would be the *democratic corporatist model*.

This model conceptualize a strong state intervention but with protection for press freedom; press subsidies; strong public-service broadcasting.

World experience shows that state subsidies of the media is not a unique matter, characteristic only of authoritarian countries. The following forms of the state intervention into economic activities of newspapers are distinguished:

- endowment of the media with special state support programs;
- budget subsidies;
- market regulation, control over ownership, anti-monopoly measures;
- placement of the state order.

2. State mechanisms for media support

Ukrainian legislation on press stipulates that “the state shall guarantee economic independence and ensure economic support of the print media activities; shall avoid abusing its monopoly status on the market by editors and distributors of printed materials. Measures aimed at ensuring economic support of print media activities shall be established by the Cabinet of Ministers of Ukraine” (Закон України «Про друковані засоби масової інформації (пресу) в Україні», 1992).

At the same time, the study of the acting mechanisms of the state media support, local press in particular, shows that they do not conform to modern challenges and realities. Although data of the Ministry of Justice of Ukraine state that during Ukraine’s independence over 30 thousand printed periodicals have been registered in Ukraine, according I. Fedorov Knyzhkova Palate this information resource today suffers financial, economic and political problems, since in reality only less than 2 thousand newspapers are being issued nowadays.

In the years of Ukraine’s independence the vast majority of newly-formed editions ceased to exist due to economic problems, and in some cases – due to political and administrative pressure.

At the same time, from the entire pool of functioning newspapers a half is classified as pertaining to local and regional distribution areas, a half of

which, in turn, is publications with the communal form of ownership.

The study demonstrates that the majority of the remote administrative territorial units (oblasts) has only one functioning newspaper, the co-founder of which, in various configurations, have been local state administrations, local self-government bodies and editorial houses’ personnel.

Please note that these editions can be assessed according to similar criteria:

A) *economic subsidy indicator:*

- a1. *Editorial houses* that operate without subsidies from local budgets (unsubsidized), or the level of such subsidies is insignificant (10–30 000 UAH);
- a2. *Editorial houses* that receive subsidies of 150 000 or more annually;
- a3. *Editorial houses* that operate without subsidies from local budgets but receive funds according to agreements for coverage of state power and local self-government bodies;

B) *demographic indicator:*

- b1. *Editorial houses* with distribution on administrative territories with population of under 30 000 people;
- b2. *Editorial houses* with distribution on administrative territories with population of over 30 000 people.

C) *competition indicator:*

- c1. *Editorial houses* that have a “monopoly” status within their circulation distribution territory;
- c2. *Editorial houses* that operate under competitive conditions on distribution territory.

Please note that the only similar operational aspect of these local newspapers is the fact that none receives funds from the budget of Ukraine allocated to the state media.

Attention should be drawn to the fact that there are also considerable problems in the field of theoretical development dedicated to enhancement of the state information policy mechanisms. State support of media is defined as a combination of legal, economic, social, organizational and other promotional measures by the state aimed at strengthening and development of information field. It is important to keep in mind that media systems of any country are not homogeneous by themselves. Many of them have regional differences both in media and political as well as economic systems. Besides, media systems are not static, they are constantly changing throughout the entire history of society.

3. Legal regulation

The Law of Ukraine "On State Support of Mass Media and Social Protection of Journalists" stipulates that the state address support shall be given exclusively to media for children and youth, disabled persons, specialized scientific editions, issued by scientific institutions and educational establishments of not lower than the third accreditation level, and media that purposely promote development of languages and cultures of the national minorities of Ukraine, as well as periodical publications of artistic and literary character (Закон України «Про державну підтримку засобів масової інформації та соціальний захист журналістів», 1997).

The use of funds from the state budget for support of press is conducted according to procedure approved by the Resolution of the Cabinet of Ministers of Ukraine dated 27 of April 2011 No 449. This act states that the main administrator of the state funds and authorized executor of the state budget program shall be Derzhkomtelevideo, and the recipient of the state funds – editorial houses of the print media (Постанова Кабінету Міністрів України «Про затвердження Порядку використання у 2007 році коштів, передбачених у державному бюджеті для фінансової підтримки преси», 2007).

It is stipulated that the state funds shall be used with the aim to provide state support and create favorable conditions for the development and popularization of the print media for children and youth, for disabled persons, specialized scientific editions, issued by scientific institutions and educational establishments of not lower than the third accreditation level, print media that promotes the development of languages and cultures of the national minorities in Ukraine, periodic publications of artistic and literary character and directed at acquisition of polygraphic services and paper.

As we can see, the legislation does not envision the support from the state budget of local newspapers with social and political orientation.

On the other hand it is noted that the state support of media shall be conducted by means of protectionism policy of lowering the use value of information product, including tariff, customs, currency and commercial regulations, reimbursement of expenses, financial support (Закон України «Про державну підтримку засобів масової інформації та соціальний захист журналістів», 1997).

Funds necessary for financial support should be defined in the State budget of Ukraine as a separate line item and processed by a central body of executive power that implements the state policy in treasury servicing of budget funds. Such funds shall be

used, first of all, to reimburse the difference between a calculated (at cost of production) and a fixed tariff for delivery of the state print media to subscribers. Funds left after that shall be used to provide:

Additional economic support (subsidy) to oblast (district), city and microcity newspapers, oblast (district), city and microcity TV- and radio broadcasting;

Financial support to media for children and youth, disabled persons, specialized scientific editions, issued by scientific institutions and educational establishments of not lower than the third accreditation level, as well as periodical publications of artistic and literary character;

Economic support to TV- and radio broadcasting centers and polygraph enterprisers, as well as telecommunications enterprises according to the requirements of Article 2 of the above mentioned Law.

Distribution of funds shall be conducted by the Cabinet of Ministers of Ukraine.

At the same time the study demonstrates that in reality the state of affairs is absolutely non-conforming to the principles declared in the legislative act.

The study of fund allocations from the State budget of Ukraine provides grounds to determine that over 500 up to 800 mln Hryvnas are being disbursed annually from the State budget of Ukraine for financial support of the media; the majority of these funds are used to finance national and oblast state TV- and radio broadcasting companies, the Ukrainian State Information Agency "Ukrinform", operations of the Ukrainian-speaking version of international channel "EuroNews" (tab. 1.).

Moreover, the annual state budget has a separate line item, allocating funds for operations of the state editions "Holos Ukrainy" and "Uriadoviy Kur'er" (approximately 10 mln Hryvnas).

Therefore, the study of indicators of the state budget for the last 5 years provides grounds to make a conclusion on the actual "inoperativeness" of the mechanism of the state support of the press from the state budget funds.

In practice, financial support of the press is carried out through mechanism of subsidies from local budgets.

The legislature determines that a subsidy is an additional state economic support of oblast (district), city and town newspapers and oblast, (district), city and town TV- and radio broadcasting which is conducted on account of funds and protectionist measures of the local self-government bodies and local state administrations, on the basis of founding agreements or specific conventions drawn according to the requirements of the law.

Near 80–100 mln Hryvnas are spent from local budgets on subsidies annually. The scale of such

Tab. 1. Comparative Disbursements from the State Budget of Ukraine for Media Operations in 2010–2015

Name of the indicator according to classification of disbursement and financing by the state budget	2010	2011	2012	2013	2014	2015	Difference between 2015 and 2014 Total	
							mIn UAH	%
	MIn UAH							
State Committee for Television Radio Broadcasting of Ukraine	619.2	680.8	1263.6	711.0	682.5	879.1	196.6	128.8
Financial support of the press	0.050	0.050	0.050	0.050	0.050	0.050	–	100.0
Production and broadcast of the programs for the state needs, collection, processing and distribution of official information product, creation and functioning of Ukrainian-speaking international channel „EuroNews“	569.5	625.2	725.4	609.5	614.6	834.8	220.2	135.8

Source: Закони України «Про державний бюджет України на..., 2010–2015.

subsidies, however, differs considerably: from 3% of the gross income of community editorial houses in Sumy Oblast to 50% in Lviv Oblast.

The reason of this could be attributed to specifics of the relationship with the authorities which considerably influence on the scale of budget subsidies, or peculiarities of editorial politics (the ability of editorial staff to withstand pressure from the local authorities); marketing activity of editorial houses; demographic peculiarities of the region, development of advertising market, protecting editions reputation within the community etc.

One of the main tasks is to find the answer to the question: can local print press operate without subsidies from the local budgets?

Studies demonstrate that in the first half of 2014 there were **174 profitable community editions (33.9% of the total number) operating in Ukraine**. It should be noted that the relationship between profitable and non-profitable community editorial houses is distributed unequally.

For example, there is a significant disbalance (more than in 2 times) in the cost of annual subscriptions for communal editions. Reasons mentioned above are objective and subjective factors as well.

Please note that looking on July 2014 data, we can find out that out of the total number of **communal editions approximately one fifth (21%) were working without subsidies from local budgets**. In some cases the amount of subsidy does not exceed 10–15 thousand Hryvnas, which can also be considered as the sign of editorial houses' ability to work unsubsidized. But at the same time there are examples when budget subsidies are several hundred thousand Hryvnas. It's a paradox but the largest regional centers (Kyiv, Lviv, Kharkiv) have often their communal press subsidized with millions of

Hryvnas, while the actual volume of circulations are 3–4 thousand issues.

The law establishes that non-fulfillment of financial obligations by any founder (co-founder) of the print media shall be the grounds for trial, but on practice there are no cases in Ukraine of adjudgements in favor of editorial house.

Obviously, under such conditions, the interaction efficiency between the state authorities and a certain mass media segment will be low, since these media outlets, being under financial and staffing control of the local government officials shall automatically transform into a propaganda tool, and create positive image of local administrators, whose activities are financed at the citizens' expense to begin with.

In general, the existing practice of community press subsidizing from local budgets plays a negative role for the state information policy, since it promotes "loyalty" of the newspapers to the local government's activities on one hand, and on the other – by playing a role of financial injections, do not promote the strive to increase gross revenues, circulation and decrease expenses. However, the majority of local editions may cease to exist without the budget support which, evidently, will have negative consequences for the development of informational relations on a local level.

We believe that the key to solving this problem lies in the field of democratic measures of the state administration which by its nature are transparent and open. We are talking about the obligation of the state authorities and local self-governments to ensure coverage of their activities, first of all, in the media.

It is established by law that the procedure of financing by the state authorities and local self-governments of media that carries out coverage of

activities of the former and are founders or co-founders thereof, is determined in agreements between the state authorities and local self-governments and media editorial houses, as well as in the statutes of editorial houses of such media.

Non-state media justifies activities of the state authorities and local self-governments because of agreement between such authorities and media. If such agreement has not been drawn, the editorial house has the right for independent, and in conformity with the legislation of Ukraine, covering of the state authorities and local self-governments activities, stating the sources of financing of such coverage in their statutes.

The state authorities and local self-governments shall, within the limits of expenses stipulated in the state or local budgets for coverage of their activities, form a request to the media, especially:

- to create special reports and broadcasts of important events as regard activities of the state authorities and local self-governments;

- to organize (problem, thematical) pages (columns) in print media;
- to create and spread information, authorised materials on activities of the state authorities and local self-governments of explanatory nature.

Although the legislature determines that expenses on media financing related to the coverage of activities of the state authorities and local self-governments are allocated by the State Budget of Ukraine and local budgets separately, in reality this concerns exclusively the parliament channel "Rada" and broadcasting of the meetings of the Verkhovna Rada of Ukraine by the National radio company.

And despite the fact that the state authorities and local self-governments in their schedules are required to account expenses for coverage of their activities by the media, legislative regulation of that is not fulfilled (tab. 2).

Under such circumstances talking about the efficient implementation of the major measures of the state information policy on the local level is totally nonsense.

Tab. 2. Study of Certain Indicators of Communal Print Media Operations by Oblast as of 2014

	Total No of editions in Oblast	Subsidies from local budgets	Coverage of activity	Profitable media (units)
		Thousand UAH		
Dnipropetrovsk	33	12065.80	1 650.00	16
Odesa	30	10611.20	442.10	9
Poltava	30	6190.20	–	2
Lviv	28	5662.10	162.20	8
Vinnytsa	34	4708.80	717.50	11
Kyrovohrad	26	3373.00	310.10	10
Kyiv	30	3323.92	328.00	5
Ternopil	17	2989.50	50.00	1
Volyn	19	2892.80	177.79	6
Cherkasy	24	2606.00	587.00	10
Chernivtsy	11	2512.50	224.80	6
Zakarpattia	13	1844.30	9.90	5
Kharkiv	27	1638.00	54.00	11
Kherson	21	1227.80	344.70	3
Chernyhiv	25	1160.60	120.32	5
Zaporizhzhya	16	1093.10	339.74	4
Ivano-Frankivsk	19	1013.77	15.00	11
Rivne	17	846.50	674.40	10
Khmelnysky	25	474.10	532.80	10
Mykolayiv	24	396.40	271.29	6
Sumy	21	294.00	506.90	8
Zhytomyr	25	230.40	638.30	12
Total in Oblasts:	518	75 288.39	8 364.54	174

Source: Горобець, Бухтати, 2015.

Level of freedom of communal media is inversely proportional to the level of influence of their co-founders: heads of local bodies of state authorities and local self-government bodies; the stronger is such influence the lesser is the degree of editorial independence. This influence may be carried out through the mechanism of appointing and dismissing of the editor of a communal media, as well as through the mechanism of financial subsidies from local budgets.

Therefore, it should be stated that up until now the national mechanism of the state information policy about such tool as a print media has been used with extremely low efficiency coefficient. Explanation of this phenomena lies in both cumbersome and lifeless structure of the state bodies responsible for implementation of the state information policy, and in existence of stereotypes of "the elite of media".

We believe that existing practice of allocating subsidies from local budgets for operations of local press contradicts their nature. The very first function of local press is in criticizing of the local government, which is practically impossible under conditions of press subsidizing from local budgets. On the other hand, under conditions of military aggression and being related to it force-majeure circumstances, without relevant support, a local newspaper, especially if it takes a pro-state side, seems to be sentenced to extinction.

Here is an example: almost immediately after liberating Sloviansk from terrorists groups in July 2014, the local social political newspaper "Visti" renewed its operations. Taking into consideration complex of financial, economic, social and political conditions in the specified region, the financing of the edition was carried out with editorial funds, sponsors' donations and local budget. Editorial policy was directed on protecting constitutional system, national integration, critics of separatism etc. The consequence of such activity was a "retaliation" from the local deputies, the majority of which was protégées and members of the Party of Regions and has the separatists frame of mind.

At the same time, it should be noted that the 2015 local budget did not have financing for the editorial house of "Visti" newspaper at all, while local radio broadcasting had 150 thousand UAH.

We believe such decision of the people deputies of Sloviansk Oblast Council elected during the presidency of V. Yanukovich (the majority of whom shares separatists' and anti-Ukrainian points of view) was aimed at direct destruction of the pro-Ukrainian print edition, the editorial policy of which has a patriotic, socio-political orientation.

Obviously, such discriminatory decision of the local self-government body does not confirm to the goals and objectives of the state information policy, and the destruction of the newspaper shall have a negative impact on the processes of renewal of the constitutional system and regulating the crisis on the territory of the specified region.

Since such tendency may be present in decisions of the other bodies of local self-government, especially in Donetsk and Luhansk oblasts, there is a necessity to implement an effective mechanism of the state support of the printed periodicals with local distribution areas.

4. Conclusions

As conclusions we will demonstrate a possible mechanism for regulation of the stated problem. Thus, as we established that the Law of Ukraine "On State Support of Mass Media and Social Protection of Journalists" does not specify that the state support may be provided to socio-political print editions with local distribution areas.

Such segment of print media is also not mentioned in the Procedure of the Use of Funds Allocated by the State Budget for **Financial Support of the Press**, approved by Resolution No. 449 of the Cabinet of Ministers of Ukraine on 27 of April 2011 .

Moreover, it is worth mentioning that the 2015 State Budget of Ukraine, under the budget program "Financial support of creative associations in the media, press", only 50 thousand Hryvnas has been allocated for the field of print press. At the same time 800 million Hryvnas have been allocated to the TV programs.

Therefore, the problem of the state support of print media with the local distribution area remains unregulated and demands immediate regulation.

We believe that nowadays the following must be immediately ensured:

- to make amendments to the Law of Ukraine "On State Support of Mass Media and Social Protection of Journalists" by extending the list of print press resources that can receive the state address support, with the category of socio-political editions with the local distribution areas. (the Proposed law is attached);
- to make corresponding amendments to the Procedure of the Use of Funds Allocated by the State budget Procedure for financial support of the press, approved by the Resolution No. 449 of the Cabinet of Ministers of Ukraine on 27 of April 2011, as regard to address support of print editions with local distribution areas;

- redistribution of disbursements allocated by the 2015 State Budget of Ukraine for Derzhkom-teleradio, by decreasing disbursements under the budget program 1701080 "Production and Broadcast of the TV- and radio programs for state needs, collection, processing and distribution of official information product, creation and functioning of Ukrainian-speaking international channel «EuroNews» for 700 thousand Hryvnas (approximately) and a corresponding increase in disbursements under the budget program 1701050 "Financial support of creative associations in the media, press" with the aim to ensure the address support of print press with local distribution area.

Perspectives of further research lie in the necessity to define criteria ("saturation" of the circulation, periodicity, theme orientation etc) as regard to the print press with the local area of distribution that will be entitled to the state address support.

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