# REGULATING THE CONCENTRATION OF MEDIA OWNERSHIP IN THE ERA OF CONVERGENCE IN EUROPE

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Submitted to
Central European University
Department of Public Policy

In partial fulfillment of the requirements for the degree of
Master of Arts in Public Policy



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Budapest, Hungary
2010

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## List of Abbreviations

Agcom – Communications Regulatory Authority (Italy)

CoE - Council of Europe

DI – Diversity Index

EU - European Union

FCC – Federal Communications Commission

HHI – Herfindahl-Hirschmann index

ICTs – Information and communication technologies

KEK – Kommission zur Ermittlung der Konzentration im Medienbereich (German Commission on Concentration in the Media)

MC-S-MD – Group of Specialists on Media Diversity (Council of Europe)

Ofcom – Independent regulator and competition authority for the UK communications industries (United Kingdom)

SIC – Sistema Integrato delle Comunicazioni (Integrated System of Communications)

UK – United Kingdom

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# Introduction

Media concentration indicates increased presence of one or a few media companies in a market, limiting competition among the players present on the market and representing barriers to new participants. The globalized media market could hardly be defined as a competitive marketplace. Some of the largest firms in the business have common shareholders and even their boards of directors are overlapping. In this manner companies eliminate risk and ease down competition (McChesney, 2001). In 2002, more than eighty percent of the television stations in the top 100 U.S. markets were owned by dominant media groups (Blevins, 2002). Given the mixture of hardly controlled, stupendous impact on society and consolidated, concentrated ownership, an industry of seemingly limitless power has emerged.

The products of the media industry are not regular commodities, as they constitute and shape the cultural life of a community and serve as a strong tool to form public perceptions, transmitting values and thoughts, fulfilling multiple public functions, such as "socialization, orientation, recreation, articulation, education, critique and control" (Just, 2009). Consequently, media products possess a special role in democracies, as media in modern societies provide the arena for public debate and represent a virtual public space in which different public interests could be represented and discussed. Furthermore, media outlets are also responsible to inform society, and "informed citizenry" is the necessary basis – the "backbone" – of democracy. Regulating ownership of media outlets seems inevitable, and the implication of sophisticated policy measures is needed to guarantee freedom of speech, freedom of expression and freedom of information.

Freedom of expression is "a core aspiration of the Universal Declaration of Human Rights which underpins all other democratic freedoms" (UNESCO, 2008). Freedom of information and informed citizenry are also prerequisites of any modern democratic society, while there is a huge potential of control associated with owning media (Djiankov et al., 2003). Additionally, mere market considerations (particularly the mission of profit maximization) could potentially disable the media's watchdog role through the pressure of cost minimalization (Baker, 1998) and the presence of different special interests.

For these reasons, concentration of media ownership represents a great threat to democratic values. On the contrary, as Entman described in 1985 (cited in Meier and Trappel, 1998) competition within the media industry not only enhances the quality of media productions, providing more diversity, it also "encourages fairness and balance and stimulates greater responsiveness to the interests of citizens" (cited in Meier and Trappel, 1998). The special nature of the media market and the distinct role of media products in democracies are the main justifications to regulate media ownership.

This paper focuses on the difficulties which scholars and policy makers engaged with the regulation of the concentration of media ownership have to overcome. The conflicting values rooted in economic and political aspects make the formulation of a widely accepted, legitimate and successful media policy almost impossible, as it is supposed to simultaneously protect market competition (leaving it completely undistorted) and guarantee the flourishing of media pluralism and diversity (Abramson, 2001; Blevins, 2002; Just, 2009), meeting the expectations of all stakeholders involved in the policy making process.

The inadequate state of the theoretical background of media concentration measurements represent another challenge for policy makers, making the existing measuring methods hard to justify and often seemingly haphazard and inconsistent. In the era of technology neutral regulation, measuring the level of the concentration of media ownership becomes more and more problematic. The dilemma is the similar when it comes to measuring – and defining – media pluralism and diversity.

Through the evaluation of three national regulatory frameworks from three different Western European countries (Germany, Italy and the United Kingdom) designed to control concentration on a given media market, this paper aims to identify the elements of an imaginary "best practice" to address the challenges concentration of media ownership represents.

The thesis is structured as following. At the beginning, chapter 1 reviews the existing literature on concentration of media diversity and the underlying concepts of media pluralism and diversity, focusing on the concerns related to concentration of media ownership and the aspects of regulation. Chapter 2 outlines the methodology of the study. Chapter 3 introduces the regulation frameworks designed to tackle media ownership concentration in Germany, Italy and the United Kingdom (UK). Chapter three compares the regulatory frameworks analyzed according to the criteria given in chapter 2. At the end, the conclusions of the study are going to be summarized based on the primarily findings and the outlined literature.

# 1. Literature Overview

Media concentration denotes the increased presence of one or a few media companies in a market. The literature on the concentration of media ownership differentiates three types of concentration: horizontal (or “monomedia”) concentration, and two types of cross-media concentration – vertical and diagonal concentration. Vertical concentration refers to “cross-ownership of activities usually within the same sector but which span two or more different stages in the vertical supply chain” (e.g. content production and distribution activities). Diagonal concentration refers to “combined ownership of activities in several different areas of the media” (Doyle, 2002). Concentration in the economic sense indicates the level of competition within an industry. In economic terms, competition may range from perfect competition to pure monopoly. Regarding the definition of the different types of concentration, there are slightly different descriptions available. Concentration of media ownership indicates oligopolistic market features. Horizontal concentration can be observed “within one and the same media industry sector”, and vertical concentration stands for the business efforts aiming to control “all or one some steps necessary for the production and distribution of a given media”. Cross-media concentration is defined by the control of “different media products or outlets in different media markets and industries”, through cross-ownership (Meier and Trappel, 1998).

Article 10 of the European Convention on Human Rights and the judgments of the European Court of Human Rights ascribe crucial importance to the concept of media plurality and diversity, and conclude that EU countries are under the duty to protect and to take positive measures to safeguard and promote media pluralism. The European Court of Human Rights underlines the critical need to guarantee media pluralism in the context of Article 10 in a number of judgments. The Court referred to the media's important role in a democratic society and the related need for pluralism, tolerance and openness. The concept of media pluralism and diversity is studied by various organizations beside the Council of Europe, such as the European Commission and the UNESCO. Furthermore, in the report prepared by a Group of Specialists on Media Diversity (MC-S-MD, Directorate General of Human Rights and Legal Affairs, Council of Europe) they emphasize the crucial importance of media diversity in the context of freedom of information:

> „Freedom of information implies that citizens will have the possibility to access a variety of information, primarily different opinions and ideas, but in a wider context also a variety of cultural aspects and expressions. Uniformity in the media strengthens the tendency to conformity and weakens the ability to assess other perspectives and alternative opinions. The diversity of media sources is very important for the functioning of democratic societies and for avoiding dominant positions and media uniformity" (MC-S-MD, 2008).

Gillian Doyle defines media pluralism "as diversity of media supply, reflected, for example, in the existence of a plurality of independent and autonomous media and a diversity of media content available to the public" (Doyle, 1997 – cited in Perusko, 2010). She differentiates "diversity of suppliers (ownership)" and "diversity of output content". However, as Perusko notes, the "lack of a proper definition that can be operational for empirical research" is one of the greatest challenges for both scholars and policy makers regarding media concentration (2010). The vague nature of the concept is prominent, as different scholars and institutions describe media pluralism and diversity in many different ways. According to Manuel Puppis "diversity not only refers to media content but to media structure as well" because, as he explains, "media structure is assumed to influence the performance of media organizations in the sense of the type and amount of media content produced and offered to audiences" (2009) – only descriptions, but no strict definitions of the concept are available. Studying the variables composing the criterion "plurality of news sources" applied by the IREX Media Sustainability Index, Perusko finds that (2003) the concept of pluralism includes seven distinct notions: (1) plurality of suppliers, (2) accessibility (free and affordable), (3) diverse and high quality content (public interest), (4) diverse news sources (agencies), (5) independent news editorial practices, (6) diverse and transparent ownership, (7) cultural and social diversity (Perusko, 2010). While different researchers use the terms media pluralism and media diversity seemingly interchangeably most of the times, many scholars apply diversity to the content aspect of pluralism only. Jan van Cuilenburg differentiates four levels of media diversity: (1) units of content, (2) content bundles within one medium, (3) content distributed within one media type, and (4) the "total social communication system" (2007 – cited in Perusko, 2010). Others understand the complex notion of media diversity as the extent to which access to information (freedom of reception) and the access to the means to impart information (freedom of expression) are unrestricted (Meier and Trappel, 1998).

In the following section, I will introduce the main concerns media ownership concentration represents, after which the regulatory aspects of media concentration – and the underlying concept of media plurality and diversity – are going to be discussed. First, it is reasonable to examine the economic factors which lead to concentration in media ownership.



## *1.1. Factors behind concentration of media ownership*

The economic principle explaining the phenomenon of ownership concentration within the media industry is called economy of scale. Firms can obtain lower costs through economies of scale if the goods they sell can be produced at low cost in case they are produced in large quantities – that is the cost advantages that a business can obtain due to expansion. N. Gregory Mankiw describes this characteristic of large scale production as a major benefit of international trade, as free trade gives firms access to larger world markets, allowing them to realize the benefits described, emphasizing that a company in a small country "cannot take full advantage of economies of scale if it can sell only in a small domestic market" (Mankiw, 2006, 187). Economies of scale tend to occur in industries with high capital costs in which the costs can be distributed across a large number of units of production. A second step toward extreme market power is embodied by the concept of "vertical integration" – concentrating both the lines of production and the channels of distribution in one hand.

Another special feature of the media industry is that products are "sold twice" –both to audiences and advertisers (the order is commutable according to the given business model). This characteristic makes the industry a "dual-product marketplace" (Albarran, 2002). It is a well understood ambition of any medium to increase the number of consumers reached, so they can raise the prices of advertisement. The economics of broadcasting and content production poses great challenges to diversity and content quality as well. As Lesley Hitchens describes: "…the broadcasters will choose to be responsive to the advertiser, rather than the audience (…) providing programmes which will attract large audiences even though they may be less highly valued by the audience, whilst programmes which are regarded as more desirable by the audience will not be provided if they attract smaller audiences. What matters is how the advertiser values the audience, not the value a programme has for the audience" (2006). By all accounts, the globalized media system, cross promotion and the similarity of programming may inherently lead to convergence of taste, values and preferences on some degree – that is, the dominance of conglomerates will not only lead to the homogenization of the products as many scholars suggest (Hitchens, 2006), but also to the homogenization of the increasingly global audience.

Moreover, economies of scale also have a significant role in the formation of natural monopoly, defined as a firm enjoying economies of scale for all reasonable firm sizes. Since it is more efficient for one company to expand than for new firms to be established, companies with such characteristics have significant market power (Mankiw, 2006). The fact that the goods – programmes and content in general – produced by the media industry have to be produced once with given costs and then could be sold to infinite number of costumers (viewers), makes the field of content – and cultural – production special, giving media conglomerations an enormous advantage and represents a barrier to entry for new companies as well.

Given these characteristics of the industry make the emergence of conglomerates with great market power and the concentration of ownership almost inevitable. Economies of scale partially explain the existing structure of current global media system in which “a handful of communication empires shape information and control public images over increasingly larger populations” (Blevins, 2002). The easiest way to depict the nature of concentration of media ownership is to refer to Ben H. Bagdikian’s frequently cited report. In 1982, when the first edition of his book, The Media Monopoly, was published, he reported that a significant percentage of major media were owned by fifty corporations. By 1994 (the publication of the fourth edition) this number decreased to twenty. In 1998 he writes about "five media corporations dominate the fight for the hundreds of millions of minds in the global village" (cited in Baker, 1998). From these data it is clear that ownership concentration in media industry is also an exponential tendency described by an increasing number of (increasingly powerful) media outlets owned by a decreasing number of conglomerates. The media and communications industry is the world's fastest growing sector, stimulated by astonishing technical developments but the potentials of such growth is utilized by a narrow group of people, whose class is becoming smaller by time as their influence is growing exponentially (Clairmont, 1995). Thus, a few people and companies are left without control and with unprecedented amount of leverage.

The global media market could hardly be defined as a competitive marketplace. Some of the largest firms in the business have common shareholders and even their boards of directors are overlapping. In this manner companies eliminate risk and ease down competition (McChesney, 2001). In 2002, more than eighty percent of the television stations in the top hundred U.S. markets were owned by dominant media groups (Blevins, 2002). Given the mixture of hardly controlled, stupendous impact on society and consolidated, concentrated ownership, an industry of seemingly limitless power has emerged.

### *1.2. Concerns about the Concentration of Media Ownership*

The concentration of media ownership could be interpreted as a constraint to freedom of speech and pluralism – the diversity of social, political and cultural values, opinions, information and interests expressed through the media (Council of Europe, 2009) – and therefore poses serious questions about the character of democracy as well. The phenomenon not only implies limitation of the available information by controlling the selection process – "gatekeeping" – and (pre-)interpreting the world (Mandelli, 2006) as any regular media would do through the essential practice of editing, but also controls the creation of mainstream (i.e. visible) media products, even through making barriers to entry.

Monopolistic or oligopolistic market features are undesirable on any market, no matter what the given industry produces. However, media products possess special role in democracies, as media in modern societies provide the arena for public debate and represent a virtual public space in which different public interests could be represented and discussed. Furthermore, media outlets are also responsible to inform society, and “informed citizenry” is the necessary basis – the backbone – of democracy. Thus, regulating ownership of media outlets is inevitable, and the implication of distinct policy measures is needed to guarantee freedom of speech, freedom of expression and freedom of information. As Leo Bogart expressed it “Concentration in other industries may lead to market power, oligopolistic pricing and restrictive trade practices. In the media business it can change the country's values, ideas and politics, perhaps even the national character” (cited in Miller, 2002).

### *1.2.1. Concentration and diversity*

A report published by the European Commission in 2007, “Media pluralism in the Member States of the European Union” describes the concept of media pluralism and diversity as follows:

> “Media pluralism is a concept that embraces a number of aspects, such as diversity of ownership, variety in the sources of information and in the range of contents available in the different Member States. For many analysts or observers, media pluralism has come to mean, almost exclusively, plurality of ownership. Concentration of ownership, it is feared, may result in a skewed public discourse where certain viewpoints are excluded or underrepresented. Further, because some viewpoints are represented while others are marginalized, abuse of political power can occur through the lobbying of powerful interest groups – whether these are political, commercial or other. Although pluralism of ownership is important, it is a necessary but not

sufficient condition for ensuring media pluralism. Media ownership rules need to be complemented by other provisions" (European Commission, 2007).

Constrained competition – monopolistic or oligopolistic market features – and excessive control over the media are the main threat to media pluralism and diversity represented by the concentration of media ownership (Perusko, 2010). As the media industry is characterized by both economies of scale and scope, the profit-maximizing logic of media companies may endanger diversity. In her study, Doyle finds that pluralism and diversity are endangered whenever "media engage in editorial sharing of products or sources" either within a conglomeration or across different companies. If a business-oriented logic prevails within the media industry, she argues, the "tendency towards duplication rather than diversity in programming schedules" develops easily and inevitably (Doyle, 1997 – cited in Perusko, 2010). In her research focusing on the links between media concentration and media diversity, Perusko founds the following negative effects concentration of media ownership may have: (1) "diminishing of choice and diversity", (2) mainstreaming of the titles, (3) "editorial concentration" (and concentration of production), (4) lower programming quality (dumbing down of content), (5) "standardization of cultural content", increasing influence of (6) owners and (7) advertisers on content (2010, Perusko). However, there are many variables that influence the diversity of media beside concentration, such as the size of a given market, the size of the audience, media culture, etc. (European Commission, 2007), thus policy makers working on the formulation of a comprehensive legal framework to ensure media pluralism have to take into consideration several other factors in addition to concentration of media ownership.

### 1.2.2. *Program Quality*

Since almost all media outlets apply the same strategies and techniques to attract the widest range of audiences, homogenization a standardization of content is a result that occurs increasingly, resulting in diminished programming quality. The changes in the vehicles of distribution of content brought by the developments of the information and communications technologies (ICTs) might represent further advantages for media giants. These options not only represent great advantages for such companies, but raise fundamental concerns about the diversity of the content they offer, as different media platforms reproduce or simply recycle the same, centrally created content, circulating them through the different channels of media owned by the given company. The great variety of print and electronic media regularly offer contents which tend to be "variations of the same themes and messages" or even the same materials (Blevins, 2002). As managers of such companies are often under pressure to promote low-cost programmes, while attracting the largest possible share of viewers (readers etc.), their decisions often lead to the "dumbing down" of content, raising concerns about the quality of their programming as well.

### 1.2.3. *Freedom of expression, barriers to entry, limited accessibility*

Media ownership concentration, and cross-media ownership in particular allows for a variety of expanded efficiencies through vertical and cross-media integration. These include: sharing and "recycling" of programme software and content, cross-marketing and cross-promotion, group discounts in case of procurement, sharing of expensive resources, offering package discounts to clients or advertisers and sharing the costs of production and distribution (Meier and Trappel, 1998). Many of these instruments that giant media conglomerates possess not only represent a threat to content quality and content diversity, but also limit competition within the industry and create a barrier to entry for start-up companies – initiatives, which might widen the choice available for the public in terms of content and voice diversity.

Fully integrated media companies are also able to adjust the price per copy and the advertising fees upward and – simultaneously – adjust the price of labour downward leaving editors, journalists and content producers few options for mobility (Meier and Trappel, 1998), threatening editorial integrity, and thus freedom of expression, creating barriers to entry and restricting the accessibility of different media outlets for the general public, creating a media environment that favors the rich and more fortunate classes of society while leaving the poorer classes with less resources to articulate their will and their interests. On the contrary, as Entman described in 1985 (cited in Meier and Trappel, 1998) competition within the media industry not only enhances the quality of media productions, providing more diversity, it also "encourages fairness and balance and stimulates greater responsiveness to the interests of citizens" (cited in Meier and Trappel, 1998).

#### *1.2.4. Political power*

There is a huge potential of control associated with owning media (Djiankov et al., 2003), while mere market considerations (particularly the mission of profit maximization) could potentially disable the media's watchdog role through the pressure of cost minimalization (Baker, 1998) and the presence of special interests. Since media companies reach and – politically and culturally – influence great audiences, they possess political power beside economic power" (Gálik, 2010). Media owners have adverse influence on content (Perusko, 2010), thus market power easily translates to political power, as media outlets have extreme power to influence the public agenda. Such political power could also be exploited when it comes to media regulation, as media companies often seem to be the most powerful players involved in the policy making process.

## *1.3. Aspects of Regulation*

The special nature of the media market and the distinct role of media in democracies gives many reasons and justifications to regulate media ownership, while at the same time it explains the difficulties which both scholars and regulatory bodies face when they attempt to create a reasonable, justified and effective regulatory framework to ensure diversity of a given media market and to promote competition and democratic values within the industry. The products of the media industry are cultural and/or political goods and services and simultaneously economic goods and services. Many scholars recommend to differentiate "concentration in the media economic market" and "concentration in the marketplace of ideas", assigning the media a "political and social role" (Gálik, 2010 and Perusko, 2010). General competition policy addresses the economic concerns of media ownership concentration, and the application of sector-specific concentration rules could be justified by the fundamental importance the media possess (Gálik, 2010). Accordingly, most scholars are engaged with two policy problems regarding the concentration of media ownership. First, the economic aspect: the oligopolistic nature of many media markets, characterized by low (quality) output, higher prices, resulting in reduced social welfare. The second is the political and social dimension (public interest), focusing on the threat media concentration could represent to media diversity: restricting citizen access to information and to media representation, homogenizing content, narrowing down the cultural choices.

### 1.3.1. *The justification of regulation*

Although it is difficult to identify direct links between the level of media concentration and media diversity, scholars (Baker, Gálik, McQuail, Peusko, Ward) tend to agree that some kind of relationship exists between the two notions. The policy document published by the European Commission, The Future of European Regulatory Audiovisual Policy also notes that limitations of media concentration are necessary to safeguarding media diversity (cited in Gálik, 2010). David Ward, however, found in 2006 that strongly concentrated markets may "demonstrate similar level of content diversity as markets that are less concentrated". When comparing the findings of these studies, Zrinja Perusko notes that Ward neglected two important factors, which can contribute to diversity: (1) the size of the market and (2) policies supporting diversity (Perusko, 2010). Thus, the importance of the implementation of proactive media policies is indisputable, argues Perusko, and "regulatory obligations can potentially increase both the social value of content and the investment in domestic production" (Perusko, 2010). Competition itself does not ensure diversity, as "factors other than monopolistic competition are prominently threatening content diversity" (McComb, 1988 – cited in Meier and Trappel, 1998). These are, as McComb describes, are the following: common news delivery system (different outlets relying on the very same global news agencies), the dependency of journalists on the same, "public relations oriented sources of powerful institutions and interest groups". Furthermore, the majority of media outlets cover markets which include a wide variety of different publics ("omnibus media"), without any diversification, reducing content to the "lowest common denominator" (cited in Meier and Trappel, 1998). Thus, when it comes to the underlying goal (that is: safeguarding pluralism and content diversity), the effectiveness of a single intervention (aiming to ensure competitive marketplace) is highly questionable, and "anti-trust legislation has proven to be inadequate to regulate the media sector" (Meier and Trappel, 1998). All in all, one can conclude that effective regulation focuses not only on concentration of media ownership, as other supportive measures to ensure diversity and maintain a democratic media system are necessary as well.

### *1.3.2. Stakeholders: conflicting interests*

As media conglomerates transform their economic power to political power, they are likely to become active participants in policy making, abandoning the traditional “watchdog” and mediator role. While the political influence of media outlets increases with concentration “the political system is not eager to put media concentration on the political agenda” (Meier and Trappel, 1998). Given that in the last twenty years most media policy related decisions were pointed toward the total liberalization of media ownership, one might have serious doubts about the forces driving the policy makers involved. As many scholars (e.g. Doyle, Freedman and Jenkins) suggest, such regulations are either fueled by some kind of ignorance regarding the aspects of public good or they are definitely biased, as media itself plays a significant role in media policy-making. Since media is created and maintained by a specific socioeconomic group, and concentration increase the homogeneity of owners, special interest behind media might aim to “reinforce and legitimate the status quo with respect to ideology and consciousness” (Meier and Trappel, 1998). There are many conflicting, and unquestionably justifiable interests involved in the policy making process. For instance, the “Bangemann Report” on information society (Europe and the global information society – Recommendations to the European Council”, 1994 – cited in Meier and Trappel, 1998) points to the fact that “media concentration should even have to be promoted in order to achieve the necessary scope and scale for successful operations” – an aspect that clearly contradicts attempts aiming to limit media concentration. Similarly, the European Commission expressed in the late 1990s that media concentration “an appropriate means for overcoming the misery of an enormous media trade deficit with the United States" (Meier and Trappel, 1998). In his article, Des Freedman notes that "despite the growing number of 'stakeholders', there has not been a significant challenge to the power of a central policy-making core. Key decision-makers operate in close ideological conformity with the broad interests of one key constituency – that of business – in a way that structures the parameters of the debate, dictates what forms of participation are most effective and conditions the balance of power in the policy process (…) The process is therefore skewed by a fundamental imbalance in both resources and influence between public and private interests" (2006). Henry Jenkins correspondingly warns that "cultural policy is increasingly being set not by governmental bodies, but by media companies" (2004). Gillian Doyle expresses similar opinion when she writes that "if the government carries on facilitating the interests and ambitions of major commercial media players at the expense of safeguards for pluralism, what is at stake is the ability to stop powerful corporate media interests (…) from predominating over ever-widening spheres of political decision-making in future" adding that "a regulatory approach to ownership based primarily on competition and on economic and commercial considerations is not adequate to the task of protecting the public interest in pluralism and democracy" (2002). Some scholars (e.g. Baker, McQuail and Chomsky) even suggest that the policy process is captured by media conglomerations, as they are presumably the most powerful stakeholders in the policy making process.



#### *1.3.3. Developments in Technology*

The increasing pace of technological innovation and the day-to-day developments of ICTs represent a great challenge to regulatory bodies, since technological change redefines the environment in which they operate, restructuring the media industry. Meanwhile, high cost of equipment, skills and knowledge introduced and demanded by technological innovation create even higher barriers to entry, pushing the level of media concentration even further (Meier and Trappel, 1998). As opposed to the mainstream "techno-optimistic vision", many scholars argue that the fact that the public can access media content through different electronic communication network does not necessary guarantee more diverse media consumption (Gálik, 2010). Media convergence is the phenomenon "involving the interlocking of computing and information technology companies, telecommunications networks, and content providers" (Encyclopedia Britannica, 2010). In his article, Jeffrey Layne Blevins raises concerns about the increasing corporate presence on the web: "although the internet is a relatively young medium, a few major players appear to already have dominant positions. (…) The most popular news conglomerates in television, radio, and newspapers are already the most prominent sources for news in Cyberspace" concluding that "colonization of Cyberspace by the media empires" has already begun. Similarly to the market of "old media", easy-to-access content is likely to overshadow the Internet as well (McChesney, 2001), accompanied by the commercialization known from the mainstream outlets of old media.

New regulatory tools are being introduced corresponding to the demands of the new digital media environment (Gálik, 2010). The developments in ICTs bring a new aspect into regulation, while regulatory bodies have to face another challenge as media convergence ignores the traditional distinction between print and electronic media. Convergence and digitalization not only make it more difficult for regulators to formulate the definition of the relevant market, but such developments complicate the establishment of reliable measurement techniques and the question of ownership transparency further as well. In general, one can conclude that regulation attempts are not keeping pace with the changes within media industry, because of the lack of legislative flexibility and adjustment.

### *1.3.4. Transnational regulation*

The increasingly globalized nature of the media market provides a justification to regulate media concentration on the transnational level. However, as the concerns about cultural diversity and local plurality are in the focus of such regulation, transnational regulation does not seem appropriate (Gálik, 2010) as national characteristics and local interests have to be taken into consideration. Similar conflicts are being present in European policy making, as "the general goal to create one unified market in the region and guarantee the free movement of products, companies, people and ideas contradict to the declarations emphasizing the importance of preserving cultural diversity within both Europe and national borders" (Gálik, 2010), thus the related national registrations differ according to specific national interests. Still, both the Council of Europe (CoE) and the European Union (EU) has been called for the formulation of a comprehensive media policy, articulating the benefits of a common legislation in order to support media pluralism and diversity.

Two relevant documents – the "Recommendation on Media Pluralism and Diversity of Media Content and "Declaration on Protecting the Role of the Media in Democracy n the context of Media Concentration" – support ownership rules such as introducing thresholds "based on objective and realist criteria, such as the audience share, circulation, turnover/revenue, the share of capital or voting rights" (Gálik, 2010). Implementing effective and sensible media policy in the era of globalized digital convergence seriously challenges national governments. This challenge brought forward the idea of the establishment of a unified regulatory institution on the EU level, proposed by multiple scholars and policy makers. Iosifidis et al. describe the advantages of such regulatory body in their book as the following:

> "being able to apply the same provisions across converged communication areas; building on a greater knowledge of corporations with activities in different areas; taking advantage of the economics of regulation; creating possibilities for a greater political independence for the regulator in relation to implementing policy decisions" (Iosifidis et al., 2005).

The advantages of such initiative are clear – however, the EU is committed to leave the regulation of cultural spheres in the hands of the national governments of its member states.

### *1.3.5. The difficulties of regulation*

The main reason behind the fact that media policies are determined along the line of conflicting values is that media in general "serve multiple, at times conflicting public interests (economic and non-economic) and thus fulfill a dual function" (Hitchens, 2006; Just, 2009). The products of the media industry are not regular commodities, as they constitute and shape the cultural life of a community and serve as a strong tool to form public perceptions, transmitting values and thoughts, fulfilling multiple public functions, such as "socialization, orientation, recreation, articulation, education, critique and control" (Just, 2009). The conflicting values rooted in economic and public considerations make the formulation of a widely accepted, legitimate and successful media policy almost impossible, as it is supposed to simultaneously protect market competition (leaving it completely undistorted) and guarantee the flourishing diversity (and plurality) of media (Abramson, 2001; Blevins, 2002; Just, 2009), meeting the expectations of different players involved in the policy making process.

Additionally, there are further factors making the regulation of concentration of media ownership difficult. Media companies and global conglomerates "entered into highly sophisticated company networks" (Meier and Trappel, 1998), making the mapping of the ownership structure of a given media outlet even more troublesome. The transparency of ownership – and public accountability – is a key element in regulation, precondition for effective regulation, the relationships between the different media outlets are, however, far from being clear.

The inadequate state of the theoretical background of media concentration measurements represent another challenge for policy makers, making the existing measuring methods hard to justify and often seemingly haphazard and inconsistent. The separation of global, national, regional and local media markets and the convergence of technologies and platforms make the identification of the relevant markets especially difficult. The problems of defining the "public interest" in general, as well as the measurement of program quality are additional problems regulatory bodies have to face while struggling to formulate a comprehensive, sensible and widely accepted regulatory framework.

### *1.4. Measuring techniques*

The challenge of determining reliable criteria to appraise the level of the concentration of ownership and the degree of diversity within a given media market is hard to overcome, but it is fundamental in order to decide whether intervention is needed or not.

In accordance with the attitude of the European institutions, the Group of Specialists on Media Diversity (MC-S-MD) does not seek to identify common policy measures for all member states in its report „Methodology for monitoring media concentration and media content diversity" (2008) but rather offers recommendations regarding the favorable practices already in use, and the report also suggests "possible avenues for future research and policy". The report points to the existence of "different situations in different countries with different visions of media pluralism and media diversity" and consequently emphasizes: "it is practically impossible to formulate a common unified definition of media pluralism and diversity for all member states" and marks the absence of "legal definitions either of media pluralism, or of media diversity". The report reminds that member states vary to a great extent regarding both the implementation and the sophistication of monitoring systems regarding concentration, pluralism and diversity.

The experts also draw attention to the differences in monitoring exercises regarding the type of evidence they use to evaluate the state of media diversity and pluralism, categorizing the evidence in two classes: qualitative evidence (reports, statements, professional opinions and evaluations) and quantitative evidence (measurements of certain variables expressed in numbers). Measuring the level of media concentration – or competition within a media market – is performed in scientific studies according to the general practice, sometimes within the monitoring processes (MC-S-MD, 2008). However, the report continues by reinforcing the problems of measurement already mentioned: "only horizontal media concentration (same media market and same media type) is measured by empirical means. Diagonal (cross-media) and vertical (whole chain up and down) are not measured" adding that "these other types of concentration should also in the future be quantified" (European Commission, 2007 and MC-S-MD, 2008). The report continues with presenting the most common methods used to determine the level of concentration in media markets, introducing the model based on the Herfindahl-Hirschmann index (HHI): "C3 = sum of three largest market shares where 0-35: low concentration, 36-55: moderate concentration and 56+: high concentration (and low competition)". This model is embraced by multiple scholars and regulatory bodies as well.

| Level of competition according to the Herfindahl-Hirschman index<br>HHI= Σ mi *(mi = market/audience share of entity i)* | | |
|---|---|---|
| **HHI** | **Level of concentration** | **Number of companies** |
| 1/n | Full competition | *n number of companies of equal size are active in a market* |
| 0 ≤ HHI < .10 | Unconcentrated market (fierce competition) | *more then 10 equally strong competitors* |
| .10 ≤ HHI < .18 | Moderately concentrated market | *more than 5 equally strong competitors* |
| HHI ≥ .18 | Highly concentrated market (oligopoly or duopoly) | *five or less equally strong competitors* |
| 1 | Monopoly | *1 company is present on the market* |

**Table 1.** Determining the Level of Competition according to the HHI (MC-S-MD, 2008)

The most significant advantage of this method is that only the market shares (usually audiences, but possibly also advertising) of the strongest competitors are necessary to be known, and the exact data of the total market is not needed. A basic and widespread method to determine the level of concentration, similar to the one just outlined, takes the distribution of revenues among the market players as a starting point.

| Determining the Level of Market Concentration | |
|---|---|
| **Level of market concentration** | **Revenues of top firms** (percentage of entire industry) |
| **Highly concentrated** | Revenues of top 4 firms are equal to or greater than 50% of the entire industry |
| | Revenues of top 8 firms are equal to or greater than 75% of the entire industry |
| **Moderately concentrated** | Revenues of top 4 firms are equal to or greater than 33% (but less than 50%) of the entire industry |
| | Revenues of top 8 firms are equal to or greater than 50% (but less than 75%) of the entire industry |
| **Lowly concentrated** | Revenues of top 4 firms are less than 33% of the entire industry |
| | Revenues of top 8 firms are less than 50% of the entire industry |

**Table 2.** Determining the Level of Market Concentration – based on the description of Alan B. Albarran (2002) – a method relying on the HHI

Beside revenue, there are multiple other indicators available for measuring concentration, such as: media output, assets, consumption, size distribution of market players (since mergers and acquisitions inevitably result in increasing level of concentration). The trend regarding the practice of regulatory bodies and researchers is to switch the basis of measurement from revenue to other, more sophisticated indicators (Gálik, 2010). In the United States, for instance, the Federal Communications Commission (FCC) introduced the Diversity Index

(DI) in 2003 which aims to measure the diversity of sources of media content. It reflects the degree of concentration of "viewpoint diversity" within a given market. Also, based on the HHI, the novelty of this method is that it does not measure the revenue nor the audience share of a company – instead, it uses media-specific weights based on Nielsen Media Research's "Consumer Survey on Media Usage", representing the "relative importance" of a given medium (Gálik, 2010).

The measurement of diversity is more problematic, as it is a normative notion and it's understanding varies with the concerns in focus. Reed Hundt, former Chairman of the FCC in the United States described four different notions of diversity: "outlet diversity", which refers to "the number of separately owned media outlets", "source diversity", concerning the number of "content producers", voice diversity, and program diversity (cited in Blevins, 2002). Thus, diversity can be defined in many ways, from "diversity of ownership" to "diversity and pluralism of content-output" (Perusko, 2010). Measuring media diversity usually used to analyze content diversity – that is the "extent to which media content differs according to one or more criteria" (van Cuilenberg and McQuail – cited in MC-S-MD, 2008). There are several statistical methods to measure diversity within a media market, one of them is based on the method "variation coefficient for interval and ratio scales" which is used to measure the variance of content (van Cuilbenburg, 2007 – cited in MC-S-MD, 2008), applying the following formula:

$$D\ (diversity) = \sigma\ (standard\ deviation) / \mu\ (mean)$$

Another formula is called the "entropy index for nominal scales":

$$D\ (diversity) = (- \Sigma\ pi\ 2log\ pi) / log\ n$$

where: n = number of content type categories; p = proportion of items of content type category i; i = category.

The report of the Group of Specialists on Media Diversity also describes two other formulas attributed to van Cuileberg which are used to measure two types of content diversity: ”reflective diversity which is the measure of the media users preferences and the reflection of that preference in media content, and open diversity, the extent of the equal presence in media content of different ideas” (2008). All methods which used to measure content diversity ”require analysis of content to be made in order to measure the categories for further analysis” (MC-S-MD, 2008). Thus, the report concludes, qualitative and quantitative information is necessary to evaluate the indicators in focus, the majority of information are most likely to be originated from qualitative sources. The report also notes that “many of the existing monitoring or evaluations are not scientific, i.e. could not be replicated and/or the data collection, type or procedure is not objective” and the authors – preferring to rely on quantitative data – acknowledge the efforts of the European Media Monitor project which aims to collect existing data on the structure of the media markets. The experts close the report by expressing the need for improvements in methodology regarding the monitoring and measurement of concentration of media ownership:

> “The methodology for evaluating media concentration and pluralism and diversity should be scientific, comprehensive, include structural market diversity indicators as well as indicators on content diversity and pluralism” (MC-S-MD, 2008).

Regulatory bodies and researchers also face the challenge to define the relevant markets precisely and meaningfully in order to get adequate results (Gálik, 2010). A relevant market determines both a product (e.g. newspaper, television or news and entertainment) and a geographic market. There are multiple aspects according to which the relevant market can be determined: geography (local, national, regional, etc.); media content (news, entertainment, culture, education, etc.); source of content (television, radio, press, etc.). However, in most of the cases it is difficult to make clear distinctions between media content and it is similarly hard to evaluate the differences between the significance of the sources (Gálik, 2010).

As the need for the identification of more precise and reliable indicators to serve as a measurement of media pluralism – besides the structure of ownership – became more and more evident, scholars and policy makers developed more sophisticated – yet often misleading – methods in the EU. Meanwhile, a change from “vertical” to “horizontal” or “integrated” regulation in communication took place, promoting competition and reducing transaction costs, accompanied by legislation aiming to safeguard media diversity: “with the phasing out of sector-specific rules, new instruments and methods of assessing and judging market power and media diversity in communications, especially in the media sector” have been introduced to meet the challenges represented by media convergence (Iosifidis et al., 2005; Just, 2009). In her study Natascha Just identifies five questions which have to be answered in order to construct sensible and useful measuring methods:

> “(1) whether traditional indices for measuring economic concentration can be adequately applied in the communication sector, (2) what actually constitutes the relevant market in an increasingly convergent communication environment, (3) what media diversity is and how it can be quantified, (4) what kind of market structure triggers what kind of output (content) and with what effect on opinion formation, and/or (5) how to weight the combined market power of integrated companies (cross-media ownership) and its effect on the diversity of opinion” (Just, 2009).

Although, the questions listed by Just are certainly useful, answering them in a scientifically satisfactory way is still difficult and they can only be applied to guide a research on a case-by-case basis. As the variables determining content diversity and the relationship between media ownership concentration and media pluralism are still ambiguous, one might argue that fostering media diversity demands supportive policy measures other than ownership regulation of its own.

### *1.5. Policy Options*

Ensuring and nurturing media pluralism and diversity serves as a normative justification for government intervention. This objective is an end in itself and also “a means to achieve communications freedom, which as an essential element of democracy is again not only an end in itself but also a means of guaranteeing the proper functioning of the public sphere” (Just, 2009). Regulations attempt to attain the democratic and cultural functions of media by “content and user-specific objectives”, while they promote competition and anti-trust aims in order to fulfill the economic expectations they struggle to meet. Even if a policy is designed to bring forth both promises, the preferences of the decision makers inevitably affect the outcome, thus regulations are necessary in favor of either alternative. At the end, neither of the two competing models of public interest – “efficiency-oriented model” preferring aspects of free markets and “democracy model” in favor of social values (Just, 2009) – is going to dominate. Manuel Puppis gives similar definitions regarding the two regulatory approaches which he calls “competition or market approach” (focusing on the prevention of market failure) and “interventionist or public regulation approach” (2009). The latter he describes as a paradigm endorsing active media policy and going “beyond the economic” considerations (Puppis, 2009). In their article, Werner A. Meier and Josef Trappel also note that the “confusion” within the area could be explained by two coexisting and hardly differentiated approaches: the “competition policy concept” proposed by economists and the “public policy concept” (focusing on political, social and cultural issues) usually applied by social scientists

(Meier and Trappel, 1998). They argue that the previous concept (focusing on competition) dominated the discourse about media ownership regulation policy while the public policy approach (focusing on public interest) was being marginalized, thus media concentration policies operated in favor of great, highly integrated conglomerates during the 1990s. The paper prepared by MC-S-MD also refers to the fact that "only few countries have introduced positive measures to support pluralism and diversity in addition to measures to prevent concentration in media sector" (2008).

There are many policy measures available to favor content diversity other than regulation engaged in ownership restrictions, although governments rarely utilize such courses of actions. Maximization of the number of broadcasting licences, cross-media restrictions, limits to horizontal and / or vertical and diagonal concentration, such as merger control rules, audience share ceiling (quota regulations) and foreign ownership rules (Gálik, 2010 and Puppis, 2009) are methods available for all governments to deal with the challenge concentration of media ownership represent. Yet, there are multiple legal measures adaptable for policy makers to enhance media plurality in a more direct manner as well. Puppis recites press subsidies, support programmes for the audiovisual industry and the funding of public service broadcasting, regulation of distribution in form of access requirements and other requirements aiming at enhancing diversity (2009). Furthermore, enabling transparency in respect of media concentration is a prerequisite of sensible and effective government actions.



However, the recent changes in the structure of media markets pushed by developments in ICTs and the adjustments in media consumption of the public, as well as the recommendations of the European institutions and policy centers are imposing a pressure on national policy makers to apply a different approach when formulating new communications policies. In her study, Halliki Harro-Loit suggests that “media policy paradigm has shifted from a media to a communication-oriented approach”. She argues that technological and economical convergence challenge the “old normative media policies” and call for a more holistic and integrated approach, predicting the merge of different policy areas (Harro-Loit, 2010). Harro-Loit proposes an extended, new “integrated communication policy” in which she incorporates the “educational domain” beside political, socio-cultural and economic domains, emphasizing the importance of the notion of media literacy and “promoting civic competences”. The Audiovisual Media Service Directive entered in force in 2007 defines media literacy as “the skills, knowledge and understanding that allow consumers to use media effectively, safely exercise informed choices, and protect themselves from harmful material” (European Commission, 2007). Given that contemporary communications policy is determined by both normative regulation and the communication competences of individuals, Harro-Loit calls for a merge of communications and education policies into an “integrated communications policy” (2010). While van Cuilenburg and McQuail proposed to integrate media and telecommunications policies and defined three domains (political, social-cultural, economic) and underlying values in their model, Harro-Loit adds a fourth domain (education), and suggests that the public broadcasting and the education system of a given country should promote media literacy on the national level (2010).

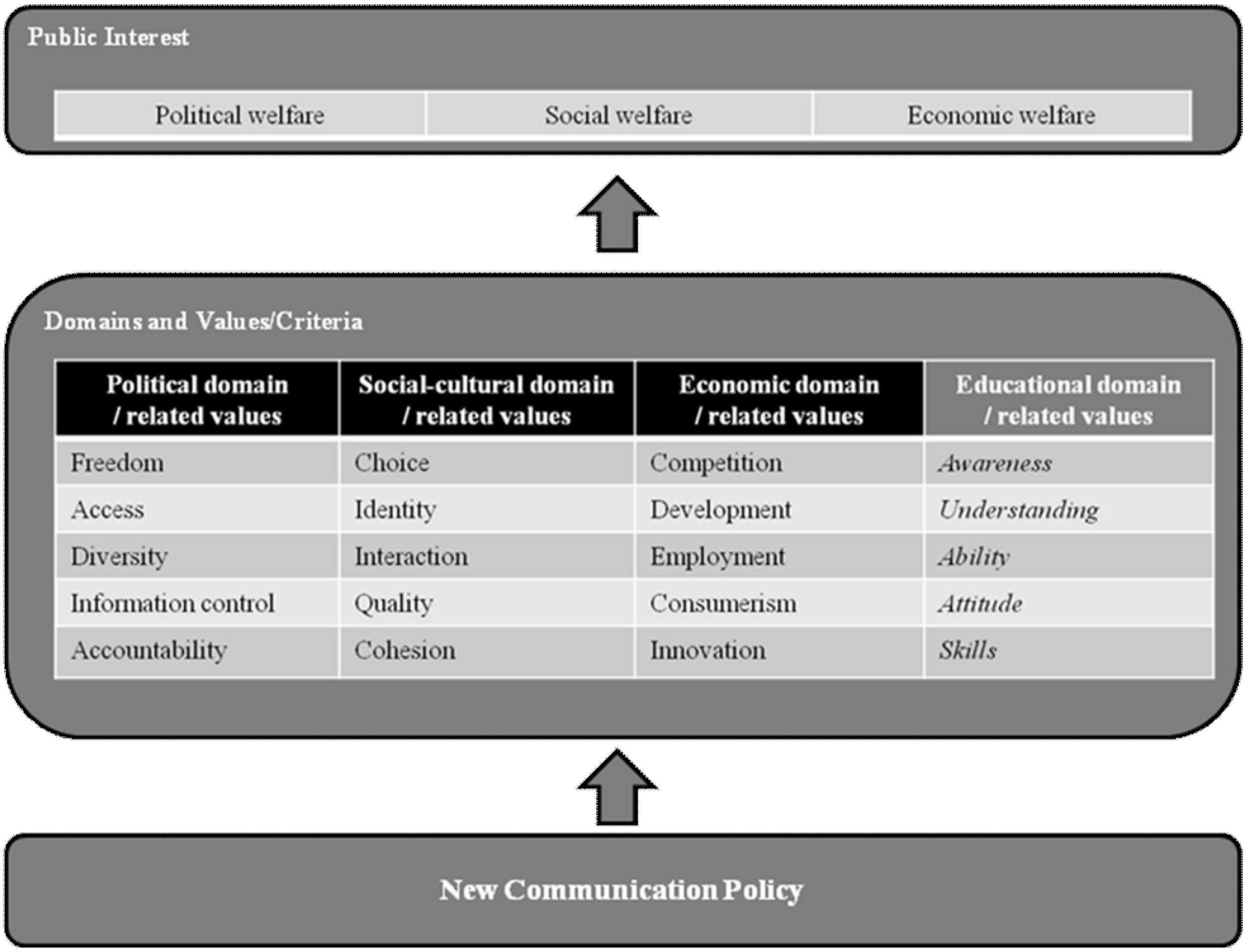


**Table 3**. – The extended communications policy paradigm proposed by Harro-Loit, based on the new communication policy proposed by van Cuilenburg and McQuail in 2003

The framework of “integrated communication policy” proposed by Harro-Loit and recent shifts in the manner national governments approach the problem of concentration of media ownership carry the promise of the prevalence of a new paradigm which puts more emphasis on media diversity – not only in a theoretical or rhetorical manner, but also in practice. “A new era of media policy is opening up” – Denis McQuail predicted in 1998 – “in which economic, social, cultural and political issues carry equal weight and for which the concept of an information society provides a central organizing pillar” (1998).

# 2. Methodology

The main objective of the thesis is to answer the following research question: which regulatory framework is the most satisfactory in terms of limiting concentration of media ownership and ensuring media pluralism and diversity? Drawing on this research question and the available literature on regulating concentration of media ownership and media diversity, the criteria accounting for the success of such regulatory framework are classified in the following four categories:

*1. Adequacy of the definitions and methods*

- Adequate definition of relevant markets
- Adequate definitions of media pluralism and diversity
- Adequate measurement techniques
- Justification of the thresholds determined to limit ownership concentration

*2. Flexibility of rules*

- Regulation capable of tracking developments in technology
- Possibility to apply regulation on a case-to-case basis

*3. Independence, mandate and competence of the media authority*

- Existence of a competent media authority
- Independence of media authority
- Jurisdiction of media authority

*4. Application of complementary policy measures*

- Balance between economic, cultural, social and political aspects
- Application of policy measures to ensure and nurture media pluralism and diversity
- Integration of (or interaction with) related policy fields (e.g. education, technology)

The absence of proper definition that can be operational for empirical research and a universal "best practice" regarding measurement techniques and regulatory models (MC-S-MD, 2008 and Perusko, 2010) makes the study of ownership regulation empirically challenging. Furthermore, the policies of media ownership regulation are inevitably fueled by normative aspects, making research and analysis within the area inevitably normative as well. Thus, this thesis is going to evaluate three regulatory frameworks introduced by EU member states on a qualitative basis, endorsing the aspects of "public policy concept" (or "interventionist or public regulation approach" / "democracy model") at the expense of "competition policy concept" (or "competition or market approach" / "efficiency-oriented model") in consideration of the recent shift in trends of regulatory practices.

# 3. Analysis: Regulation of Media Ownership Concentration in Europe

Since market conditions differ to a great extent among European countries, the methods and the regulatory frameworks national governments employ to pose limitations on concentration of media ownership vary considerably. The dynamic changes of the media market and the changes in market structure do not justify total deregulation because of the importance of the mass media in the social and political life, however, in his study David Ward suggests that a greater degree of cross-media ownership will be expected due to the digitalization process taking place in the broadcasting sector and "there will be persuasive arguments for instruments that encourage companies to expand into new areas of the media industries" (2004). The role of competition policy in regulatory framework is increasing, thus "competition authorities are likely to play an increasing role determining the levels of market concentration in the media sector" since the trend of mergers and acquisitions shifts the focus to economic considerations (Ward, 2004).

The table below, showing the level of concentration in different media sectors within the media markets of the seven countries Ward focused on in his study (evaluating ten national media markets in Europe). The level of concentration varies considerably among the different sectors, however, it is apparent that all markets and almost all sectors are highly concentrated. The most significant concentration could be observed in the television sector, the radio sector shows lower degrees of concentration. The only sector displaying diversity is the market of regional press in Germany, a phenomenon that could be explained by strong local brands and a weak national market of newspapers (which is consequently is highly concentrated).

| Concentration on Media Markets in Seven European Countries (C3) | | | | | |
|---|---|---|---|---|---|
| **Country** | **Population** 2002 (000s, Eurostat) | **Regional press** | **National press** | **Television** | **Radio** |
| France | 59,337.9 | 46.7 | 70.0 | 80.7 | 59.1 |
| **Germany** | 82,440.3 | 27.9 | 87.4 | 90.9 | 56.8 |
| **Italy** | 56,993.7 | - | 44.8 | 88.7 | 58.7 |
| The Netherlands | 16,105.3 | 88.1 | 98.2 | 84.6 | 69.0 |
| Spain | 40,409.3 | 47.3 | - | 71.4 | 76.6 |
| Sweden | 8,909.1 | 45.5 | - | 79.4 | 81.0 |
| **United Kingdom** | 58,921.5 | 51.6 | 70.6 | 69.9 | 72.3 |
| *C3 = sum of three largest market shares* | *0-35: low concentration* | | *36-55: moderate concentration* | *56+: high concentration* | |

**Table 4.** – Concentration on media markets in seven European countries (C3) as presented in "A Mapping Study of Media Concentration and Ownership in Ten European Countries" by David Ward, 2004

The trend towards more liberalization of the radio and television markets across Europe throughout the 1990s and the number of significant mergers and acquisitions (e.g. the merger of CLT/RTL and Bertelsmann/UFA) during this period resulting in international and domestic expansion of media companies (Ward, 2004) might partially account for the extreme concentration of ownership within these sectors.

There are obvious reasons (described already) for policy makers to attempt to control and pose limitations to such concentration. In the following section the recent attempts to regulate media ownership and promote content diversity are going to be reviewed, focusing on the related actions of three European countries and institutions. In the European Union, new assessment methods have been introduced to deal with the challenge of measuring diversity in Germany, Italy and the UK (European Commission, 2007), struggling to take into account the tendency of "blurring of the boundaries" between the different media platforms ("old" or traditional and "new", digital media).

### 3.1. Regulation of Media Ownership Concentration in Germany

Broadcasting regulation in Germany has two core elements: one is concerned with the different spheres of public service (internal pluralism and private broadcasting), while the other focuses on ownership regulation in the private sector based on audience share. In Germany, the authority to regulate the broadcasting sector lies within the states, which regulate public service broadcasting and private broadcasting separately (State Broadcasting Laws – Landesrundfunkgesetzen; State Media Laws – Landesmediengesetzen). The states created the first common regulatory framework in 1987 in order to standardize the rules applyied on the national level. Prior to the a paradigmatic shift from a „program-supplier (broadcaster) to a program-user (audience) approach" (Czepek and Klinger, 2010) in the regulation of private broadcasting in 1997 represented by the provision of the Interstate Treaty on Broadcasting (Rundfunkstaatsvertrag, RStV), structural pluralism had been measured by the number of outlets a media enterprise owned. Since the provisions of the treaty came into effect, the level of market concentration is being determined according to the audience share each enterprise reach with their channels and programs (Czepek and Klinger, 2010). The third amendment of the Interstate Treaty established the Commission on Concentration in the Media (Kommission zur Ermittlung der Konzentration im Medienbereich, KEK) in 1997 as an independent regulatory body with the function to monitor the private broadcasting market, possessing veto power to mergers and fusions. KEK also has the function to achieve more transparency in all matters regarding the sector of national private broadcasting.



Both sector-specific regulation and general competition law are in place in order to regulate media ownership in Germany. The sector-specific approach deals exclusively with broadcasting, and the general competition law covers both the newspaper and broadcasting industries. The Federal Competition Authority (Bundeskartellamt) is responsible for media market regulation, while safeguarding media pluralism and diversity is the task of several different institutions. The State Media Authorities (Landesmedienanstalten) monitor commercial broadcasters and KEK monitors ownership and inhibiting the "exercise (of) a predominant impact on public opinion" (KEK, 2007) of media companies.

The German regulation is platform neutral and includes an overall assessment of terrestrial, cable and satellite services. A broadcaster will be held to have acquired a dominant position if the total number of channels that can be attributed to a single company on average reaches an audience share of 30 per cent or more throughout a given year. Secondly, where the channels attributable to a company attain an annual audience share of 25 per cent and a company itself holds a dominant position in a media-relevant market (KEK, 2007).

KEK developed a new method to weigh broadcasting audience shares and print media circulation, determining a percentage of cross-media market share in order to measure the "assumed predominant impact on public opinion" (Czepek and Klinger, 2010). In 2005, when Axel Springer AG sought to merge with ProSiebenSAT.1 Media AG, KEK introduced a formula which applies the decisive factors "suggestive power" (Suggestivkraft), "broad effect" (Breitenwirkung) and "topicality of news" (Aktualität) in order to present an operable method which could be employed in cases of restricting cross-media ownership. Through this method, KEK is able to translate shares of other media markets into TV share equivalents, assuming that only TV fulfills all three factors completely and that the influence of other media types on public opinion could be weighted according to their compliance to these factors (KEK, 2007). Despite its complexity, the model of KEK is not only elaborate and comprehensive but shows awareness in terms of the foreseeable developments of the future.

The concept of 'related media-relevant market' addressing the challenge of vertical market integration covers "advertising, radio and newspapers that are understood to exercise a substantial influence on public opinion as well as other markets in the supply chain such as production, trading in programme rights and transmission systems" (KEK, 2007). A "bonus system" is applyed for the calculation of the audience share which "grants discounts of two per cent when a broadcaster provides programming that qualifies as a 'regional window programme' and a further three per cent for the allocation of airtime granted to the window programmes of independent third parties" (Ward, 2004), representing an incentive for private media companies to cover topics relevant to the public.

## *3.2. Regulation of Media Ownership Concentration in Italy*

The Law 112/2004 on Television, the so-called "Gasparri Law" (named after the minister of communications, Maurizio Gasparri) entered in force in order to serve as a remedy to high degrees of concentration within the television sector characterized by duopolistic market features dominated by RAI (public broadcaster) and Mediaset (private broadcaster owned by Fininvest, the company of prime minister Silvio Berlusconi), the latter controlling the market of private broadcasters in a quasi monopolistic manner. The Italian duopoly, often referred to as the "Italian anomaly", is "one of the highest concentrations of nationwide television networks in Western Europe" (Haraszti, 2005).



The concept introduced by the law, the so-called "integrated communication system" ("sistema integrato delle comunicazioni", SIC) takes the media market as a whole, excluding telecommunications only, but otherwise preparing for the complete interlocking of ICTs, telecommunications networks, and content providers, treating the industry as a united economic sector (Just, 2009), covering the broadcasting sector, production, distribution, technical activities, publications, bookshops, internet, cinema, grafic industry, music and publicity. SIC unifies all markets of media content.

The law abolished cross-ownership limitations introduced by the Constitutional Court in 1994, with the exception of bans on newspaper acquisition by broadcasters, and on investment into broadcasting by telecom companies. Regarding cross-ownership, the law declares that subjects exercising television activities at the national level through more than one network cannot, before 31 December 2010, acquire shares in newspaper publishing companies or participate in setting up new newspaper publishing companies. In addition enterprises active in the sectors of radio, television and digital television broadcasting may not exceed 20% of the total transmission frequency resources of the said sectors. Furthermore, companies registered as communications operators may not, directly or indirectly, earn revenue greater than 20% of the total revenue of SIC. According to the bill no one may control more than 20% of the total daily newspaper circulation or more than 50% of a total regional or inter-regional circulation (Commission Staff Working Document, 2007). Market regulation measures of SIC follow the EU-concept of "freedom of services', instead of the principle of separate regulations for the relevant media markets and anti-monopoly regulation is designed in compliance with the general antitrust law of the EU, applying a market share control, without the guarantees of any protective measures requested by the EU in defense of "external media pluralism". The law forbids dominant positions that would threaten media pluralism and diversity, but does not specifying criteria or concrete quota measures. The law delegates power to the Communications Regulatory Authority (Agcom) to intervene subsequently, when it deems respect of pluralism to be at peril (Haraszti, 2005).

Agcom is an independent authority, established by Law n. 249 (1997). Agcom is accountable to the Parliament. The law assigns two main tasks to Agcom: (1) „to ensure equitable conditions for fair market competition" and (2) „to protect fundamental rights of all citizens". Agcom defines itself as a "convergent authority", referring to the decision of the Parliament, assigning multiple functions to Agcom from telecommunications to audiovisuals and publishing. Among many functions of the authority, "strict control on quality and distribution of services and products, including advertising" and "fostering and safeguarding political, social and economic pluralism in broadcasting" are the ones which are closely related to concentration of media ownership and media pluralism and diversity.

### *3.3. Regulation of Media Ownership Concentration in the United Kingdom*

The UK has redesigned its regulatory framework and rules for media concentration and ownership to bring about a greater degree of liberalization, especially considering the previously strict rules on cross-ownership of media outlets. The changes represented by the Communications Act 2003 are made to "encourage competitiveness whilst theoretically protecting media pluralism" (Ward, 2004). The new law abolishes some of the limitations regarding media ownership, replacing them with a more flexible, case-by-case practice.

According to the Communications Act 2003, any merger or acquisition between media companies in any of the media sectors which might represent concerns regarding the public interest, will have to be reviewed by Ofcom, the new regulatory body responsible for the media sector and the Office of Fair Trading. Under the umbrella of Ofcom (Independent regulator and competition authority for the UK communications industries), previously separate regulators, such as the Independent Television Commission, the Radio Authority, the

Office of Telecommunications and the Broadcasting Standards Commission has been integrated.

The “public interest test” or “plurality test” applied by the regulators has been extended by the new law to television and woven into the fabric of the overall regulatory framework. The Communications Act 2003 gives Ofcom the task to “give advice and recommendations on media public interest issues arising from mergers” in case the Secretary of State for Business, Enterprise and Regulatory Reform issues an investigation notice. The test might be employed whenever the transaction level is below 100 million Euros or one of the participants has a 25 per cent or above market share in the relevant broadcasting or newspaper sector, or for cross-media ownership cases.

The key factors under consideration when determining whether a case is blocked or cleared are the following: (1) “there is a sufficient plurality of persons with control of media outlets”; (2) “the availability for the end consumer of a wide range of quality television and radio service”; and (3) “the owners have a commitment to fulfill the objectives set out in Section 319 of the Act (standards)” (Ward, 2004). The public interest test takes into consideration the (a) “number of outlets and audience share of the actors involved”, (b) ”the availability of a wide range of quality programmes” and (c) “the owners’ strategic planning policy for programming” (etc). The standards set out in Section 319 of the Communications Act 2003 involve multiple obligations such as advertising standards or the protection of minors (Ward, 2004).

Conditions which lead to the application of the “public interest test” are precisely defined as well: (1) “Mergers involving national newspapers with more than 20 per cent of the market share and the Channel 5 license holder"; (2) "mergers involving national newspapers with more than 20 per cent of the market share and a national radio service"; (3) "mergers involving a change of control of the Channel 3 license holder" (4) "mergers involving the national Channel 3 license holder and a national radio service"; (5) "mergers involving the Channel 5 license holder and a national radio service"; (6) "mergers involving two or more national radio services"; and (7) "mergers involving on the one hand, owners outside the EEA, and, on the other, any of Channel 3, Channel 5, digital and analogue radio licenses" (excerpt from DTI, 2003 – cited in Ward, 2004). Mergers involving satellite and cable services are approached as part of general competition policy. The test focuses on ensuring diversity of the media market and investigating mergers, the fair and valid presentation of news and guaranteeing freedom of expression.

# 4. Comparison of the Regulatory Frameworks

In the following paragraphs I will compare the three regulatory frameworks designed to control concentration of ownership along the line of the criteria given in Chapter 2. Through the evaluation it is possible to draw the inferences from the advantages and shortcomings characterizing the models described.

## *4.1. Adequacy of the definitions and methods*

In the case of the regulatory framework determined by the Communications Act 2003, the definition of the relevant markets is precise and transparent. The regulation describes the relevant markets in details and assigns provisions to the different sectors or genres in a distinct manner. The clearness of the regulation originates from the fact that the regulators did not aim to redefine the media market according to the developments of technology and the changes of consumption manners, nor the convergence of the platforms of content distribution.

In its attempt to create a platform neutral framework to regulate concentration of media ownership, the German law risks that its definitions regarding the relevant markets become vague and arbitrary. The formula of KEK which was designed to overcome the difficulties represented by cross-ownership in such a platform neutral regulatory environment – no matter how promising and elaborate it is – demonstrates the disadvantages of such a comprehensive and widely expanded concept and the lack of rigid diversification. The vague nature of the decisive factors themselves (“suggestive power”, “broad effect“, “topicality of news”) represents another challenge in terms of clear definitions in a field which is already challenged by the very fact that the concepts lack empirically applicable definitions. Thus, the measurement techniques embraced by the German regulation complicate the already existing problems regarding the adequacy of measurement techniques. Similarly, as Czepek and Klinger note in their study, “setting the 30% threshold was as arbitrary as it was convenient”, since at the time of the determination of the threshold the private broadcasters present on the market have not yet came close to the given limit, allowing the regulators to avoid dispute and undesired hostility. Accordingly, a fundamental critique of the audience-based concentration limit is the method of gathering the necessary data – Czepek and Klinger points to the 2008 annual report of KEK, in which the institution repeatedly emphasized such deficiencies (2010).

However, justification of the thresholds determined to limit ownership concentration are inevitably arbitrary, principally because of the absence of empirical evidence. The fact that the accuracy of all three regulatory attempts can be questioned points to the fact that presence of value-based policy making cannot be completely rational, thus they are all – as Just notes – insufficient and the models unavoidably lack scientific justification. As she puts it: “Media concentration policy is not a mechanistic endeavor and thus cannot be captured by the positivist presuppositions that inform most empirical attempts” (2009).

Still, the notion of “integrated communication system” introduced in Italy is conspicuously misleading, allowing Mediaset and RAI to maintain and increase their audience shares without violating the new market share limits defined under a – legally – much larger market. SIC falls short to determine the relevant market, redefining “media” in a way that guarantees the company associated with Berlusconi to dominate the broadcasting sector, allowing further expansions toward the newspapers market. One might have the impression that the introduction of the SIC meant to bring forth a state of increased confusion, distorting the definition of market in order to provide a possibility to increase the political power of the Italian prime minister even further.

In conclusion, the comparison demonstrates the importance of the formulation of explicit definitions – those of which the field still lacks – and shows how easily ownership regulation could be abused in the absence of such foundations. Efforts of both researchers and policymakers are needed to formulate widely accepted definitions in order to overcome such anomalies.

## *4.2. Flexibility of rules*

Both the German concept of platform neutral regulation and the Italian attempt to gather all sectors of media under the umbrella of "integrated communication system" display the intention of the regulators to pursue the developments of ICTs. In this regard, they both demonstrate flexibility. However, both attempts seem to be abrupt, creating unrealistic regulatory environment, providing "futuristic" legal conditions for the media system in transition. The German model lacks the empirical evidence and methods to which it aims to correspond. The Italian system is designed for a future media environment which is not in place yet.

The public interest test applied by the authorities in the UK is in turn seems to be capable of adjusting itself to the cases it is applied to. Another advantage of the practice is that the scope of its application is rigorously determined (e.g. the conditions which lead to the application of the public interest test), leaving it to Ofcom whether to actually employ it or not, assigning the responsibility of judgement to the institutions as well. The predetermined quotas only serve as a basis for intervention, leaving the decision about the appropriate actions and measures to the experts, contrary to the ownership limits which automatically assign sanctions and means of actions in case of violation.

All in all, flexibility of rules should provide options for the regulatory bodies and authorities, rather than granting the liberty of interpretation to the objects of the regulation. The practice of both KEK and Ofcom could be regarded as flexible application of rules in favor of the public interest, whilst the blur and incomprehensible concept on which the Italian regulation is built on is contributes to the undesirable conditions characterizing the Italian media market (particularly the national television sector), worsening the transparency of both its legal and economic environment.

### *4.3. Independence, mandate and competence of the media authority*

Both KEK and Ofcom have been established by a law that represented a decisive switch in national regulation of the concentration of media ownership, along the changes in media policy paradigm. On the contrary, Agcom has been constituted by a law passed by the Parliament in 1997, while the current regulatory framework dates back only to 2004. It worth to acknowledge that the "Gasparri Law" allows Italian authority to intervene only after a transaction which enables companies to acquire dominant positions that would endanger pluralism of media already took place. Agcom, however, in line with the underlying concept of SIC, is defined as an independent, "convergent authority".

As recent changes in the media industry and the structure of media market demands a more integrated media policy – as suggested by van Cuilenburg, McQuail and Harro-Loit –, media authorities has to be integrated as well, to suit the conditions of the 21st century media landscape, and  to be able to address the problems and dilemmas represented by digital convergence. Compared to Ofcom, KEK seems to have a disadvantage rooted not only in the fact that it has been established six years earlier, in 1997 (at the dawn of the digital era), but rather in the fragmented nature of German legislation – a characteristic constraining the German media authority responsible for controlling ownership concentration to cooperate not only with The State Media Authorities. While policy makers aimed to develop an up-to-date model for monitoring and measuring concentration of media ownership creating a platform neutral regulatory framework, KEK fails to deliver the appropriate measure for such an integrated approach. As stated on the website of KEK, it "functions as a decision-making body and as an agency promoting a uniform standard of national media concentration control" with nationwide jurisdiction, and the decisions of KEK are binding for each state supervisory authority for private broadcasters.

However, integrated media policy implies institutions which are able to coordinate and design comprehensive policy measures in order to ensure a diverse and democratic media system, going further than the bearing responsibilities related to the concentration of media ownership. Ofcom – mentioning it only to demonstrate its integrated approach – in addition to issues regarding competition is also engaged in the review of the BBC's Royal Charter, or the mission of raising media literacy.



### *4.4. Application of complementary policy measures*

Promoting and nurturing media pluralism and diversity – the justification behind sector specific rules limiting concentration of media ownership – demands the application of complementary policy measures as well. Thus, endorsing the holistic and integrated regulatory approach, characterized by the merge of different policy areas proposed by Harro-Loit (after van Cuilenburg and McQuail), this paper argues that the application of complementary policy measures and their integration into the national regulatory agenda is a prerequisite for successful media policy in the future. However, according to the available data, none of the national regulatory frameworks have yet been developed on the basis of such comprehensive understanding of media policy.

The exhaustive tenor of the Communications Act 2003 could hardly be questioned, nevertheless it remains to focus on the political, socio-cultural and economic domains of media policy (not as it would not be a great achievement to cover all the values rooted in the traditional interpretations of media policy to some extent). Additionally, it is important to note that education policies of Western European countries are increasingly being engaged with media-related subjects, such as media literacy, and the UK is among the pioneers promoting the concept. Still, the effective integration of such policies has not yet been realized, despite the ambitions of EU embodied in the supportive programme for European audiovisual industry, called “MEDIA”, and a declaration of Commissioner Viviane Reding about the fact that the European Commission considers media illiteracy as “a new form of social exclusion” (European Commission, 2009).

Regarding the institutions related to the national regulatory frameworks discussed above, only Ofcom shows (moderate) activity concerning the educational domain of media policy and promoting civic competences.

## Conclusions

The Communications Act 2003 appears to constitute the most advanced and comprehensive, and at the same time the most applicable and justifiable regulatory framework of concentration of media ownership. Ofcom approaches the ideal archetype of 21st century, integrated media authority, covering most of the dimensions an integrated media policy incorporates. The adequacy of the definitions and the measuring methods of the regulation enable the authorities to apply the rules in a consistent and transparent manner, justifying the efforts of the legislation. The fact that the scope of application of the public interest test is rigorously determined permits the necessary flexibility for its meaningful employment. The independence guaranteed by the law and the detailed description of its competences make the effective operation of the authority possible.

The "audience-share limit approach", the attempt to limit concentration on the German private television market could hardly be considered successful as it stabilized duopoly further – as the study of Czepek and Klinger conclude (2010). The new model developed by KEK, weighting audience shares based according to equivalence measures has not yet been tested, however it is under increasing pressure, as posing seemingly arbitrary thresholds for ownership, which is based on haphazard calculations are hard to justify. However, such formulas should not be forgotten, and might be improved in the future. The Diversity Index employed by the FCC in the United States testifies for the possible survival and prevalence of such methods. The German case of broadcast regulation, however – as Czepek and Klinger pointed out – "demonstrated the importance to regulate pluralism, not just competition and the normative and methodological problems involved in such an ambitious approach" (2010).

The “Gasparri Law” of Italy and the “integrated communication system” it has been introduced is an alarming attempt, warning scholars and policy makers about the vulnerability of both the regulatory frameworks and the media markets exposed to them. Skeptics and those who oppose government intervention might regard it as proof that the policy process is in fact captured by media conglomerates. (Nevertheless it also could be used as a demonstration, how easily media could be hijacked by political and financial power.) Without being malicious, or falling into the trap of prejudication, the phrase of Lenert seems extraordinarily applicable to describe the controversies observable in Italy: “it is often easier for the state to deregulate communications rather than attempt to sustain increasingly abstract distinctions among media” (1998 – cited in Blevins, 2002).

Regulating the concentration of media ownership and the establishment of a comprehensive regulatory framework, satisfactory to every stakeholder, remains almost unobtainable until further empirical evidence on the nature of the relationship between concentration of ownership and media diversity, proper definitions of media pluralism and diversity which could be operational for empirical research and serve as a basis for elaborated measuring methods are absent. Such deficiencies and imperfections characterizing all regulatory attempts inform us about the necessity of the shift in media policy paradigm, and the importance of the application of complementary policy measures that safeguard and nurture media pluralism and diversity with supportive actions.

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