



Report on Sustainability of Print Newspapers in Bhutan

Department of Information and Media

Ministry of Information and Communications

July, 2020

Report on Sustainability of Print Newspapers in Bhutan

1. Background

The mainstream media landscape has been dominated by print media houses such as Newspapers. As a premier established form of news media, Newspapers play a significant role in upholding an informed society. In an age where various forms of social media platforms have redefined the communication blueprint, news media such as newspapers play a pertinent role in discrediting the influx of fake and inaccurate news. The erstwhile role of newspapers in social participation, change and inclusivity is now threatened by the rise in digital media and its effect on the revenue and readership of newspapers.

The forces shaping the print media industry and their sustainability is a complex and often debated subject. Bhutan currently observes a pool of six private print media houses inclusive of one *Dzongkha* newspaper. Economic instability and decline in advertising revenues-which constitutes a major source of income for print newspapers- have stuck the print media industry worldwide. The state of private print media in Bhutan is also challenged by a vulnerable financial situation with a narrow audience reach, reduced readership, lack of advertisement revenues and qualified professional journalists.

Over the years, news media, media markets and consumer behavior has undergone substantial transformation. This report attempts to study the impact of the rapidly changing media landscape on the financial and social sustainability of private print newspapers in Bhutan, draw a comparison to the patterns worldwide and recommend possible resolutions to aid their relief.

2. Situational analysis of Private Print Newspapers in Bhutan

Kuensel, after delinking from the government in 1993, has the highest circulation and printing press quality in the country. Since 2006, the launch of the first private newspapers in Bhutan blocked the monopoly of Kuensel and subsequently, Bhutan saw a rise in private newspapers

mostly in English. To this date, 5 Private English Newspapers and 1 Private Dzongkhag Newspaper still operate although a few newspapers cancelled their license over the years.

The challenges faced by the private newspapers are inevitably described as a crisis. As per the study titled ‘Private Newspapers in Bhutan: Proposed Strategy to Overcome the Crisis’ conducted by International Media Support, the Swiss Agency for Development and Cooperation (SDC) and the Department of Information and Media in 2014, the figures on the amount of government spending on advertisements and the lack thereof from the private companies poses a threatening financial crisis on private news papers in Bhutan. Whilst the frequency of government advertising has been declining over the years, the introduction of digital platforms such as e-GP (Electronic Government Procurement System) does not play in their favor as well.

As one of the most obvious consequences of the crisis, the top professionals from the private newspaper sector are actively seeking - and finding – jobs in other industries. Massive departures of top talent and trained professionals leaves newspapers with junior and inexperienced staff in charge, and that has been further negatively affecting the quality of the newspapers and content they create.

As per the report, the first structural problem is the size of the potential readership that private newspapers are competing for. In a country with a bit over 700,000 inhabitants, 70% of whom live in rural areas, and with a literacy rate of 59,5%, the total number of potential newspaper readers is extremely low by any standard. That alone would make the economics of newspapers business extremely challenging, even in the best of economic times, and even if we leave aside all other structural difficulties this market has to live with (Private Newspapers in Bhutan: Proposed Strategy to Overcome the Crisis, 2014).

As such, with the government standing as the dominant source in the advertising market, private newspapers live or die based on one criterion only –how successful they are in competing for government advertising. Perplexing this criterion is the issue of circulation capacity of the private newspapers which according to the Circulation Auditing carried out in 2016, has not been

managed or documented properly by the private media firms and with minimal representation in districts outside of the capital and nearby areas.

3. RGoB's assistance to Private Print Newspapers in Bhutan

In recognition of the impact of mainstream media in sustaining an informed society and the exponential significance in times with the infest of fake news, the Royal Government of Bhutan has been continually supporting the private media houses in direct and indirect ways. The government provided financial support for procurement of equipment for the print media, for purchase of Dzongkha language software (Bhutan Times, Bhutan Today, Bhutan Observer), study tours, capacity development training and workshops, grants for content development and internships among others since 2011.

- Equipment- Portable Digital Audio Recorders to 9 print media houses worth Nu. 0.340 Million.
- Workshop/Seminar- 11 workshops/seminars/conferences organized by DoIM
- Short Term Training- 28 provided by DoIM and 9 provided by Ministry of Labor and Human Resources (MoLHR) in ICT and Media field
- Long Term Training- 11 LTT provided by MoLHR in ICT and Media field
- Internship/Attachment- 5 Ex-country Internships/ Attachments provided by DoIM and 1 In-country internship for three candidates from Bhutan Times provided by BICMA.
- Content Development Grant (2016-2018)- Nu. 3.417 Million Content Development Grant from January 2016 to April 2018.
- Content Development Grant (2019-2020)- Up to Nu. 0.700 Million was used for Content Development Grant to private print media houses to help their reporters cover rural centric issues which otherwise would be difficult due to financial constraints on the media houses.
- Laptops and Printers each for each private print media house- were procured amounting in total Nu.0.400 Million in the Fiscal year 2018-2019.

●Printing Subsidy - As per requests submitted by the Private Media Houses and Journalist Association of Bhutan to the government in 2017, printing subsidy for the private media houses was approved and in line with the directives of the Ministry of Finance, MoIC released a total of Nu. 2.609 Million to the Bhutan Media Foundation (BMF) biannually (in August and in December 2018) for disbursements to the media houses as Printing Subsidy for the fiscal year 2018-2019. The following year Nu.2.386 Million was disbursed as Printing Subsidy after the discontinuation of one private newspaper.

●In addition the Department of Information and Media in its efforts to create advertisements revenues for the Private Media House has been rendering public advocacy inserts for printing in the newspapers in the form of advertisements.

Note: A detailed list of support given has been attached as Annexure.

4. Proposals received from Private Print Newspaper Firms in Bhutan

In light of the crisis threatening the sustainability of private newspapers in Bhutan, private media firms were asked to submit their business proposals which could be possible measures to confront the issue. The private media houses represented by the Media Association of Bhutan have over the years recommended the following measures that may improve their financial stability and sustainability. As per the proposals received by the department;

- 1) The former government approved a 50 percent printing subsidy on 1200 copies (600 subsidized copies) per issue for English newspapers and on 600 copies (300 subsidized copies) per issue for Dzongkha papers from July 2018 for two years. Given the dire financial situation of media houses and with printing being the second largest cost, the Media Houses request for this to be increased to a full subsidy for a period of five years.
- 2) To increase the budget for media development and given as direct block grants to private media houses to support the equipment purchase, content generation etc. If the government is not comfortable in doing it directly, then it can be routed through the

Bhutan Media Foundation (BMF) which has a Royal Charter and also a mandate to help in media sustainability as one of its key functions.

- 3) Despite direction from the MoIC to government agencies encouraging them to also advertise with private media houses of their choice, in addition to state owned media, there has been no change in the perception. The media houses request the government to ensure that most advertisements do not just go to the state owned media houses that already enjoy a lot of government support. Clear instructions could be given along with budget from the Ministry of Finance and MoIC to mandate advertisement to be given to an additional three to four private media houses of their choice.
- 4) There is a lot of external and parallel funding for journalism training with multiple agencies doing it. An example is, around USD 150,000 being given by UNDEF to JAB for next two years for mainly media training programs. Other agencies also keep conducting training programs but due to sustainability issues there could very well one day be no journalists left to train in the private media. So we request that the government focus more on media sustainability as the key and core issue as there is more than enough training going on.
- 5) A tax holiday for media outlets, as most media houses break even or even loss making ventures but to avoid the two percent TDS deduction. If a tax holiday is not given, then at least a letter from the MoF stating that two percent TDS should not be deducted for media houses.

5. Global Situational Analysis

New media, new technologies and new media behavior has disrupted the old order and changed the game across the world, according to Rene Van Zanten, Director of the Dutch Journalism Fund.

Finland

In Finland, the Ministry of Transport and Communications overlooks the state subsidies to newspapers where the government's budget includes an annual allocation towards political party newspapers and for discretionary press subsidies. The discretionary subsidies are granted to newspapers published in national minority languages and for the corresponding web publications (Zanten, 2018). However, the Finnish Ministry of Transport and Communications do not merit much benefit from these state aids and in the current situation has warranted how and whether the press could be supported during the transition of media and how such a support would affect the media market.

Denmark

Denmark applies a media support system that supports production and innovation. A Finnish report recommended adopting a similar module where the total amount of support given was suggested to amount to €30 million, of which production support (€25 million) could be granted for example to cover up to 30 percent of the production costs of journalistic content. However, this support should be granted on a fixed term basis and it should be as neutral as possible in terms of competition (Zanten, 2018).

Germany

On the other hand, in Germany, direct state subsidies do not exist neither within the print sector nor in the electronic media, although special aid such as a reduced value added tax rate and reduced prices for distributing print products via mail serve as a state generated support for the press.

Portugal

In Portugal where the media industry is also hit by an economic crisis, direct support is given to newspapers and local radio or to specific media projects, in the form of a loan to purchase new equipment or to innovate and develop a journalism project. There has been some dialogue in the past years, particularly between the Portuguese Media Confederation and the government members responsible for the media, in order to create specific programs within Portugal 2020 (national application of funds from Horizon 2020) for the media industry, whose goal of the

program, approved by the government in September 2014, is to support the transition to digital, new business models and internationalization of the domestic media industry (Zanten, 2018).

Amidst the economic vulnerability, newspaper companies in mature and saturated markets have embraced digital platforms and new forms of print publishing. As the World Association of Newspapers and News Publishers Project (WAN-IFRA) research data indicates, in doing so these companies have actually grown their product portfolios, audience reach, and revenues (2010).

6. Recommendations

Based on the discussions made in the report, the following measures are recommended as interventions to create a modality to address the issue of financial sustainability of private print media houses in Bhutan;

- Development of business, managerial and marketing skills of media firms- Business skills are fundamental to the sustainability of media, according to the survey conducted by World Association of Newspapers and News Publishers Project (WAN-IFRA), where majority of the survey's respondents, point out they receive little support in that area. In recent years, international aid and assistance resources have been overwhelmingly concentrated on the development of journalism skills, with an emphasis on the hot topics of the day (currently, social media, and convergence technologies). There is only an occasional nod toward educating media professionals in the business skills and market forces that are fundamental to sustaining their news organizations. For news media that lack the tools for survival, even the most impressive editorial enhancements are futile.
- Direct subsidies in various fields such as education, market research, innovation and technological modernization, among other possible policy areas and indirect subsidies (support for postal costs in newspaper delivery). While other countries were providing indirect subsidies towards postal costs, in Bhutan, the circulation auditing report by BICMA (2018) indicates inappropriateness of this intervention as hard copies of the papers are not popular in the Dzongkhags.

- To encourage private newspapers to reasonably quickly move in the direction of digital and on-line future of newspaper business. Not only is “going digital” proven to be the future of newspapers in all other countries, but in the context of Bhutan, going digital has added benefits as it will allow newspapers to avoid two of the biggest difficulties in the market: complicated and expensive delivery to readers outside Thimphu and Paro, and high printing costs (As suggested in the study Private Newspapers in Bhutan: Proposed Strategy to Overcome the Crisis, 2014). If they go digital, the Government could explore facilitating support in terms of:
 - 1) Funding digital transition of newspapers
 - 2) Making mandatory requirements for all government agencies and institutions to subscribe to digital papers.
- Facilitate the formulation of a coordinated system for distribution of government advertisements to state owned and private newspapers devised by clearly studied budget allocation and criteria for distribution of
- advertisements.
- Strengthen coordination of programmes and support provided by different media related agencies to work collectively towards the sustainability of media houses.

7. Conclusion

The face of print media has been the most transformative in today’s rapidly changing world. Governments around the world have been indulging the debate to ensure independence of media against the practices of supporting media.

Within a span of a decade, the media landscape across the world and in Bhutan has transitioned at substantial pace accompanied by merits and challenges. Large state subsidies are largely unsustainable worldwide, and while it may be effective in the short term scenario, fails to diagnose the critical issue of financial sustainability on the long term stretch. The more sustainable solution perhaps lies in creating an environment for private media to establish

sustainable business models that adapts to the new media and digital ecosystem circumvent politically and financially-pressured environments.

Short term measures such as large state subsidies for a limited amount of time is not only sustainable but also disrupts the opportunity to establish the pathways to a potent and durable solution.

The impact of digital media has swept the world variedly with decreasing businesses in some parts to escalating profits of some in others. While Bhutan focuses on its shift to a digitally powered ecosystem in various industries, the same should be done for the private mainstream media channels. Real time trends have shown the invalidity of outdated cultures, the continued focus on the same print culture and a peripheral priority of the working digital trends does not orient towards the effective outcome.

Leveraging digital media, the private print media needs to be ushered into an environment that gives them more options that digitalization has to offer and not just on print. Accordingly, suitable business and managerial skills need to be taught that illustrates the new media behavior. The government can foster an environment that tracks these new developments of private mainstream media into a financially and environmentally sustainable state rather than momentary, handicapping measures. The string of effects will then naturally include a thriving media industry with retention of qualified journalists, employment prospective and independent, quality journalism.

The ultimate thrust of this report is that while assistance to the private mainstream media especially in print is important, the nature of the assistance given should be constructive, enduring and keeps the liberties of an independent body.

References

Bhutan Info-Comm and Media Authority. (2018). *Determining the Timely Reach and Circulation Figures of the Newspapers for the Year*. Retrieved from www.bicma.gov.bt

Private Newspapers in Bhutan: proposed strategy to overcome the crisis. (2014). International Media Support. Retrieved from www.doim.gov.bt

WAN-IFRA.(2010). *Financially Viable Media in Emerging and Developing Markets*. Retrieved from <https://www.academia.edu>

Zanten, R.V. (2018). *Media Policies in a Rapidly Changing World*. Retrieved from <https://www.media.ba>