



# Communications and Digital Committee

## Corrected oral evidence: The future of news: impartiality, trust and technology

Tuesday 27 February 2024

4.43 pm

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Members present: Baroness Stowell of Beeston; Lord Dunlop; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Baroness Healy of Primrose Hill; Lord Kamall; The Lord Bishop of Leeds; Lord McNally; Lord Storey; Lord Young of Norwood Green.

Evidence Session No. 4

Heard in Public

Questions 47 – 54

### Witnesses

**I:** Henry Faure Walker, Chief Executive Officer, Newsquest; David Higgerson, Chief Digital Publisher, Reach Plc; Jonathan Paterson, Managing Editor, The News Movement; Joshi Herrmann, Founder & Editor-in-Chief, The Manchester Mill.

### USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on [www.parliamentlive.tv](http://www.parliamentlive.tv).

## Examination of witnesses

Henry Faure Walker, David Higgerson, Jonathan Paterson and Joshi Herrmann.

Q47 **The Chair:** This is the second panel of witnesses today, representatives of local and specialist media. Let me start by asking each witness to tell us the organisation they are here to represent.

**David Higgerson:** I am the chief digital publisher at Reach Plc, which publishes titles including the *Liverpool Echo*, *Manchester Evening News*, and *Newcastle Chronicle*.

**Henry Faure Walker:** I am the chief executive officer of Newsquest, the largest owner of UK local newspapers, owning about 200 titles across the UK.

**Joshi Herrmann:** I am the founder and editor-in-chief of Mill Media Co, a local news startup that I started three and a half years ago.

**Jonathan Paterson:** I am the managing editor of The News Movement, a social-first news publisher set up in 2021, established with the mission to change the way news was done.

**The Chair:** Thank you, and welcome to you all. As before, we have four categories of questions. We will cover the financial health of local news, the impact of technology on your business models, the direction of your market, and the role of government regulators, and so on. Without further ado, I am going to go to Lord Dunlop to get us going.

Q48 **Lord Dunlop:** I want to start by focusing on the market conditions. We are all aware of the important place local news plays in the overall media landscape. Can I start by asking each of you for your assessment of the current financial health of the sector and what the prospects are in the medium term?

**David Higgerson:** It is well known the key classified verticals from print fell away as audiences migrated from print to online; they did not migrate with us. It would be fair to say the current situation is challenged in two ways.

One challenge we face is how to generate revenue against the content we are creating. At the moment, too much of the ad revenue goes to the distributors of content rather than the people who are creating it, and it is the same challenge whether you are a company the size of Reach or a hyperlocal doing free-to-air content.

The second challenge is getting people's attention. In the previous session, you took questions on Facebook, and that has been a brilliant example of a platform that commands a huge amount of people's time online. Facebook, among other companies, has very proactively taken a decision to pull away from supporting local news, which in turn is creating large spaces where people spending a lot of time online are not getting any local news but a lot of local misinformation.

**Henry Faure Walker:** The economic challenges of news publishing are well-documented. I would be more optimistic about the next five years

than the previous 10 or 15. We will see a bit more stability, although it will continue to be challenging, as David alluded to.

From a local news publishing perspective, over the last 10 to 15 years, we have seen the loss of classified advertising for recruitment, property, and auto advertising, which has gone to Rightmove, *AutoTrader*, Indeed, et cetera, and that has been particularly painful economically. Particularly over the last 10 years, we have also seen what we would call display advertising, which might be more retail-type advertising. Facebook and Google take a very hefty chunk of that. But you cannot lose that revenue twice, so what is lost is lost. To a degree, I would not be too complacent, we are now down to a more stable core of advertising but there are still some challenges.

For my own business, we are in a reasonably healthy position. To give you some insight, we are entirely a local news publisher, and our revenues were up 3% in 2022, down 3% last year, and they are pretty flat year-to-date, so that is stable and flat over two and a bit years. It is okay, it is not quite as dramatic as we have seen the last 10 years, but there are still quite a lot of challenges to navigate.

**Joshi Herrmann:** The challenge is a bit more serious than is being made out. Local news in this country has been hit much harder than national news when it comes to revenue declines, and the result of that has been much larger layoffs of staff.

Last week, *Press Gazette* did an analysis that it described as the colossal decline of local news. Making some assumptions, it estimated the three largest local news publishers in the country are employing roughly 6,000 fewer local journalists than they were not 100 or 50 years ago, but in 2007; less than two decades ago. We have gone from roughly 9,000 local journalists working for those companies to around 3,000, which is an enormous drop-off.

The reason behind it is well known: advertising used to be dominated by local newspapers in those markets, and it is not anymore. That is the macro picture. Everyone working in this industry—including the people with me on the panel—has had to deal with an incredibly difficult market.

This has also been impacted by decisions made about how to run these businesses. A very large bet was made that digital advertising would be able to replace local print advertising, and that has not happened. Last year, hundreds more local journalists lost their jobs—including people I know—because that business model is not working.

We have had the same story every year for roughly the past 15 years: hundreds more local journalists across the country in villages, towns, and cities lose their jobs. We know the consequences of that: it is very bad for local economies and local democracy. Bernie Sanders came to our office last week and described it as a disaster for democracy. It is a very, very big problem. There are reasons to be hopeful, but we need a flood of new innovations, players, ideas and business models in this industry if the very clear trajectory for the past 10 or 15 years is not to continue.

**Jonathan Paterson:** The outlook is troubled. The industry can no longer rely on the models that delivered income from our content, advertising, and subscription; you have heard others talk about those. We are not able to command the same revenue for ads as we once were, and the models that do exist on digital platforms offer much lower rates. We have an economic situation that exacerbates that—you have seen the layoffs at Vice in the last week—and indeed changing media habits and the growing fragmentation, which I am sure we will talk about later today.

There are also more existential factors: the audiences are declining, and people are actively avoiding the news, as outlined in the Reuters Institute Digital News Report last year. That is a problem and a big challenge for those of us who believe in journalism and its importance in democracy, and these changes are based on technological, social and economic change. We need to think fundamentally about the way we select and tell stories and attract new audiences. On a business model, we need to look elsewhere for new, more diverse and broad-ranging revenue opportunities.

Q49 **Lord Dunlop:** You have all spoken about the challenges facing the sector. With all the pressures on budgets, how do you maintain the richness and quality of local journalism, particularly as we are losing many journalists and have done over the last 15 years, as you have alluded to?

**Henry Faure Walker:** Just a slight annexe to the previous point, if I may. It would be more challenging going forward in smaller and medium-sized markets. I am more relaxed about the outlook for larger cities and journalism there, given the scale of markets; that is an important point.

In terms of maintaining the quality, we are doing so. I refer you to my earlier comments about revenue stability. Yes, we have had to lay off a significant amount of staff over the past 10 years, particularly in editorial, but we have not made any meaningful editorial reductions over the last three years. You have to fix the economic model to a degree or get stability; if you have stability in your revenues, that enables you to maintain investment in editorial and ideally invest in that.

A lot of innovation is going on in newsrooms at the moment, with a lot of leaning into technology and positive use of AI tools; not generative AI, but using AI in the newsroom to make editorial production tasks much more efficient, and freeing up journalists—who have spent quite a lot of time over the last 10 years with administrative production tasks—to go out and do impactful face-to-face journalism. We are being quite successful at that.

In terms of the quality of journalism, that is coming. There is evidence of that, certainly from my own business in the audience data; we have very large online audiences, but, most importantly, we are getting increased loyalty and engagement. We would like to do richer journalism; I have not seen a particular issue over the last three years, but I am watchful.

**Lord Dunlop:** You obviously collect a lot of digital data, the clicks on articles, how does that influence editorial choices?

**Henry Faure Walker:** It depends on how you direct the newsroom. The big thrust in our newsrooms at the moment is loyal visitors; we are less interested in the overall amount of clicks or page users the site can generate. That is important because it does generate advertising revenue, but we are really interested in loyal visitors who come back to the site. We define a loyal visitor as someone who comes back to the site more than 15 times a month.

I will give you an example. We own the *York Press*, which is a great local news brand in York. The population of York is about 150,000. Every month, about 75% of adults in York come to the website, but 30,000 of those—about 20% of the population—are coming back more than 15 times a month. That is pretty powerful and is good for advertisers; we can sell them digital subscriptions. So we are increasingly focused on loyal users. Over the last three to four years, it was probably more on page views and how you can monetise that through programmatic.

Lord Dunlop: Mr Higginson, a value of local journalism is its closeness to communities, and we have seen a lot of consolidation of large groups in the industry, of which you are one, Mr Faure Walker is another, and then we have Mr Herrmann representing a different part of the ecosystem. How do you maintain that connection with local communities, and what is the impact of that consolidation?

**The Chair:** We are going to come to the general question of consolidation, so if you can stick to the specific question Lord Dunlop has asked, that would be helpful.

**David Higginson:** We believe scale is incredibly important in a marketplace. You will often see *Press Gazette* and others talking about the many millions of unique visitors one of our titles will achieve around the world, and that is great, but we are really interested in the number of people we are reaching in a local marketplace. In somewhere like Manchester, one in three of the adult population read the *MEN* online at least once a week. During the course of the month, we see about 60% of the population.

The really exciting thing about being a local journalist is, even in the pre-internet days, if you got something wrong, you would know about it very quickly. In the age of social media, you hear about it even more quickly, and, even when you get it right, you get told you got it wrong. So, in terms of that connection with the local community, it is as strong as ever but in different ways. The connection is not as strong in some ways partly because people have found different ways to communicate on those particular topics.

If I were to speak to any of our news desks, they would say they feel as connected as ever to their local communities, largely because we have journalists out on the ground all the time. We have shut down a number of offices, which has not always been portrayed in the trade press as a popular move but has resulted in many journalists being more active in the communities they live in. Those are some steps we have taken to ensure the reader of a title still has that relationship with the title regardless of who the owner is.

**Lord Dunlop:** Mr Herrmann, how do we maintain the richness and quality of local journalism? You have a very distinct model; if I am right, 30% comes from membership subscriptions and 60% from grant funding.

**Joshi Herrmann:** We have not had any grant funding; all our revenue comes from readers. Most media companies that have been successful in the internet era—particularly in the last 10 years—have led with internet subscriptions: getting money from people who consume your content. That has been our model. The good thing about that model is it does not incentivise you to try to get millions of page views. Getting millions of page views is antithetical to the point of local news, which is supposed to be about serving a very finite group of people. Digital subscriptions create a different incentive: you will get more subscribers if you do really high-quality journalism. You will lose them if your quality drops off, and you can see that day by day, week by week.

The larger question of how quality has been maintained in local media is generally that it has not. In the local town near where my mum lives in Sussex, there used to be two local newspapers, both of which had an office on the high street where you could go and see the front page in the window; you might remember that from other towns. There is now one newspaper, and it does not have any local coverage to speak of. There might be one story about the local town; the rest of it will be aggregated from other local communities where the same large news organisation owns other titles. It is effectively a zombie newspaper. It says it is about one town, but it has content and stories from all over the county and country.

If you go on the websites of local newspapers, you will find stories that are not journalism, not local, and you will find so many ads covering that content that it is very difficult to read. You will all have been on local newspaper websites where you can only read one paragraph because the rest of it is covered by ads. Quality has not been maintained, and how to get back high-quality local journalism is the major question and what we should probably address ourselves to. There are ways to do that and to stop discouraging innovation in British local media.

**Jonathan Paterson:** We are not local journalism in the traditional sense, but we are building a model focused on specific audience interests, and there is no reason why they should not be topic-related rather than geographical. We have invested heavily in editorial, and we have two thriving newsrooms, but we are only as good as our content. We want to build big audiences, but we are also building a business model that relies on our ability to tell that story, so it is really important to us.

The social world allows a degree of creativity and connectivity with online communities that was not there before; our journalists in our newsroom are incredibly connected to that world. We have also used it to really build out audience interests by focusing on specific areas of interest, and producing content close to our audience interests allows us to really tell those stories in great detail. We are particularly focused on younger audiences, and picking up on younger audiences' interests will always allow us to have a greater connection to a story. For example, if we tell

the story of Ukraine through the DJ who is staging club nights in Kyiv, I feel pleased with that; we are able to tell the story of Ukraine, but we have also managed to appeal to something that is a younger person's interest.

**Q50 The Chair:** Mr Higginson and Mr Faure Walker, the picture Mr Herrmann has painted about public perception of local media is much more consistent with the anecdotal evidence we hear about the quality of local news via local newspapers. The picture you paint seems quite different to what we have heard from many others. I cannot think of another word; I am a bit baffled by the picture you are painting about the success of your businesses when the challenge seems to be around the quality of the content. I just wondered how you might respond to what Mr Herrmann has said.

**David Higginson:** We regularly hear complaints from readers about the usability of our websites, and we also spend a lot of time explaining to readers why they look the way they do: those are the ads that fund the journalism. It is one of the reasons we now offer a premium option at Reach where people can pay to remove those if they wish, but it is very important for news to be free, or, more importantly, freely available. In a lot of towns and cities we serve, people are choosing between whether they can afford to heat their homes or buy their food; the idea of paying for a new subscription is largely academic to them.

In terms of the quality of the content, I have worked in local journalism for 25 years, and there has been one constant in the fact there has always been a sizeable proportion of the public ready to dismiss what we do. I remember working on free weekly papers that were always tomorrow's chip wrapping and what have you, so there has never been a shortage of people ready to criticise the work we do.

We do an awful lot of journalism that nobody else does; for example, in Manchester, if you look at the success of the *MEN* uncovering the scandal of Awaab Ishak's housing in Rochdale, that story only gained traction because of weeks of spadework by the *Manchester Evening News* and because the initial story was read by 150,000 people. Look at the tireless work by Liam Thorp in Liverpool to uncover the councillors who were taking an interesting approach to their parking tickets—I am sure we would all like that sort of access to the parking fine system—or the fact *Birmingham Live*, previously *Birmingham Mail*, continues to campaign for the victims of the Birmingham pub bombings. That is all made possible by doing a very broad mix of content.

It is very easy to pick slivers of content on websites and say, "That is not local news", or, "That is not quality journalism", but pick up any local newspaper from the 80s or 90s and you will see the same broad mix of content in those Metro dailies as you see on our websites today.

**Henry Faure Walker:** It is a complex question. To be clear, we are not saying it is all roses; it is still challenging, but there is more stability than perhaps the public narrative. The industry does a poor job of communicating, so there are a lot of detractors. It is easy to throw stones at the industry, but there is a lot of good work going on, and I refer you

again to the proof in the pudding being the loyal audience. I can share data with you showing our loyal visitors are phenomenal.

The public and the consumers of local news may be irritated from time to time with the advertising and might not always like what we do, but they are increasingly coming back to our sites, so I would point to that for the real evidence.

On the advertising point—which is something that is well-discussed in terms of there being a lot of ad clutter on local news websites—we have to monetise the content so we have to serve advertising. In my business, there is a lot of discussion on how we can improve the user experience. We have moved quite significantly to digital subscriptions to do that. Similar to David—and other publishers are following suit—the choice will increasingly become that you can read our content for free, but you have to put up with quite a lot of advertising clutter; we have to pay our journalists. If you would like an ad-light or ad-free environment, you need to take a digital subscription for £5 a month. The industry is moving in that direction, but it has not got it right in terms of user experience as we stand today.

**The Chair:** Just to reassure you all on the panel, one thing we are very clear about as a committee is the importance of local news, and we are not asking questions for any other reason than we really value and recognise the importance of it and it is something that must continue.

Q51 **Baroness Healy of Primrose Hill:** You all have very different views, so I am going to ask each one of you, do you think the tech platforms, generative AI and AI are having a positive or negative impact on local journalism, and could you give an example?

**David Higgerson:** The tech platforms and AI are the same in the sense that they have the potential to have a hugely positive impact, but a massively negative impact if deployed the wrong way. If I look at the tech platforms, Meta is a great example of a company that really gained a lot from its close relationship with news. It is well documented that it then started to sour on its relationship with news post the 2016 US elections, and now we have a space where essentially quality, verified information is penalised, but you and I could go on and say anything about anybody, and everybody would get to see that. So it can be a positive, but it can also be used in a negative way.

The same is true of AI, as well. The statistic from David Dinsmore—in a few years, 90% of the internet is going to be synthetic—was enough to drop the temperature a couple of degrees in this room. As journalists, AI can be a powerful force for good in newsrooms. In our newsrooms, we are experimenting at scale with it to try to free up our journalists to focus on the fun parts of the job, and the parts of the job where they add the most value: the story-getting rather than the story-processing and assembling.

We have already seen examples in the local media space of people attempting to create websites entirely generated by AI, and who knows where that information has come from. Both have positives when



deployed properly, but we need to be very aware of the risks when deployed badly.

**Henry Faure Walker:** It is a big question. In terms of tech platforms, you have largely heard about the issues from the previous panel, so I do not think there is much benefit in repeating them. I would certainly endorse all the points I heard in the latter half of that discussion.

One point I did not hear is not only do the tech platforms have a stranglehold on the distribution of news—and we are talking particularly about Google here; I do not think this was articulated, or I missed it—they also have a stranglehold of the digital advertising market. They are effectively a monopolistic controller of what used to be called Google Ad Exchange, now Google Ad Manager. There is a lot of disquiet about that, and a number of legal cases are now starting to be filed by publishers; the Daily Mail and General Trust may be involved in one.

There is evidence in the US that Google made \$30 billion in 2022 in revenue from the Google Ad Manager work serving advertising onto publisher sites in the US. The total amount of digital advertising revenue from those US news publishers was \$5 billion. So you have the middleman effectively operating a monopoly position in terms of the ad exchange—which is an extremely complex ecosystem generating \$30 billion—and the actual creator or producer of the product, the inventory, earning \$5 billion. That is not a well-functioning marketplace, so an issue is starting to surface there, and I expect that will become quite a significant theme in the UK, as well.

In terms of AI, I echo the points about the need for AI platforms to have a licence to be able to mine. They have already mined all our content, but they should be forced by government legislation to have a licence where they pay publishers to be able to access what David Dinsmore calls the very factually, hard sweat journalism.

On the positive side, in terms of operational opportunity, gamechanger might be too strong a word, but AI can be an extremely powerful tool in particularly small local newsrooms if embraced in the right way and governed well by human journalists. If I may and if it is interesting, I can give you more examples of how we are using that from a Newsquest perspective. We have built an AI application, which is our own application but it uses ChatGPT technology. It is always governed by a human journalist. We now have 13 AI-assisted reporters trained to use this. Imagine it as effectively an extremely powerful copywriting tool, so the trained journalist will put into that always from a trusted source. They might put in a press release they want to be rewritten in the style of a local Newsquest news story, or they might put into it minutes from the local council's planning meeting discussing a particular developer—that is a trusted source but is incredibly turgid—and they will ask the AI engine to rewrite 150 words.

We get a lot of contributed amateur copy—particularly from sports clubs—that are usually far too long: they give us 1,500 words, and we want 300 words; that can go into the copywriting tool. The human puts it in, and the human checks it when it comes out. It is not generative AI,

but it is very smart technology, and the use of that and of those tools can be extremely helpful in terms of a sustainable, low-cost model. We need a low-cost model because the revenues are not great in terms of sustaining local newsrooms, whether that is me or one of my colleagues in a different company doing it.

**Baroness Healy of Primrose Hill:** Joshi, you have an entirely different model of how you are producing news, but what impact has this had on you?

**Joshi Herrmann:** In general, the advent of Google, Facebook and very large internet platforms has been a revenue disaster for the industry as a whole; billions of pounds of advertising that used to be spent in local media is now spent with those websites and others. That money is largely gone, and there is not much value in spending years trying to grab a tiny chunk of that loss; it would be better to think about how new models can be created and innovated.

On the question of AI, it is interesting how people use new internet technologies when they come along. Do they use them to enrich and extend what they are doing, or to cut costs? Instead of a journalist looking at a press release and a local story and saying, "I am going to use my human judgment, experience and contacts to contextualise this and write my own version", if you have an AI doing it, that is not a very high value add from that piece of technology; it should be used to help us investigate. For example, you could have AI that goes through long reports and summarises them so a journalist can find the right place in the report. We could even use it so it can follow along with local council meetings and courts, give us various bits, and then you go into the transcript and find the right material. If it is used well, it should aid investigation rather than just cutting costs.

But platforms are broader than just Facebook and Google. We use an online newsletter platform called Substack—and there are half a dozen other similar platforms—which allows people to start media companies with much lower overheads. When I started the *Mill*, it was just me, and I could write stories on Substack, send them out via email newsletter, people would start paying for those emails, and I did not have any cost of printing, an advertising team, an office, or anything like that, so there is an enormous opportunity in the technology now available. These online newsletter tools will allow us to have a lot more innovation.

The thing I find a bit odd is why this country has not had anywhere near as much innovation in local news as the US. In the US, there are hundreds of new local news organisations that are well-funded, have lots of paying subscribers and members, and are doing really high-quality, in-depth journalism, investigative journalism, and long reads. We have not had so much of that in the UK. Our experience has been really positive, but there are not many others to point to. There are some great ones, but you are talking about very small numbers and the average size of the new players is very tiny.

I do not know as much as some people on this panel, but my hunch would be that it is because we have a set of archaic rules that essentially

favour very large incumbents. For example, public notices generate about £40 million of revenue a year for local news, and government advertising, again, tens of millions of pounds a year; that all goes to the very large companies that have been cutting jobs for 20 years. In effect, that disincentivises innovation because the new players cannot get access to that revenue stream.

You might have an independent publisher in Wrexham that needs to get from £20,000 a year in revenue to £100,000 in order to expand to three or four journalists instead of one. They cannot do that because they cannot get any of those sources of revenue, which account for more than 50% of some local newspapers' revenue. We have some fairly archaic rules about how public notices—for example, planning and licensing notices—can be posted, which means we do not get anywhere near as much innovation in the UK.

We need a lot of innovation; we need a flood of new players to come in. There is a very good chance we could have a real renaissance in high-quality local news and in-depth reporting done by humans, not AI, but we need to create the conditions for that, and there are a couple of things that could be tweaked in order to do that.

**Baroness Healy of Primrose Hill:** It is very interesting. Mr Paterson, I know you have a different model, as well.

**Jonathan Paterson:** We are a social-first publisher, publishing news content to TikTok, Instagram, X, and YouTube, and we settled on that because people are increasingly turning to social media as their primary source of news and information. We did some research last year that showed 60% of young people get their information first from social media platforms. Social is now their search engine, and individual creators are seen as the authoritative figures. Social is the world of the audience we are trying to reach and they are avoiding the news, as I was saying earlier.

Tech platforms are the opportunity for us, and we have to build the business models to reflect that, but we were founded in the belief we should be where our audience is, and we should be telling stories in ways that work for them as they are consuming content today; that is social media. Social media offers a great opportunity for growth for news brands, and we have seen our own platforms grow to 400,000 followers in less than two years; all engaged followers whom we are very pleased to have with us. It offers opportunities for building communities and building groups around stories, and we are really seeing social media as an opportunity rather than getting in the way of our business model.

**Baroness Healy of Primrose Hill:** But you still require professional journalists?

**Jonathan Paterson:** Absolutely. We have two thriving newsrooms that, if you came to see us, would look very familiar to the newsrooms of my colleagues here. We have a group of young journalists who we have recruited from journalism colleges and recent experience; we wanted people who looked and sounded like the people we were trying to reach.

We have also put in a support network—whether it be leadership or middle-ranking roles—to keep the journalism on track. We have a commitment to non-partisan journalism that comes from the background of the founders, Sir William Lewis and Kamal Ahmed, who you will know, and myself, a 20-year veteran at the BBC. So we have the infrastructure in place to guarantee the content has a level of journalistic rigour around it, however it appears.

**Lord Young of Norwood Green:** Your model really appeals to that younger demographic, does it not, or am I wrong in that assumption?

**Jonathan Paterson:** Yes; about 60% of our audience last month were in the 18 to 24 cohort that we aim to reach, and a slightly wider cohort of 16 to 30—what I sometimes call soft Gen Z—was about 70%.

Q52 **Lord McNally:** I get the feeling there is more simmering hostility between the platform than has come out. Can the biggest local newsgroups co-exist with these new smaller entrants? Are you going to be partners, prospective takeover targets, or rivals? Where do you think this is going to settle? Mr Herrmann, you looked extremely annoyed at the contributions to your right a few minutes ago.

**Joshi Herrmann:** I was not annoyed, and we are not rivals. We are all trying to create good-quality local journalism in a very difficult environment. There is no hostility whatsoever.

An important aspect of this is reality; being honest about the situation we are in. As Baroness Stowell said earlier, it is not profitable to pretend something we can all see is not there, and that is an enormous collapse in the capacity of this industry. This industry is not any other industry; if this were another commercial industry, a retail chain, or a part of the retail sector, we would probably let it go to the wall, but it is a key part of our national infrastructure. Allowing people to have good-quality local information is one of the most important aspects of a good functioning society. So you cannot just let it go to the wall, and there is no point pretending it is in good shape; it is in terrible shape. It is in the worst shape it has ever been in, since the advent of newspapers.

I do not think there is any hostility here; there is a difference in how we are portraying what is going on. Six thousand fewer local journalists down from 9,000 in 2007 is a remarkable drop-off in capacity, and it should signal alarm bells—definitely across Westminster—that this incredibly important industry is dying. I am sceptical about any attempt to pretend that is not happening because we can see it is happening.

**Lord McNally:** I am old enough to remember the 1970s, and there was a lot of talk then about propping up lame ducks. I hate to be cruel, gentlemen, but are you the lame ducks of the communications revolution; that whatever the solutions are going to be, they are not going to be in your model of business?

**David Higginson:** No, we are not the lame ducks, which is probably the answer you expected from me.

Joshi makes some interesting points. Back when he first launched the *Manchester Mill*, the journalists at *Manchester Evening News* were pleased to see more journalism in Manchester. I do not think either myself or Henry have set out to say everything is rosy, nor do I shirk away from the fact we have had to reduce the size of our newsrooms and exit some markets over recent years.

Our starting point is the same as anybody else on the panel, which is we want to employ as many local journalists as possible. As we came out of the pandemic, we thought things would be better, which is why we hired 200 more, and we have expanded multiple times into new areas over the last decade. We would be a lame duck if people were not reading what we were writing, and we are read by record numbers of people now.

I agree with Joshi that it is not just another industry. The money to sustain that industry is there in the ad model, with subscriptions as well, but too much of the ad money is sitting with the distributors rather than the creators. That is something an organisation like the Digital Markets Unit could solve in relatively short order, not just for the big publishers but for publishers such as *wrexham.com*, which Joshi referenced before.

I definitely would not say we are a lame duck or that we ignore what has happened over the last 20 years. Probably the fact that we look so much at what happened over the last 20 years makes us so determined to keep changing so we can get to a place where we are hiring more journalists to have more people on the ground.

**Lord McNally:** Has the scheme worked for local government reporters that Lord Hall was originally part of?

**David Higginson:** Yes. I was part of the team on the publisher side that worked with the BBC to set up the Local Democracy Reporting Service. It is unfortunate that it has been portrayed as a favour to industry by the BBC; that was never the way it was pitched when it was first launched. The clue is in the title; it is very much a partnership. From Reach's point of view, it costs us money to take part, and we do so happily because it is a partnership, and we think it is important that we add the expertise we can.

Overall, it has been very successful. It is a great example of the BBC and publishers working together; not just the big publishers but publishers of all sizes. We can do much more with it, and I would like to see greater recognition of the input from publishers. As I say, it is a scheme Reach participates in and receives funding from the BBC, but overall we run at a significant cost to ourselves for the benefit of the wider industry.

**Henry Faure Walker:** I want to come back on your lame duck question, which is an unfortunate turn of phrase. I reiterate that I have worked in the industry for a long time and am more confident than I ever have been in the last 22 years about the prospects for publishers in large population markets, whether that is Joshi's business, my business, or another startup business.

You can build a digital news business to scale. It is bloody hard work, you have to innovate a lot; whether you are a startup or a large publisher,

you can do that. Fifty per cent of my advertising now comes from digital. We have a good digital subspace, we have great innovation, and I am confident about those larger markets. The population is typically 100,000 plus, so not massive cities like Manchester, but it is the reason Joshi is in Manchester and not in Market Harborough; Market Harborough is probably less than 50,000. There is a legacy news title there; it is extremely hard work to make that model work, so it is important to give this a bit of context.

As you might expect, I reject the narrative Joshi articulates that large publishers are at fault here for some reason. We happen to own a lot of local titles, largely through acquisition. With good justification and data, I would argue we have gone in.

Twenty months ago, we bought a business called Archant Limited that was in financial distress, running out of cash, and the staff hadn't had a pay rise for six years. So we went in, we have owned that business. We have kept the journalism going and we have not made any reductions in the reporting resource. Within 12 months, we gave the journalists a pay rise, we repeat it the following year, and we have given stability and a good prospect of the future for those local news brands, the *North Norfolk News* or what have you.

So I just want to correct this narrative that we hear a lot: somehow, large publishers are part of the problem. Large publishers have been a very important part of the solution.

Q53 **Lord McNally:** Jonathan, you explained the new way you are going with approaching different interests, audiences, formats, et cetera. I was listening to an interesting programme on Radio 4 last night that suggested that format was one of the seeds of fake news; that that kind of format lends itself more easily to fake news than the kind of local news offered by colleagues to your right. Would you see that as a danger?

**Jonathan Paterson:** I think you are talking about the risks on social media because of the ability for people to create content in their own living rooms, put it up very quickly and put out stuff at speed. I can assure you all the content that comes out of our newsroom goes through a level of rigour. You might not always be comfortable with the way journalism is delivered, but there is a lot of integrity around the editorial and the content that comes out of our newsroom, and indeed many other newsrooms, including from people who run teams at this table.

Our job is to make sure there is as much accurate information in the social media space as possible. Part of our business model is helping other people on that journey, working with individual creators, and working with tech companies to ensure there is as much authoritative content as possible out there, but the platforms have some responsibility for the amount of content.

Q54 **Lord Young of Norwood Green:** What do you feel you need from the government regulators and industry to ensure long-term financial stability for the sector? Listening to you four, I must admit I cannot help feeling the glass is half full. That is not to say there are no challenges,

but maybe I am wrong. Do you think there needs to be a more specific focus on tech platforms paying for news content, for example? Can we have a quick response from you all, please?

**Jonathan Paterson:** Picking up on some things Lord McNally was just saying, ultimately, we think the tech companies could do more to support the news industry, without a doubt. We know what is possible because there are some examples of great best practices around in the industry: particularly for social areas, issues around account verification, the amplification of authoritative content and news sources—which many platforms do but we think they should all do it—better partnership managers, better business development opportunities, building ways for revenue models for news to operate at a better level, and industry working groups to pull people together.

I was a member of the YouTube news working group for a long time during my time at the BBC, and we made a real difference to some YouTube features, which other groups could also do. Also building algorithms that are sympathetic to news, so controversial words and topics do not get excluded if they come from authoritative news providers. These are all areas I would encourage the industry to get involved in, and Government could help by bringing the industry together. I do not think it requires any extra regulation, but, if we look at the way IPSO or the Portman Group have addressed issues with press regulation or the drinks industry, there could be some scope for Government to convene the tech companies together to talk about the news industry and how it relates to it, particularly on digital platforms.

**Joshi Herrmann:** In terms of what Government can do, we need a big spurt of competition and innovation in an industry that is clearly in trouble. In the past few days, I have spoken to various local news publishers that are on the independent side, are newer, or are innovators to ask what they feel about this, and they all say, “We don’t want special favours or necessarily extra subsidy; we just want a fair chance. We want the playing field to be levelled. As a local digital publisher that reaches loads of people, has a huge amount of engagement, and loads of comments, we want to be able to get the public notice advertising from local authorities worth £40 million a year that goes to these very large newspaper groups”. They just want a fair chance at that bit of money. They want a fair chance at the government advertising; again, tens of millions a year.

We have this bizarre spectre in this country of zombie newspapers that do not have any local original journalism and do not even have any local reporters, but they are kept alive because of these public notice advertising arrangements, which all go to these very large newspaper groups. So there are ways the Government could create more innovation and more competition without spending any extra public money, and you might see a huge flurry of people who used to work in journalism, do not have a job in journalism anymore, and want to create a local outlet to cover their village, town, or city.

I take Henry's point: it is easier in a large city to get thousands of paying subscribers than it would be in a village. In every market, you have people who want to do local journalism, but at the moment cannot compete with these large players, so that would be a very easy and good thing to do.

**Henry Faure Walker:** The public notice discussion is very specific. It does not go to large publishers; it goes to publishers that have print newspapers. There is a reason public notices need to go into print, but we will not get lost in that discussion.

Outside public notices, there is a solution staring us in the face, whether that is supporting Newsquest, Reach, or The *Manchester Mill*, and that is general government advertising. I do not have last year's figures, but the Government spent 2.4% of its total advertising budget in 2022 on local news media in spite of the fact local news media reaches about 75% of the population. It is a very trusted platform; we talked about trust in the previous session.

OmniGOV—which runs the government advertising—is a very easy solution. You do not have to legislate for it, but they should be strongly encouraged to put a significant amount of government advertising through local news platforms of all shapes and sizes. That would be great for the Government because it is a fantastic communications platform, will reach loads of people, is very cost-effective advertising, and would support local journalism.

**David Higginson:** I echo what Henry said. As I have mentioned a couple of times, we have a challenge that too much of the ad money goes to the distributors, not the creators. The Digital Markets Unit could address that. A number of different things are going on at the moment that the Government could support. The BBC's needless march into competing directly with local publishers across the country is utterly unnecessary. Regardless of Ofcom statements, there is no evidence in the market of a demand for more of the same. Joshi made the point about different sorts of local journalism coming into the market.

It would be good to see Government taking a more proactive stance around online abuse of journalists. One thing stopping people from wanting to become journalists is the amount of hate they have to deal with and the fact the platforms rarely take it seriously. I also support what Joshi said about finding ways to support innovation, but I would really recommend that it is meaningful innovation. We have had efforts from Government in the past few years to support things that amounted to very little, so support for innovation would be good.

But if I can just wrap up with a bit of a curveball: we have not touched too much on trusting local news during this session. It is sometimes hard for local journalists to win the trust of members of the public because it is quite difficult to get access to information that was freely available 20 years ago. Without wishing to sound like the old reporter in the room, when I worked on the *Lancashire Evening Telegraph* in the late 90s, we could ring up three police stations every morning and find out which sheds in Great Harwood had a drill stolen from them overnight. It is not



journalism that is necessarily going to win subscriptions and certainly not going to win awards, but it helps build that community bond with readers. That all started to go away during the 2000s when the Government brought in KPIs for local councils on the percentage of people who felt safe in their local communities. One area I worked in, the council and the police's response were to stop telling us about what crimes had happened because you feel safe when you do not know the crimes that are happening.

That might sound flippant, but right across the public sector, the shutters have come up. Everybody on this panel will have experienced it, in terms of getting access to everyday information, excluded from more meetings. Last week, Nottinghamshire Police insisted our journalists sign an NDA before telling them stuff. That is a result, is it not, telling journalists to sign an NDA to be told something we then cannot tell the public of Nottinghamshire? That is the absurd world we are often dealing with, and it can be changed. That change does not solve the economic conditions we have talked about today, but it does really start building that bond back up that we kicked off with, where people see what is happening, they see a police siren going down the street, they can go to their trusted news site later and see what it was. At the moment, so many parts of the public sector are making that impossible.

**Lord Young of Norwood Green:** That seems like a very good point to end on.

**The Chair:** It really does and I am very grateful to you for that very colourful last answer because you have raised some important points that we might want to consider a bit further.

If you want to supply us with some written evidence and have not already, please do so. I know that is another imposition on your very precious time, but I have felt the pain sometimes from Mr Faure Walker in the questions we have asked, so if you want more opportunity to give us the evidence behind your optimism, please submit that to us in writing. While we are formally closed for written evidence, we are not closed to it from witnesses who have been here and may not feel they have had an opportunity to raise any issues as fully as they might have wanted to during this oral hearing. Mr Higginson, if you want to give us a bit more on those examples, that would be very helpful, too. Thank you very much.