

Written evidence submitted by Clear Sky Publishing Limited

Commons Select Committee submission – Clear Sky Publishing

Our Organisation

Clear Sky Publishing Limited (<https://www.clearskypublishing.co.uk>) is a local media business based in Devon. We were established in 2021 when we acquired two newspapers from Archant, the Torbay Weekly (which we had started as an Archant title in April 2020) and the North Devon Gazette. We have started a new title, the MidDevon Weekly, relaunched a magazine in Exeter called The Exeter Magazine and acquired the Moorlander on the retirement of the owner. We are in the process of launching new websites for each of these titles and we are developing a new online model for the areas we cover that aims to combine the best traditions of print journalism with the ease of use and immediacy of social media.

Our mission is to be the voice of the local community, celebrating the positive events that take place as well as helping to find solutions when improvements are needed. It is very important that our editors, journalists and contributors live and work and share a love for the areas that they write about. Our aim is to inform and entertain and inspire, so that our readers and supporters feel more connected to the area in which they live and so that we can have a positive impact on the lives of people living in a community and the local businesses that are dependent on their custom.

We contribute to and are regulated by IMPRESS and comply with the Editors' Code of Practice. Our revenues are approximately £75,000 to £100,000 per month and we have 20 full and part time employees and around 50 freelance and part time contributors. We reach around 50,000 homes a week in print and have an online audience of nearly 150,000 users.

We believe that local communities are best served by a combination of a weekly printed local paper that provides a “good read” and makes you feel good about the place that you live, with an online offering that gives you easy access to what you might need to know (everything from tide times to traffic news), what you might want to know (offers from local shops or recommendations for places to eat) and what will make you smile (since too much traditional news content is negative).

Clear Sky Publishing was started by Simon Bax after he left Archant, where he had been Chair and then Executive Chair, following its acquisition by RCapital. It was clear to him that RCapital were only interested in a financial return on their investment (<https://www.holdthefrontpage.co.uk/2022/news/archant-put-up-for-sale-less-than-18-months-after-takeover/>) and (<https://pressgazette.co.uk/archant-newsquest-sale-reaction/>). He was motivated to complete the work that he and his current business partner, Chris Coward, had started with the launch of the Torbay Weekly during the pandemic and to develop a

complimentary online site that was not simply a newspaper online funded and fragmented by programmatic advertising. Both the Torbay Weekly and the North Devon Gazette were loss making in 2020 and 2021.

Our Impact and Achievements

It is early days but here are a few of the achievements of which we are proud:

- Our newspapers set out to inspire people and make them proud of the areas in which they live. We only print local stories written by people living and working in the area, not from remote digital hubs. We provide quality print titles reaching rural communities throughout north and mid Devon and the communities in and around Dartmoor;
- We worked with Devon County Council, the Clinical Commission and Devon Police during COVID in 2020 and 2021 with two print titles explaining what local and national assistance was available. Each title was distributed to over 300,000 homes including 60,000 homes that do not have an adequate online connection and so could not be reached effectively online.
- We have created a program with Torbay Council, the TDA, the Police and Crime Commissioner, South Devon College and various business leaders in Torbay called “Building a Greater Torbay” which is a yearlong campaign in print, online and with a number of events that will raise awareness and celebrate all of the exciting developments taking place in the area.
- The Torbay Weekly was started as a free weekly title in Easter 2020. It is distributed to approximately 16,000 homes. These were chosen based on their responsiveness to print advertising but also in consultation with the Torbay Council so that we can reach areas within Torbay that are deemed to be “deprived”. The title is now so well regarded that it is available for sale in the areas that it is not distributed for free.
- We donate 20% of every newspaper sale to a local community charity and have arranged for numerous other fund-raising campaigns. We have now established a foundation to expand our charitable involvement.
- We are working with the local College to create a training program as we want to take on a number of young, digitally aware community journalists.
- We started a magazine (<https://www.theexetermagazine.co.uk>) in Exeter that focuses on what an exciting future the City has, and we have received the endorsement of Exeter City Council, the Chamber of Commerce, Exeter College and numerous local businesses.

- We are building a new online platform that aims to provide in one place everything you need to know or may want to know about the place that you live and that will build stronger relationships between local businesses and the community all without a reliance on clickbait, a requirement for a large audience and the impact of Google's search rankings. We also plan to use the site to enable a civil and respectful dialogue between the community and its local council and MPs with a shared aim of improving the area.

Our Challenges

Digital revenues will never make up for the loss of print advertising revenues (there is an abundance of supply which will inevitably cause pricing to be lower). This leads to online sites being overwhelmed by the number and intrusiveness of programmatic ads.

Costs are increasing at a precipitous rate. Printing and paper costs have risen by 60% in the last 3 months. This will further squeeze the remaining independent print publishers and will cause reductions in pagination and/or in distribution.

Journalism no longer offers the attractive career choice it once did. This is likely to impact the number and quality of people entering the industry.

Existing schemes such as the Local Democracy Reporter Scheme and the Community News Project have disproportionately benefited the three largest regional publishers.

Funding provided by Google (under the Digital News Initiative which last invested in 2019) and NESTA (in 2020) has largely been directed at "innovation" rather than creating a sustainable platform for local news publishers. Individual, one-off grants create little meaningful long-term impact. More recently it would appear that a significant portion of Google funding under their Google News Initiative has been directed to Reach plc to establish newsletters in areas (for example Manchester, Liverpool and Walthamstow) where local independents already exist and will be further threatened.

The Google News Showcase and Facebook News Feed have, until recently, primarily concentrated on the largest regional newspaper groups and National titles.

Finally, advertising spend by the Government in response to COVID, while welcome for those organisations who received it and successful in delivering a critical message to the wider community, was overwhelmingly directed to National titles and the larger Regional Groups.

In summary, the perhaps unintended consequence of worthy schemes such as the funding of local journalists by the BBC and Facebook and the monies granted by Google and others, has been to further encourage consolidation within the industry to drive out costs and limit competition, and an over-emphasis on driving scale with an audience online that is resulting

in less engagement and an active dislike of the interrupted reader experience. You only have to look at any online local news site operated by the larger regional media companies to see how the volume and intrusiveness of the ads is impacting the reader experience.

Our Recommendations

We support the News for All campaign, which is calling on the Committee to

- Make sure that truly local news providers get a priority share of revenue and data from the tech giants through the forthcoming Digital Competition Bill and the newly established Digital Markets Unit.
- Create a £100m Innovation Fund to kick start and build the capacity of truly local news providers, helping them find sustainable business models.
- Create tax incentives to help truly local news providers raise donations and investment.

In addition to these we would also recommend:

- The BBC be encouraged to work with local news publishers rather than in competition with them (as outlined in the BBC's strategic program of "Across the UK"). The existing Local Democracy Scheme should be replaced by payments to local publishers to provide the content currently provided by reporters under the scheme. We believe that this would be a much more efficient and effective way of ensuring that coverage of public institutions is maintained or enhanced. The current scheme is reported to cost £8 million per annum and yet it only funds 150 journalists. As I note below the scheme is only scratching the surface and the cost of administering the scheme would seem to be out of proportion to its impact;
- The creation of a new funding model for independent, hyperlocal, local and regional journalism to supersede existing financing including the Local Democracy Reporter Scheme, the Digital News Initiative, the Journalism Emergency Relief Fund and Facebook's Community News Project. These individual programs though well-intentioned and helpful are uncoordinated and insufficient in their scope. I would recommend that these be replaced by a much larger and more ambitious scheme that would see 1,500 local public interest reporters be funded along with 250 apprentices. A potential model for such a scheme is set out in Appendix A;
- It is vital that the obligation to provide Public Notices be retained and that these are made available both in print and online by independent publishers. This is to ensure that these notices reach the widest audience and that they cannot be "hidden" or obscured by being placed only on local government sites;

- The Government advertising campaign highlighted the extreme difficulty of booking ads in print and online at a local level. This causes Media Buying agencies and national clients to avoid running campaigns using local publishers. This is a fairly unique problem and therefore no software product has been developed to address this issue. We would recommend that a portion of the innovation fund be devoted to solving this problem;
- In relation to possible tax incentives as recommended by the News for All Campaign a suggestion would be to expand the application of existing legislation that is already in place. Creative industries in the UK benefit from the Creative Industry Tax Relief which includes support for local orchestras, theatre, art galleries, and film video games and television production. This form of relief could be extended to local news organisations which employ journalists for specific purposes.

Companies must be resident in the UK and subject to UK Corporation Tax and must publish at least 50% of original news content. The content must be published no less frequently than weekly.

Qualifying expenditure would include the salaries and benefits of all staff engaged in editorial as well as reporters and those involved in the production of print and digital newspapers and websites that include coverage of those areas we have identified as being in the public interest.

A claim could be made as an additional deduction to reduce the Company's profits or increase its loss. This would reduce the amount of Corporation Tax that would need to be paid. If the Company makes a loss, some or all of this loss could be surrendered for a payable tax credit at the rate of 25% of the qualifying expenditure.

- Finally, the Google News Showcase and Facebook News Feed and other similar ways that social media platforms reuse content produced by news organisations should be extended to a much wider number of local and independent publishers and consideration should be given to a fee per article listed if the search did not result in traffic being directed to the local website (i.e. a "zero click search").

We would be very happy to discuss our achievements, challenges and recommendations with you.

Simon Bax
Clear Sky Publishing, Founder
Appendix A

The funding of local Public Interest Reporters

The aim would be to fund the annual cost of 1,750 local Public Interest Reporters covering the workings, the ins and outs, the decisions, the impacts, the life stories of public institutions in communities across the UK. These Public Interest Reporters would underpin the quality and quantity of local democratic reporting across the UK.

Why 1,750 Public Interest Reporters?

This is the minimum number of reporters that are required to cover the following areas:

- *Local Democracy Reporters:* The funding of 150 Local Democracy Reporters by the BBC has significantly improved the reporting of local council related activities - with more than 20,000 stories published by LDRs by mid 2020 - and made a significant difference in delivering open democracy content to our communities. However, with only 150 reporters, we are just scratching the surface, and much more is still going unreported. In order to do this, we believe a further 277 local democracy reporters would be required to cover adequately the 418 councils in the UK (27 county councils, 201 district councils and 190 unitary councils) so decisions being made and how they affect communities can be fully scrutinised. From school budgets, cuts to library and leisure services to homelessness and social housing, these reporters would be able to report on meetings, debates and issues which affect thousands of people every day. As part of this proposal, we also recognise that there is significant public interest in the coverage of devolved governments, therefore nine of these local democracy reporters would be dedicated to cover the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly between them.
- *Court Reporting:* Like local democracy reporting, there has been a significant reduction in the number of court reporters over recent years - and therefore open justice is in jeopardy of no longer being seen to be done. Former Lord Chief Justice Igor Judge - one of the most respected voices in the justice system – recently stated that the decline of local journalism and the subsequent disappearance of court reporters from over half the UK’s criminal trials is a significant threat. Justice needs to be seen to be done, he said, ideally by those who can accurately and impartially inform the public about the legality of rulings. We believe we can ensure that this is fulfilled - and open justice can be properly supported if an investment of 516 court reporters could be funded to cover the 92 different county courts and 330 magistrates’ courts across England and Wales, 39 Sheriff Courts and 34 Justice of the Peace courts across Scotland and 21 courts in Northern Ireland.
- *Health Trusts and Clinical Commissioning Groups:* As well as the core council and court reporting there are a number of other areas of public services now going unreported on - which is having a damaging effect on openness and transparency. The scrutiny and governance of NHS Health Trusts (including the Clinical Commissioning Groups set up, crucially, to have a culture of openness) must be transparent and accountable. The public must not be kept in the dark about issues due to a lack of reporting resource to cover them. We believe that this can be resolved with the investment of a further 502 reporters to cover each of the 135 acute non-

specialist trusts (including 84 foundation trusts), 17 acute specialist trusts (including 16 foundation trusts), 54 mental health trusts (including 42 foundation trusts), 35 community providers (11 NHS trusts, 6 foundation trusts, 17 social enterprises and 1 limited company) 211 Clinical Commissioning Groups across England, as well as 14 regional NHS health boards, 7 special health boards and one public health body in Scotland, 7 local health boards and 3 NHS trusts and 7 community health boards in Wales, and 6 health trusts and 5 local commissioning groups in Northern Ireland.

- *Fire authorities and Police & Crime Commissioner areas:* The fire and police services, due to a lack of reporting resources, are thinly covered. There is, therefore, a lack of transparency on the work of these vital community services. We believe that an investment of 49 fire authority reporters and 43 journalists to cover the Police & Crime Commissioner areas (including Northern Ireland Policing Board and Scottish Police Authority) will enable these areas of public services to be scrutinised and reported on. As with the other areas listed above, such an initiative would be very much in the public interest.
- *Apprentices:* Finally, in order to support greater diversity and to encourage a wider range of people from different backgrounds into the profession, we would propose the third-party funding of 250 apprentice journalists including those from disadvantaged backgrounds and ethnic minority groups. These apprentices would develop into the public service reporters of the future, outlined above.

It is important that any public / private journalist partnership also has as its goal the need to address the rise of fake news, with the public being misinformed by untrained and partisan bloggers on social media. Public Interest Reporters, trained to the industry gold standard, will provide a strong bridgehead in the battle against fake news.

Qualifying enterprises

Businesses that employ local journalists who are primarily focused on delivering quality, trusted and relevant news and local information, including court, local democracy and public life reporting would apply for an initial three-year grant with an annual renewal thereafter. The application would specify the number of journalists that would be engaged in this reporting and the papers of record or community websites that would publish the stories.

Businesses would qualify for access to funds if they are represented by an industry body (currently ICNN or the Independent Publishers Forum within the NMA), contribute to and are regulated by IPSO or IMPRESS, comply with the Editors' Code of Practice and would, in the future, be granted an industry acknowledged "kitemark" (i.e. they must have legal responsibility for the content they publish; would need to publish on their news site the name of their editor, and a company and business address; they would need a complaints handling process and would need to publish an address for complaints (both legal and non-legal) when this is implemented); and the reporters would need to be locally based. Companies that own National Titles would be excluded.

The application process would be short and simple and each recipient would be subject to an annual “audit” where they would submit all of the stories produced. The process should not be onerous with the ultimate threat being that funds would be withdrawn if the organization failed to deliver on its public remit (similar to the Channel 4 mechanism overseen by Ofcom).

Fund mechanism

Funding to be provided by tech platforms — distributors of content — and Government. Government would fund directly as opposed to funding that has been provided through NESTA or indirectly through the BBC’s Local Democracy Reporter Scheme. Funds could be allocated by Government from revenues raised by the new Digital Services Act to allay Treasury concerns over increased expenditures, or from the television license fee if that continues.

Tech platforms would include Google, Facebook (including separate charges for Instagram and WhatsApp), Apple, Snap, TikTok and Twitter (and others that would qualify to pay under the Digital Services Act in the future) and their contributions could be determined as a % of their UK revenues.

Funding distribution and usage evidence & thresholds

Based on the number of journalists actively involved in the activities described under Qualifying enterprises. Explicit evidence of how the funding sustains local activities.

Smaller Independent Publishers would be prioritised with the content being produced being shared with the BBC and other publishers.

Total fees

The total annual cost would be £50 million (1,750 journalists at an average gross allocation of £28,000 per journalist), with an additional £1 million provided to the organisation responsible for distribution and monitoring of the funds.

Any legitimate publisher could qualify for a grant. No-one would be prevented from competing by entering a new market but they would not automatically qualify for a grant unless they could demonstrate that existing coverage was insufficient.

With the Government maintaining its funding under the current BBC scheme (£8 million per annum) the balance would be raised from the tech platforms. This would amount to an annual contribution from Google and Facebook of approximately £12-15 million with the balance from the other platforms. This is an increase from current levels of support but not a significant increase and it would guarantee the quality of local content that would drive additional search and advertising revenues.