

Written evidence submitted by the Department for Digital, Culture, Media and Sport

Written evidence from the Department for Digital, Culture, Media and Sport to the DCMS Select Committee Inquiry into the Sustainability of Local Journalism

Introduction

1. The Department for Digital, Culture, Media, and Sport is pleased to respond to the Select Committee's call for evidence requesting views on the sustainability of local journalism.
2. The government is committed to supporting the sustainability of local journalism. We are clear that it plays an invaluable role in the fabric of our society, in supporting communities and in ensuring the provision of reliable, high-quality information. News media remains uniquely placed to undertake the investigative journalism and scrutiny of public institutions, including local councils and our courts, that are vital to helping ensure a healthy democracy both nationally and at a local level. This is why the government committed in its 2019 manifesto to supporting local and regional newspapers as vital pillars of our communities.
3. Traditional news providers have a proven record, and the expertise needed, to hold local government and wider public services to account and undertake thorough, expert and robust investigative journalism. Local news providers perform a vital 'watchdog' function concerning the efficiency of public services and the management of local finances, auditing Local Authority spending and improving accountability and transparency in local institutions and services, including covering stories that might not be picked up by the national press. Local news provision brings social, economic and democratic benefits, including through increased local election turnout, community engagement, and by fostering a sense of cohesion and pride in local communities.
4. This view is supported by a wealth of evidence. In 2019, the independent Cairncross Review found that reporting by news publishers on local affairs - particularly through investigative journalism and reporting on public institutions - provides an essential and unique public good to society, which cannot be replicated by other media. More recent government-commissioned research found a positive and significant correlation between daily circulation of local newspapers and local election turnout.¹ The same research also concluded that the decline of the local newspaper industry and resulting negative impacts on journalism also reduce scrutiny of democratic functions.
5. Despite the invaluable role of local journalism, the print press sector in particular is facing significant challenges as society continues to move online. Declines in traditional print advertising and circulation revenues, on which many local publishers

¹ Plum Consulting [Research into recent press sector dynamics](#), 2020.

are particularly reliant, are not being offset by new online revenues. Revenues for local and national newspapers combined have fallen by up to 50%, or £2.8bn pa, between 2007-2017, with local newspaper advertising revenue falling 70% between 2010 and 2020.²³ As a result of these structural trends, more than 320 local newspaper titles closed between 2009-2019⁴ and the rate of closures appeared to be increasing even before the pandemic.⁵ These existing declines have certainly been accelerated by the pandemic. Despite an increase in online subscriptions, COVID-19 has led to an estimated further £1bn reduction in revenue for the press industry since spring 2020, with the local sector particularly affected.⁶

6. This inquiry is therefore timely and centred on a vitally important subject. We look forward to following the Committee's findings and responding to their report.

The impact of the Cairncross Review and government support for local news outlets

7. The Cairncross Review identified the difficulties with recommending general measures to support journalism, putting forward nine recommendations with the view that, together, those proposals could help to improve the outlook for high-quality journalism. In January 2020, the government published its response to the Review, which outlined steps the government, regulators and industry would take to support the future of the news publishing industry. We have since been implementing recommendations from the Review and taking steps to support the sector through the pandemic.
8. With regard to implementing the Review's recommendations, the government has introduced the zero-rating of VAT on e-publications and extended an existing business rates discount on local newspaper office space in England for an additional 5 years. We also developed a £2 million pilot innovation fund, launched in October 2019. The Fund sought to invest in new technological prototypes, start-ups, and innovative business models to explore new ways of sustaining the industry, and published its findings in August 2020. We continue to explore options for additional fiscal measures to support the sector.
9. The Cairncross Review also recommended a market study into the workings of the online advertising market. The CMA's final report of their market study into online platforms and digital advertising was published in July 2020. The government responded to the CMA market study in November 2020. We provide further detail on the progress of this work in the section exploring the role of social media in local journalism.
10. In response to another recommendation in the Cairncross Review, in July 2021 the government published the Online Media Literacy Strategy. The Strategy sets out the government's plans to improve national media literacy capabilities, by supporting organisations to better empower users to make informed and safe choices online.

² Mediatique [Overview of recent dynamics in the UK press market](#), 2018

³ AA/WARC data, [Press Gazette](#), 2020.

⁴ The Cairncross Review, 2019

⁵ Mediatique [Overview of recent dynamics in the UK press market](#), 2018

⁶ Enders Analysis 2021 - Publishing in the pandemic: Print squeeze, digital boost.

One focus of the Strategy is upskilling users around information literacy including building critical thinking skills; and promoting understanding of the journalistic process and the democratic importance of high-quality journalism. Studies by Reuters have found that readers are shifting towards publishers considered to be more reputable as disinformation becomes a bigger concern for the public. Reuters has also found a correlation between higher levels of media literacy and propensity or willingness to pay for online news, and that few people in the UK pay for the news they read online (8% of survey respondents) compared with other comparable countries.⁷ Improved media and digital literacy could therefore have a positive impact for the sustainability of high-quality journalism. The Strategy promotes action to help users recognise the value of high-quality journalism, and we are exploring how this work might support the sector in the longer term.

11. The government also recognised the vital role of local news media in supporting communities and isolated individuals, and in ensuring the provision of reliable, high-quality information during the pandemic. While there was an increased dependence on reliable information, publishers were facing acute financial pressures due to the steep drop in advertising revenues and the particular implications the lockdown had on print circulation. The government took a number of steps to support news publishers, including local outlets, to continue carrying out their vital role during the pandemic:
 - Clarified that journalists and other ancillary staff were ‘key workers’;
 - Issued guidance to local authorities on the importance of newspaper delivery;
 - Ensured the use of keyword blocklisting technology did not disproportionately limit news publishers’ online advertising revenues for Covid-19 related stories;⁸ and
 - A number of radio and news publishers that target specific harder to reach communities, as well as many local and regional news publications, benefited from a unique government advertising partnership designed to deliver important messages to UK citizens over the course of the pandemic. The partnership was structured so that an equal share of funding went to smaller and regional local titles.
12. Looking beyond Cairncross, the government continues to consider all possible options in the interests of promoting and sustaining news journalism. The government is also committed to measures to protect press freedom, both domestically and internationally.
13. Finally, the government believes that it is unacceptable for journalists to be prevented from doing their jobs as a result of abuse or attacks. Attacks on journalists are not just attacks on individuals, but are also an assault on the freedom to report and our right to access news and information. Without strong journalism, and protections for those journalists, a democratic society cannot survive. The UK set up the National Committee for the Safety of Journalists which brings together relevant parties to

⁷Reuters Digital News Reports, 2018, 2019, 2021

⁸ Keyword blocklisting is a tool used by advertisers to help ensure their online advertising does not appear on websites or in videos and articles that may conflict with a brand’s image, mission or goals.

make sure that journalists in the UK are able to operate free from threats and violence. The Committee developed the UK's first National Action Plan for the Safety of Journalists which sets out how UK journalists will be protected from threats of violence or intimidation. This is part of the UK's broader commitment to a free and open media.

The role of Public Service Broadcasters

14. Public service broadcasters, including the BBC, play an important role in reflecting and representing people and communities from all over the UK. The BBC's Royal Charter requires the BBC to represent, reflect and serve audiences, taking into account the needs of diverse communities of all the UK nations and regions.
15. The BBC spends around £8m per annum on the Local News Partnerships activity. The government was pleased to see that the BBC conducted a thorough review of the Local Democracy Reporting Service (LDRS) and the wider Local News Partnership, as recommended by the Cairncross Review. The Local Democracy Reporting Scheme currently provides 165 journalists in local newsrooms across the country, working exclusively on local democracy reporting. The BBC's review of the LDRS, published in June 2020, demonstrated that the service has been a success. It concluded that the LDRS has had a real and tangible impact on the local news ecosystem, increasing local democracy reporting by an average of 1,200 stories a week. As set out in the government's response to the Cairncross Review, we would support efforts by the BBC to grow the scheme.
16. In addition, in March 2021 the BBC released its 'Across the UK' plan; a major shift to move its creative and journalistic centre away from London. This includes (but is not limited to) moving domestic newsgathering specialisms into regional hubs and changes in commissioning and production in TV and radio.
17. The government expects the BBC to support the provision of news and information and we want to see a positive partnership between the BBC and the local news sector. Under the new regulatory system introduced by the Government in 2017, the BBC Board must ensure the BBC complies with its Charter duties, and Ofcom was established as the BBC regulator to ensure the BBC is robustly held to account. The Cairncross Review recommended that Ofcom explore the market impact of BBC News. The government welcomed Ofcom's decision to conduct a review into the BBC's news output, which was published in October 2019. Amongst their conclusions, Ofcom noted that the BBC could do more to link to third party content, which would help support the wider industry and benefit audiences by providing access to a wider range of material.
18. The government recognises the important role that the BBC plays in delivering local news to audiences across the UK, and is also aware that local news providers have raised concerns about the impact of the BBC on the local news market. Particular care and attention should be given to this issue, albeit without losing the benefits that the BBC brings, especially where there is a lack of alternative sources. It is important that the BBC works closely with local news providers and engages with them early in

the process of developing any plans to increase its local news provision. There is a risk otherwise of other local journalism being crowded out, and this risk is magnified by the precarious nature of the local print news industry.

The role of social media and other partisan/hyper-partisan news outlets in local journalism

19. The societal shift to digital media consumption has changed how news is delivered. Recent Ofcom data found that around half of adults use social media as a source for news, and that social media is a more common source for local news than local newspapers, or local radio, or those providers' websites. Specifically, Facebook is the third most used news source across any provider, with 36% of adults using Facebook for their news.⁹ As noted in the CMA's market study into online platforms and digital advertising, this shift in consumption habits has also led publishers to consider Google and Facebook to be 'must have' partners, with 40% of their traffic coming from these sources. As a consequence, publishers suffer from an imbalance of bargaining power when dealing with these platforms.
20. Following the government response to the CMA market study into online platforms and digital advertising, we have consulted on proposals for a new pro-competition regime for digital markets. We have announced plans to introduce conduct requirements to govern the relationships between powerful online platforms and the businesses that depend on them. This should also address the recommendation of the Cairncross Review to introduce codes governing the relationships between online platforms and news publishers, which will be a key step in ensuring the sustainability of high-quality journalism and news publishing. We will be responding to the public consultation in due course and will legislate to put the Digital Markets Unit on a statutory footing as soon as parliamentary time allows.
21. The shift to digital has also changed how news is consumed. As Cairncross found, the unbundling of news – encouraging scrolling, skimming headlines and relying on social media feeds – means that people find it harder to assess the reliability of online news, and may also be less exposed to public interest news. Consequently they trust the news they read less, particularly news arrived at via social media, and these trends may also further put at risk the sustainability of traditional providers of public interest news.
22. Our work on media literacy, in promoting understanding of the journalistic process and the democratic importance of high-quality journalism, should make a contribution to addressing these challenges.
23. The Online Safety Bill delivers the government's manifesto commitment to make the UK the safest place to be online, while defending free expression. News publishers' content will be exempted from social media platforms' safety duties under the Online Safety Bill. This means platforms will not be incentivised to remove news publishers'

⁹ [Ofcom News Consumption Survey 2021](#).

content as a result of a fear of sanction from Ofcom. Below-the-line comments on news publishers' own sites are also exempt.

24. More broadly, while there may be a place for social media channels and other online outlets for news in the broader news ecosystem, the focus of the government's work to sustain local journalism relates to those providers identified by Cairncross that offer an essential and unique public good to society that cannot be replicated by other media.

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