

Written evidence submitted by Newsquest Media Group

Wednesday, March 30th 2022

Digital, Culture, Media and Sport Committee
House of Commons
London, SW1A 0AA

NEWSQUEST MEDIA GROUP'S RESPONSE TO THE DCMS INQUIRY: "SUSTAINABILITY OF LOCAL JOURNALISM"

Background

Newsquest Media Group is a leading local media group in the UK. We publish approximately 165 local news titles across the UK, with brands such as the *Bournemouth Echo*, the *Hereford Times*, the *Bradford Telegraph & Argus*, to name a few.

Our news brands are typically read each month by more than 75% of adults in their respective local communities. For example, the *Dorset Echo* is read by 85% of the local adult population while in Southampton the *Southern Daily Echo* is read by 83%¹; the *Bradford Telegraph & Argus* is read by 81% of the people of Bradford.

These figures demonstrate the huge demand for quality trusted local news provided by trained, professional local journalists, and how important local news brands are to the communities that they serve.

However, the business model for local journalism is fragile with the huge structural change that has taken place in media and technology over the last 15 years. These pressures have been further exacerbated this year by the huge increase in newsprint prices due to the energy crisis, with some prices increasing by at least 60% in the last year, which may now force some local news titles to close.

There is a huge amount of innovation going on in the sector to build a sustainable local journalism model. For example, at Newsquest we have had good success building a local digital advertising and marketing agency style service for SMEs, and 52% of our total advertising is now digital; in response to Covid we have accelerated our digital subscription business (i.e. readers paying to access online local news) and now have over 50,000 paying digital subscribers across our portfolio; and local news publishers from across the industry have come together to launch an innovative new online platform for public notices – to give just a few examples of activities to build a sustainable local journalism business model.

The long-term prospects from this growing digital momentum are encouraging but the current

¹ JICREG Audience Data 2021

headwinds are very strong. Short term support is required by Government now to assist local news publishers in fulfilling their sustainable digital transition; particularly if Government wishes to avoid the prospect of many local news titles, particularly in medium sized towns across the UK, and the infrastructure that supports that, going to the wall – with a subsequent negative impact on community engagement and local democracy.

Response to Call for Evidence

We have contributed to the News Media Association’s response to this inquiry and are fully supportive of the points it makes. We outline below some additional context that we would like to highlight.

How are public service broadcasters, particularly the BBC, supporting or disrupting local journalism?

The BBC provides a supporting role to local journalism through the joint NMA/BBC Local News Partnership where £8m of licence fee money is allocated through the Local Democracy Reporting Service (LDRS) and its data unit training scheme. This has led to the employment of 28 journalists across Newsquest titles and enabled us to provide a level of news coverage of some local authorities and public institutions that otherwise would not have been done.

The BBC/LDR scheme provides a proven and successful model that Government could amplify and with some adaptations and more control given to local publishers, provide an important solution to sustainable local journalism in the UK. In its current form however, the scheme only supports 165 reporters (of which Newsquest has 28) and does not provide anywhere near sufficient scale to cover all local authorities (and certainly not other public institutions), leaving many areas where there is no LDRs coverage. And £8m is a drop in the ocean compared to £3.7 billion that the BBC raises from its licence fee each year.

The BBC’s unique free-to-use service, funded by taxpayers via the Licence Fee, fundamentally affects the ability of commercial titles like ours to build a sustainable business model. It is difficult for us to gate our content behind a paywall to build a digital subscription business when the BBC is running similar content on its website for free, often lifting or reproducing stories that originate from our own local newspapers. This is easily evidenced. For example, an exclusive story written by a specialist reporter for the *Eastern Daily Press* website about county council plans to alter the way foster carers were paid – was repeated on BBC Radio Norfolk with no acknowledgement to the EDP – a common occurrence. It is worth noting that the UK ranks as one of the lowest in terms of consumers who purchase online news – with only 8% doing so in the UK compared to 21% in the US or 45% on Norway² – we put this down in significant part to the presence of the freely available BBC News online.

The BBC’s further planned expansion into local under their *Across the UK* plan does not add to coverage regionally or locally; instead, it largely replicates the output of commercial newspapers. Rather than plugging any alleged democracy gap, it targets an audience already well-served and unfairly competes with our local titles using its globally known brand and website, and public money to provide a similar service subscription/ad-free.

While commercial organisations see the value in providing public interest journalism, it is expensive

² Reuters Institute Digital News Report 2021

to fund and has limited revenue opportunities because it is difficult to monetise. This forces publishers such as Newsquest to make decisions about the type of content its journalists provide. We believe the pressing need to re-model the BBC's future remit should be accompanied by a strategy to ensure that local news publishers are given much more funding support to take on an expanded role of local democratic reporting across the UK.

What has been the impact of the 2019 Cairncross Review on local journalism, and what more needs to be done?

There has been no positive impact from the Cairncross Review. Indeed, the plight of local news provision has worsened since the time of this review.

Cairncross highlighted the value of public interest news and warned that without a vibrant local press, there will be a democratic deficit. With the unprecedented pressure on costs, particularly in newsprint price increases, and with no action from the Cairncross recommendations, we are on the verge of seeing these predictions come true for smaller local titles.

We are under pressure to restrict distribution of free newspapers, increase cover prices, and even look at the viability of some of our printed brands. Without a levelling up of the playing field with the Tech platforms and the BBC, with a fair value exchange for our content, then we will see a contraction of local journalism in the UK.

Whilst the Cairncross Review was generally positive and supportive of the local news ecosystem, it comprehensively failed to put into action the requirements for tech platforms and the BBC to change behaviours in order for local journalism to have a more secure future.

How can the Government support local news outlets to develop sustainable business models?

We support the recommendations set out in the NMA response. Namely:

1. Bring forward legislation early in the next parliamentary session to provide the Digital Markets Unit with statutory powers; including a requirement for large tech platforms to negotiate with local news publishers over payment for content
2. Maintain the statutory obligation to place public notices in printed local newspapers to protect the public right to know and safeguard this important revenue stream for local journalism
3. Ensure Government becomes a long-term advertising partner for local news brands, benefitting from their huge reach whilst also supporting quality local journalism - building on the success of the 'All Together' Covid-19 advertising campaign
4. Provide a package of targeted, short-term financial measures to support local publishers' transition to digital-first business models, including extending local newspaper Business Rate Relief, and introducing new tax reliefs for journalism and advertising

5. Limit the scope and scale of the BBC's online news services, expanding the BBC/NMA Local News Partnership, and encouraging negotiation and collaboration with commercial publishers

What role does social media play in local journalism?

The social media platforms continue to refer readers to our content. At Newsquest referrals from Facebook account for approximately 25% to 30% of visits. However, a tweak of the algorithm by Facebook can result in a significant traffic drop for us. We are therefore beholden to the power of their algorithm for much of our digital audience and for much of our programmatic advertising revenues, with yields particularly low for visits from social media referred visitors.

Local journalism is at a critical juncture. It can have a vibrant, independent future in the UK, but the Government needs to lean in now and provide more support.

We would be happy to provide more detail, oral or written, if the Committee would find that helpful.

Yours faithfully,

Henry Faure Walker
CEO, Newsquest Media Group