Chartered Institute of Journalists—supplementary written evidence (FOJ0113)

Entrepreneurial incentives and ideas to revive the UK local, regional and national journalism infrastructure.

The Chartered Institute of Journalists believes conflict of interests and the problem of compromising independence and constitutional distance from executive and legislature means that it would be best to avoid direct government and state subsidy.

The Institute recommends large-scale and imaginative measures of indirect support that incentivise the business of journalism, engage a mutual synergy between digital and print publication and consumption, and enhances education and enthusiasm for journalism reading.

Such measures should avoid limiting or damaging the attraction of investment from overseas and expansion of the UK digital economy.

There should be recognition that the UK digital sphere or cyberspace is sovereign geographical and, indeed, geo-digital territory and the Westminster Parliament is entitled to legislate for licensing, taxation, and regulation of the use of this dimension of national infrastructure.

Hence, while the investment and entrepreneurial achievements of US corporations such as Facebook, Google, and Amazon have substantially contributed to the development of commerce in UK national cyberspace, these opportunities and their exploitation should be equated with the use of land, mineral or fossil fuel resources. They are not there to be plundered as though a free bounty; particularly if commercial exploitation has a substantially negative impact on industries in the traditional dimensions of the national economy.

The digital information age has had a substantial impact on the economies of scale of print publication commerce. The Institute believes a harmonious balance of opportunities, licencing and taxation can be reached that reverses the problem of jobs lost, titles closed and dimunition of professional journalistic culture in many parts of the UK through the near-monopolising of online advertising and the detrimental effects of digital oligopoly corporations creatively orchestrating off-shore and tax reduction schemes through transnational trading.

The Institute believes that well-intentioned 'trophy' and philanthropic grant schemes to support and develop a vague notion of 'public interest' journalism are not enough. At the same time overseas investment in jobs and commerce in the UK digital economy should not be driven away by excessively punitive digital turnover taxation. The proposal for a digital sales tax is currently set at 2%. Are there other ways of re-distributing the concentration and shift of advertising income from print media to digital oligopolies?

1. **Journalism Forward Investment Relief.**

Legislation that offers additional entrepreneurial tax relief on profits for investment in local, regional and national newspapers and printed magazine publications. It is a given that the profits for any corporation and business can be offset through business acquisition and investment in expanding operations. The Institute proposes a new kind of forward investment relief tailored and targeted for local, regional and national journalism. This operates on the basis of a double benefit. For any investment up to a maximum shareholding of 49% in any local/micro, regional and national news publisher that distributes by print and online, the investor is entitled to an additional equivalent tax relief in relation to tax on the income from the investment. Consequently, were Facebook to invest £20 million in a regional newspaper publication as capital, they would be further entitled to future tax relief on up to £20 million in profit earned from that investment. The Institute believes Journalism Forward Investment Relief would be an opportunity and positive incentive for the main digital revenue oligopolies such as Google, Facebook and Amazon, as well as national newspaper corporations such as Associated Newspapers, Guardian Media Trust, News UK, Reach, and current FT owner Nikkei Inc. The global digital oligopolies, Google, Facebook and Amazon would benefit from developing communications journalism commerce in a medium that interpenetrates their out-facing public and social platforms. The national journalism media corporations would benefit expanding their talent and news gathering infrastructure with local and regional trajectories. This should also be an entrepreneurial incentivising measure that could be a boon to the specialist magazine sector. This is a significant part of the journalism industry and has been similarly struggling with the loss of advertising to digital oligopolies and the pressures on the social ritual of printed magazine reading.

2. **Change of property notification in weekly news publishers.**

Any completed property transaction in the UK should require a statutory notice in the geographically relevant local weekly news publication in print form (and additionally online when that publication has an online platform) with a levy to the publisher each time of £100. With an average of 100,000 property sales each month this should generate £120 million of advertising revenue for the weekly local newspaper industry.

3. **Planning application notification in either local weekly or regional printed newspaper.**

Any planning application and/or decision in the UK has to be published with the cost being borne by applicant on application and local authority on decision. Payment for the notice limited at £100 for each transaction. There are about half a million planning applications in the UK every year and this indirect income incentive has the potential of raising between £50 and £100 million income every year.

4. **Educational provision of printed newspapers.**

Every state and private school, further education college and university in the UK should be engaged with a statutory duty to buy/acquire and make available to teachers and students a selection of 5 printed national newspapers (and associated magazines), one regional newspaper and one weekly newspaper for the five working days of each week. With an average weekly budget for each school /college, and university of £50, this has the potential for raising £2,600 expenditure each year on newspapers for each educational body. It is envisaged that the educational printed newspaper provision would apply to Primary, Secondary, Preparatory, and Public schools, Further Education Colleges, Sixth Form colleges and Universities. This should guarantee and generate revenue from 29,000 schools, around 290 Further Education Colleges, and 130 Universities in the UK. The potential revenue incentive here for printed newspaper sales would be £76.4 million in any one year.

The purpose of the educational printed newspaper provision is to provide the daily texts of everyday journalism and acquaint and equip educators and students with the printed output of professional journalism. This is the material publication of democratic reporting, debate that represents the first draft of the history of their time. It is the daily and weekly record of news and current affairs and the key tools by which education at all levels can widen and enlighten the new generations of readers into quotidian literacy. Reading the journalism of their time is the ideal introduction and participation in democratic polity and critical politics. These are the essential tools to advance the role and importance of education in an individual's responsibility to civic duty and understanding.

5. **Copyright licencing distribution from online digital sales revenue.**

The Institute believes the necessary equalising adjustment on digital advertising can be ethically and properly achieved through distribution to news publishers by an organisation such as the Authors' Licensing and Collecting Society known as ALCS. We would recommend the legislating for the Journalism Publication Levy. It needs to be recognised as a remedy through copyright culture and intellectual property rights. Google, Facebook and Amazon and any other significant commercial digital platform corporation that hosts, and indeed publishes, the processing and commerce in information originated by others and printed publication, and earns advertising sales revenue through its online operation should be obliged to pay a copyright licencing levy of 2% on all advertising revenues. The levy would be collected and distributed by ALCS.

The distribution of the Journalism Publication Levy would operate proportionately in relation to agreed Parliamentary and DCMS departmental policy purposed around the public interest of sustaining viable and stable local, regional and national journalism. Since there is a recognised need at the moment for the resuscitation of the weekly and regional journalism industry, it is envisaged that in its early years ALCS would distribute a significant proportion of the levy to local weekly and regional news publications.

The proportions of distribution would ordinarily reflect the recognised printed circulations, digital subscriber numbers and ALCS should certainly be prepared to take into account those publishers building 'membership' and 'registration' dimensions of readership/audience. How could the levy operate in practice?

EMarketer estimated that Google received ad revenue in 2019 of £5.7 billion with Facebook turning over £3.6 billion. If these two corporations were subject to the 2% copyright Journalism Publication Levy on these figures, ALCS would have £186 million to distribute to UK journalism publishers. If in the early years of the scheme, 50% of the levy were allocated to local weekly newspaper publications, and 25% to Regional newspaper publications the respective annual income of £93 million and £46.5 million is likely to be a substantial and energising boost to the industry and enable publishers to substantially invest in more journalists, coverage and operations. For example, all weekly newspapers would be able to employ a podcast specialist journalist who would be able to produce and make available a sound podcast form of the paper's weekly edition. All of the measures (1-5) would make the news publication industry so much more attractive and exciting for investors.

It has been reported that Amazon enjoyed £13.73 billion in sales in the UK in 2019. The extraordinary growth and market dominance of this US corporation on all aspects of traditional publishing and retail commerce has seen a fundamental shift in the concept of profit and gain in the overall economy. There have been proposals that the growing power of Amazon as an oligopoly and its distortion of economic activity could be addressed through an online sales tax of 2% for all goods bought online.

Given the substantial impact that Amazon's growth has had on publishing, the Institute believes there is an argument for Amazon to be subject to the proposed Journalism Publication Levy for collection by ALCS. Again, this would reward copyright and intellectual property culture.

The direction of benefit should be based on the notion of authors' rights where non-fiction writer and novelist, and journalist via newspaper and magazine publication. If this were 1% of UK turnover, £137.3 million pounds in funds could be distributed by ALCS in proportions that recognised that Amazon sales benefit book publishers and authors more than journalism publications. For example, 50% distribution to authors, 25% distribution to book publishers and 25% distribution to journalism publishers could generate annual returns of £68.65 million to authors, £34.325 million to book publishers and £34.325 million to local, weekly and national newspaper and magazine publishers.

6. The Institute would certainly recommend continuing the waiving of VAT on digital sales and revenue for newspaper, magazine and news journalism publishers and additionally the book trade. This would be a positive incentivising of commerce and business in the digital economy and should substantially benefit large online businesses such as Amazon.

7. **Improving the 'news journalism ecology.'**

The Institute believes reviving the local and regional journalism industry needs to take into account the decline in local radio journalism caused by the agglomeration of UK independent radio broadcasting into national branded networks of stations. Ofcom has relaxed obligations to run local newsrooms in towns and cities and breakfast programme production and presentation generic to the local areas for stations when first licenced as 'independent local radio.' We suspect that DCMS and Ofcom may be relying on the community radio sector to make up the shortfall. Certainly, a key problem has arisen over the last ten to fifteen years where Ofcom licensing of community radio stations has undermined the stability and sustainability of established local and regional radio services.

The Institute strongly believes that Ofcom should not have been operating a licence expansion policy where previously established local radio services found themselves undermined and in competition with new community radio stations operating in a not-for-profit sector but competing and in some cases undermining the local advertising and sponsorship market for non-community radio stations.

Local and regional journalism needs viable and successful business models and by its very nature should thrive, like any other business on competition. 30 to 40 years ago local and regional journalism would be competition between local and regional newspapers, independent local radio, BBC local radio and regional television news gathering by BBC TV region and ITV local franchise.

There is certainly an argument for more strategic and coherent regulation by Ofcom and DCMS policy in respect of independent local radio licencing. For many decades radio journalism in the USA was a thriving dimension of the journalism economy because the Federal Communications Commission required that any radio station given a licence for broadcasting had to employ at least one professional radio journalist to provide a radio news service. It was significant that any US radio market at town and city level could sustain this regulatory requirement. The market and regulatory situation did in fact change during the latter part of the 20th century and the situation in UK local and regional broadcasting is different, and in many ways, equally complex.

The media privileges and commercial opportunities engaged with radio station licencing should encompass public interest and public service responsibilities to the journalism industry. We believe an Ofcom regulatory requirement for one, or even two professional journalists employed for any independent and community radio station licence in the UK along with the operation of specific local radio newsrooms would help bring about a return to 'localism' and local civic media identity in multimedia journalism publication.

The Institute believes Ofcom regulation and DCMS policy should move away from tolerating and endorsing rationalised news hubs in large radio groups owning multiple stations producing bulletins so distant from the actual locality of transmission and reception, or in the case of community radio, there being no regulatory requirement at all to provide a professional radio news service.

8. **Recognising the importance of the printed product in journalism.**

The Institute continually campaigns for appreciation and promotion of the printed journalism form and is fundamentally opposed to the idea that digital media is and should be developed to replace some kind of 'dinosaur,' 'anachronistic' or 'redundant' medium. It remains the most viable model for most newspaper publishers. The Times, Financial Times, Telegraph, Economist and Spectator have successfully demonstrated that both forms can symbiotically work together in profit led publication economies of scale.

Britain's most successful periodical is the fortnightly Private Eye magazine with ABC rated circulation of 233,565 sales and bulk distribution of 2,295 copies. This endurance of success in the printed form has not depended on any significant online subscription operation or indeed substantial free access promotional accompaniment.

The ebook has not replaced the printed book and there is no reason why new generations of journalism consumers should lose out on the wholly different cultural and social resonance of buying and reading the printed daily newspaper, periodical or magazine.

It is also very important to appreciate that any crisis in printed journalism industry is an additional crisis for the printing and newsagent trades. Thriving printed journalism media ripples out to significant employment and profit led commerce in associated industries.

9. **Indirect measures to encourage and foster independence and impartiality in journalism.**

The Institute pioneered campaigning against the use of local authority funding to publish propagandist 'Pravda' newspapers that purported to be equivalent local newspapers, but in fact siphoned off public council notice advertising and became nothing more than a public relations operation. These substantially damaged the local newspaper industry where they were published and discredited the civic and public integrity of the councils which set them up and promoted them. In recent years central government has sought to end the practice and we urge Parliament and central government to continue their vigilance in enforcing the ending of local authority 'Pravda' publications.

Local and regional newspaper journalism depends on impartiality and trust from all parts of the community. Journalism which divides audiences on the basis of political bias and propagandising degrades the market in a liberal capitalist society. Ofcom is a statutory regulator which ensures adherence on the part of licenced radio and television broadcasters to respect due accuracy and impartiality. These concepts, in particular separating news coverage from editorial comment and ensuring accuracy, are the bedrock of voluntary regulation of the newspaper industry (and its online dimensions) by IPSO and the very small sector of journalism publishers regulated by IMPRESS.

Essentially the nature and conditions of the market in the local and regional newspaper industry determine that successful publication depends on aspiration for accuracy and impartiality in journalism coverage. Diversity of representation and making sure that is reflected in content is a key part of the impartiality dynamic. The Institute strongly believes economic viability and success of local and regional journalism can be the driving imperative in ensuring that ethnic communities achieve equality and participation in professional journalism.

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