

## **Department for Digital, Culture, Media and Sport—written evidence (FOJ0070)**

### **House of Lords Communication and Digital Committee’s Call for Evidence on The Future of Journalism**

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 future of journalism. We look forward to following the Committee’s findings and responding to their report.

#### **Journalism and its value to society**

2. As the government set out in its formal response<sup>1</sup> to the independent Cairncross Review<sup>2</sup> into the sustainability of journalism in the UK, at the heart of any thriving democracy is a free and vibrant press. Its role in holding power to account and keeping the public informed of local, national and international issues is vital. Without robust, good quality newspaper coverage of affairs in their communities, there is a serious danger that citizens will become disengaged from the democratic process, to the detriment of a well functioning society. COVID-19 is rapidly accelerating existing challenges facing the sustainability of national and local newspapers, at a time when verifiable, trusted news is needed more than ever. The specific impact of COVID-19 on the news publishing sector is discussed in further detail at paragraph 6.
3. The government agrees with the analysis in the Cairncross Review, which intentionally did not try to define ‘high-quality journalism’ as ultimately, the term is a subjective concept that depends neither on the audience or the news provider. However, the Review concluded that ‘public interest news’ was the type of journalism of most value to society. ‘Public interest’ news is focused on investigative journalism and reporting on public institutions including councils, courts and health providers. Cairncross argued that this type of journalism is vital to maintaining a healthy democracy and engaged, cohesive local communities. The government agrees with this assessment, hence our commitment to support local and regional newspapers, as vital pillars of communities and local democracy.
4. To support the provision of ‘public interest’ news, the Local Democracy Reporting Service (LDRS), which forms part of the BBC’s £8m per year Local News Partnership, pays for reporters to cover the activities of local councils, with an LDRS reporter being selected and employed by a local publisher. This is an area of reporting that, given the pressures local news publishers are under, is often significantly under provided and yet essential to journalism’s role of holding those in authority to account. Since the scheme began operating in 2017, 150 LDRS journalists have been recruited, filing over 50,000 stories in the scheme’s first year of operation, including many front page stories. The reporters have been able to uncover stories that publishers may have otherwise been unable to discover due to increasing constraints on their resources.
5. The LDRS is due to be reviewed by the BBC this year and there may be merit in it going beyond assessing whether the service is meeting the aims set by it for the BBC, to consider how it might be adjusted and expanded to meet the needs

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<sup>1</sup> Government response to the Cairncross Review: a sustainable future for journalism, January 2020

<sup>2</sup> The Cairncross Review, A sustainable future for journalism, February 2019

of both the news industry and of citizens. It is for the BBC to decide how best to review its own scheme, but the government would welcome an independent element to the upcoming review.

### **Impact of COVID-19 on the newspaper sector**

6. As mentioned above, COVID-19 is rapidly accelerating many of the existing challenges facing the sustainability of national and local newspapers. Engagement for news remains extremely high with almost all the UK online population (99%) accessing news and information about COVID19 at least once a day.<sup>3</sup> However in an already vulnerable market, COVID-19 has seen news publishers' advertising revenues - often their main source of income - collapse. Local news publishers have traditionally generated a substantial share of revenues from advertiser categories such as entertainment (cinemas, theatres, restaurants) and travel that are unlikely to advertise during the lockdown. Local newspapers, as well as free newspapers who rely completely on revenue from advertising, are therefore under particular threat.
7. In addition to advertising revenue declines, the COVID-19 crisis has presented a range of other significant challenges to selling and distributing papers, such as shops and newsagents closing and restrictions on movement inhibiting the public, in particular the elderly and most vulnerable, from being as easily able to purchase their daily newspaper. On the digital side, despite news publishers having seen a rise in online audience, there have been issues around ad-blocking next to content which mentions COVID-19 due to brand safety concerns. These challenges are making it increasingly difficult for news publishers to monetise their content whether online or in print.
8. The government is aware of the serious challenges being faced by the industry due to the COVID-19 crisis and is seeking to mitigate these where possible. We also recognise the vital role that newspapers play in ensuring the provision of reliable, high-quality information during this time. The government has already put in place an unprecedented financial package to provide horizontal support to all businesses, many of which will be relevant to news publishers, including the Coronavirus Business Interruption Loan Scheme, Job Retention Scheme, VAT deferrals, and coverage of statutory sick pay costs.
9. We have also taken steps to support newspapers specifically, including through maximising advertising opportunities for the sector by implementing a significant public information campaign across national and local newspapers, constituting a substantial uplift in government advertising spend. The Secretary of State for DCMS has also written to the major platforms asking them to address the issue of keyword blocklisting to ensure news publishers are not penalised for covering stories on COVID-19 as a result of ad-blocking of terms related to the virus. In addition, we have secured key worker status for those engaged in the production and distribution of public interest news, and issued guidance to local authorities on the importance of newspaper delivery which has been critical to ensuring the continued distribution of local newspapers. We are in constant review of our Covid-19 response policies and continue to engage on a regular basis with news publishers to develop our understanding of the issues and how the government might best provide support both in the short-term and in order to help the industry move to a more sustainable footing after the crisis.

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<sup>3</sup> Ofcom, Covid-19 news and information: consumption and attitude, April 2020

## **The impact of digital technologies on the consumption and production of journalism**

10. There has been a rapid change in how news content is consumed in the UK, with consumers now able to access news via multiple means from a wide variety of sources, often at no cost. The majority of people now read news online, including over eighty percent of 16 to 24 years olds, while social media is increasingly being used for news (increased from 44% of all adults in 2018 to 49% in 2019).<sup>4</sup>
11. While the UK newspaper industry is still of a significant size, traditional consumption – via print products – has declined as users migrate to these online propositions. Search and social media – mainly Google and Facebook – are significant drivers of news consumption for UK adults. In the UK, 24% of adults say they reach news through online search such as Google and Google News, and 39% of adults say they use social media such as Facebook and Twitter as a source of news each week.<sup>5</sup>
12. The Cairncross Review set out that the switch to online has changed the way people find news and the way they absorb it. They are much less likely to see the mixed bundle of politics, finance, entertainment and sport that constitutes many papers, and more likely to see an individual story, chosen by a computer program and not necessarily clearly labelled with the name of a particular publisher. This “unbundled” experience has implications for the visibility of ‘public interest’ news and for trust in news.
13. The Cairncross Review found that the transition online has also made local news publishers less essential to community life. Facebook now frequently acts as a hub for local groups, and one which offers speed, versatility and local involvement that newspapers cannot emulate. Web sites such as Nextdoor and Mumsnet also serve as local hubs, creating geographical online communities as well as communities of interest.
14. With the collapse of print revenue and readers’ changing habits, news publishers have had to make huge changes to adapt. Not only have they had to create and maintain attractive news websites and apps, they have had to work out the most effective way to present and make money from news published online while still, in most cases, running a physical paper. For the most part, news publishers have sought to replace lost print revenue with online revenue, whether in the form of digital advertising revenue or with paywalls and subscriptions. However, a single universally effective solution for monetising journalism online has not yet emerged.
15. Platforms are much better placed to collect user data to inform their digital advertising businesses and have also become increasingly important for distribution and reach of news content. The government recognises the need for clearer arrangements to define the relationships between publishers and platforms, to ensure that content creators are fairly treated.
16. To address this imbalance, the Cairncross Review recommended codes of conduct between publishers and online platforms. The government agrees that codes of conduct that formalise the relationships between news publishers and online platforms may help to rebalance that relationship and is working with interested parties to further assess this recommendation over the coming

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<sup>4</sup> Ofcom, News Consumption in the UK, July 2019

<sup>5</sup> The Cairncross Review, A sustainable future for journalism, February 2019

months. This will form part of a wider programme of work, which includes the Digital Markets Taskforce announced by the Chancellor at the Budget and, in due course, the findings of the Competition and Markets Authority's (CMA) market study into online platforms and digital advertising.

### **Media Literacy**

17. Media and digital literacy skills are essential to ensuring people can be fully informed about the world around them and challenge poorly sourced stories. The government is developing a media literacy strategy in collaboration with Ofcom, industry and stakeholders to support the development of media and digital literacy skills across the UK.
18. Improving media and digital literacy has the potential to bring a wide range of benefits, including for the functioning of democracy by giving users a better understanding of online content and enabling them to distinguish between facts and opinions online. It could also have a positive impact for the sustainability of reliable, trusted journalism. The Reuters Institute Digital News Report 2019 found evidence that readers are shifting towards publishers considered to be more reputable as disinformation becomes a bigger concern for the public, whilst the Digital News Report 2018 found a correlation between higher levels of media literacy and propensity or willingness to pay for online news.
19. The Online Harms White Paper<sup>6</sup> set out the government's intention to develop a new online media literacy strategy. The White Paper also set out that, as part of the development of the strategy, there would be a comprehensive mapping exercise to identify what actions are already underway, and to determine the objectives of the online media literacy strategy. This mapping is now underway as part of a wider piece of analysis which will also consider existing research on the levels of media literacy among users, and evaluate the evidence base for media literacy interventions.
20. In addition to this research DCMS has hosted a series of targeted workshops convening representatives from tech companies, regulators, libraries, civil society, academics to identify ways to strengthen existing provisions, and to inform the strategy's priorities. The strategy will be published later this year.

### **Diversity**

21. 'Public interest' news and journalism should reflect the diversity of the United Kingdom, in the widest definition of the word. The government recognises that for a number of newspapers facing very tough financial constraints it is challenging to do more. However, consistent with efforts to drive diversity across the economy, the government considers that improving the diversity of newsrooms could also have a positive impact on the sustainability of the industry by helping news publishers improve their appeal to currently underserved and under-represented audiences. Through diversity of perspectives, this could in turn lead to an increase in readership and associated revenues.
22. It is not for the government to interfere in any way with editorial freedom, operations or decision-making of the press. However, as part of wider moves and building on the initiatives set out above, there is clearly more the sector itself could do to further diversify newsrooms, for example, through schemes to

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<sup>6</sup> [The Online Harms White Paper, April 2019](#)

support under-represented groups to train and work as journalists, and doing more to support ways into the field other than unpaid internships.

23. The government is committed to ensuring that everyone is free to reach their full potential, regardless of their background, without the limits that stereotypes can have upon the choices they make, or the way in which they are viewed and treated by others. The government is committed to ensuring that equality of opportunity is a key feature in all of our interactions with industry.
24. In its response to the Lords Communications and Digital Committee report on public service broadcasting,<sup>7</sup> the government previously outlined its position on the diversity of broadcast media. Ofcom's recent review into public service broadcasting<sup>8</sup> (and the latest diversity report published by Project Diamond) show that the broadcasting industry is moving in the right direction, but the government recognises that more could be done. Public service broadcasters, like news publishers, are editorially and operationally independent, and it is not for the government to intervene. Ofcom has a duty to promote equality of opportunity in relation to employment in the broadcasting sector and has powers to ask broadcasters to provide information about their equal opportunities policies and the make-up of their workforce. Ofcom's findings are published in their annual report on diversity and equal opportunities in television.<sup>9</sup> The government encourages broadcasters to provide data to Ofcom on all the protected characteristics, not just because they are required by legislation to do so but because it is also the right thing to do.

## **Innovation**

25. As set out earlier in this written evidence, recent rapid developments in technology have challenged the traditional business models of news publishers. The Cairncross Review outlined how different publishers were experimenting with new models, but acknowledged that it is easier for national publishers to do so than local publications, which are faced with even greater resource constraints. Dame Frances Cairncross recommended an innovation fund that would seek to invest in new technological prototypes, start-ups and innovative business models to assist the industry in this period of transition.
26. DCMS has therefore worked with Nesta — an independent charitable body that distributes funding for innovation in a number of different industries — to develop a pilot innovation fund, which launched in October 2019. This focuses on potential new technologies and tools, innovative business models and smarter institutions with a view to testing and developing ways and means of adapting to the challenges facing news publishers.
27. The government committed £2 million of investment into this pilot Future News Fund, which received 178 applications, representing a wide range of new ideas and tools for building financially sustainable business models and engaging communities in the news process. Grants have been awarded to 19 projects, the details of which were announced by Nesta in February. The government is working to evaluate and draw findings from the pilot fund to inform decisions on the full innovation fund ahead of the next Spending Review.

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<sup>7</sup> [Government response to the Committee's report "Public service broadcasting: as vital as ever", February 2020](#)

<sup>8</sup> [Small Screen: Big Debate – a five-year review of Public Service Broadcasting \(2014-18\), February 2020](#)

<sup>9</sup> [Diversity and equal opportunities in television Monitoring report on the UK-based broadcasting industry, September 2019](#)

## **Further work**

28. Whilst the government has given, and will continue to give, special attention to the recommendations that Dame Frances Cairncross made in her report, it is open to taking forward other areas of work in pursuit of a sustainable future for journalism. A number of areas not covered in the Review have been raised with government, of which it is supportive, including improving the diversity of journalism and facilitation of journalists' access to and reporting of court proceedings.
29. The government is also committed to measures to protect press freedom, both domestically and internationally. The government has committed to repeal section 40 of the Crime and Courts Act 2013, and we are exploring suitable legislative vehicles to do so. If commenced, Section 40 could have an impact on freedom of speech, high-quality journalism and the freedom of the press. It could also risk causing serious damage to local newspapers, who play such a vital role in our democracy.
30. Since the publication of the government response to the Cairncross Review, the Chancellor announced that the government is introducing legislation to apply a zero rate of VAT to e-publications from 1 December 2020. This measure is being introduced to support literacy and reading in all its forms and will make it clear that e-newspapers are entitled to the same VAT treatment as their physical counterparts. The government expects the tax relief to be passed on to consumers in the form of reduced prices, while publishers should benefit from increased sales.
31. The UK is not alone in experiencing declining newsprint circulations and revenues, nor is it alone in recognising the important role the press plays in the life of a country, and trying to find ways to sustain it. The experience of news publishers in the UK is part of a much wider, global trend. Journalism, both online and in print, is in serious difficulty in the US, Canada, Australia and across Europe. In Australia, the Australian Competition & Consumer Commission (ACCC) published its inquiry into the impact of digital platforms on competition in the media and advertising services markets, and committed \$60 million to a Regional and Small Publishers Jobs and Innovation Package. In Canada, a CAN\$595 million (£348 million) tax package was implemented in 2018 to help arrest the disappearance of jobs in journalism, and a significant number of other countries provide direct subsidies, often in the form of tax exemptions, to support news publishers. The UK government is continuing to monitor and learn from these international interventions, and the DCMS has commissioned further research to evaluate the impact of policy changes to support the news publishing industry in other jurisdictions.

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