

## **Written evidence submitted by News Media Association**

### **News Media Association response to the DCMS Select Committee Call for Evidence**

#### **Inquiry on the impact of Covid-19 on DCMS Sectors [28 April 2020]**

The News Media Association represents national, regional and local news publishers. Its members publish some 1000 titles throughout the United Kingdom. These include national titles, such as The Times, The Guardian, The Daily Telegraph, The Mirror and The Sun and regional and local titles such as the Yorkshire Post, the Monmouthshire Beacon, The Stratford Herald, the East Anglian Daily Times and the Kent Messenger. They reach an audience of some 48 million adult readers each month, in print and online, but this is being driven ever upwards with the public demand for verified accurate information and trusted journalism as a result of the Covid-19 crisis,

The NMA and its members have welcomed the Government's acknowledgment of the newspaper industry as the 'fourth emergency service' and appreciate the strong messages of support for regional and local newspapers in particular which have been expressed by many Members of Parliament.

The NMA has briefed the Government on the drastic impact of Covid-19 pandemic and consequent measures upon the sector. It has outlined further action necessary to provide the crucial short term support necessary to sustain titles through the initial crisis. Currently, two measures would provide both immediate relief and ongoing help -the extension of 100% business rates relief available to retail, leisure and hospitality to newspaper publishers, especially local publishers, since news suppliers cannot simply 'mothball' their businesses; and the bringing forward and backdating VAT zero rating for e-newspapers, including news websites, to 1 January 2020 instead of 1 December 2020. Both are finite, costed and would provide support through the next crucial months and beyond, given the accelerated impetus for transition to digital news services.

### **1. What has been the immediate impact of Covid-19 on the sector?**

#### **Intensified demand for accurate, verified information from trusted news media sources**

The demand for national, regional and local news publishers' trusted news services and audience is great and continues to rise. The industry is committed to sustaining its journalistic services for as long as possible, but faces the severe challenge from abrupt and devastating drop in the advertising revenues which fund it. The small publishers of local titles are contending with a very bleak outlook as set out below

#### **Immediate threat to industry survival from sudden, drastic drop in advertising revenue**

News publishers principally rely upon advertising revenues to finance their journalism and the production, dissemination and distribution of their titles, in print and online. The industry and in particular the regional and local press were already under challenge, due to the approach of the tech

companies and platforms and action to implement the measures recommended by the Cairncross review was still awaited at the time the covid-19 crisis began. Covid -19 had an immediate, devastating impact upon the industry , with particular threat to the local and regional press.

The NMA conducted snap online surveys of its members on 17 and 31 March on impact of covid-19.

92 percent of respondents said they had experienced declines in ad revenue of 61 percent or more since the beginning of the crisis (January 31st). Small publishers, with fewer than 10 titles were the worst affected, experiencing declines of 81 percent or more. The majority of respondents (50 per cent) said on March 31st that they estimated their survival time to be no more than 2-4 months.

These difficulties have been exacerbated by advertising ‘ keyword blocking,’ inadvertently preventing advertising around online editorial content mentioning Covid- 19 and coronavirus.

### **Suspension of titles**

Due to these difficulties, at least 50 newspapers have suspended their print issues of both free and paid titles, including those which have been publicly announced below:

Ashby Coalville & Swadlincote Times  
Banbridge Chronicle  
Barnsley Independent  
Bedford Times & Citizen Group  
Blackmore Vale Magazine  
Bridgend and Porthcawl Gem  
Brighton & Hove Independent  
Bromsgrove & Droitwich Standard  
Bromsgrove Standard  
Buckingham & Winslow Advertiser  
Chronicle Week  
City AM  
County Down Spectator Group  
Coventry Observer  
Crawley Observer  
Evesham & Pershore Observer  
Glamorgan Gem  
Leamington Warwick & Southam Observer  
Lewisham Ledger  
Lichfield Mercury Series  
Llantwit Major Gem  
Luton Herald & Post  
Malvern and Ledbury Observer  
Manchester Weekly News  
Mid Sussex Gazette  
Midsomer Norton & Radstock Journal  
Midweek Visitor - Southport  
Milton Keynes Citizen  
Mourne Observer & Co Down News

Newry Reporter  
News Guardian - Whitley Bay  
Newtownards Chronicle  
Normanton Advertiser  
Northumberland News Post Leader  
Redditch & Alcester Standard  
Rugby Observer  
Shrewsbury Chronicle  
Solihull Shirley & Arden Observer Series  
St Albans & Harpenden Review  
Stranraer & Wigtownshire Free Press  
Stratford Observer  
Stratford On Avon Midweek Herald  
Sutton Coldfield Observer  
Telford Journal  
The Barry Gem  
The Cowbridge Gem  
The Forest of Dean and Wye Valley Review  
The Gazette & Express  
West Highland Free Press  
West Sussex Gazette  
Worcester Observer

### **Impact upon employment and salaries**

News publishers have striven to maintain journalists in place and otherwise retain staff through the Government's Covid-19 Job Retention Scheme. There are concerns that the impact of Covid-19 in addition to the existing pressures will mean that news companies may not in the longer term be able to sustain staffing levels at pre-Covid -19 crisis levels.

Every small publisher surveyed by the NMA has been forced to furlough non-editorial staff. In addition, we understand that Guardian Media Group has furloughed 100 non-editorial staff, Reach has furloughed 940 employees, 20% of its staff; JPI Media has furloughed 350 staff, including 200 sales staff and more than 50 journalists; Newsquest, a 'significant number' of advertising staff and about 10% of its 650 editorial staff is being furloughed; the Evening Standard Ltd has placed an unspecified number of employees on furlough; Iliffe Media has put 26% of their employees on furlough, including 30 editorial staff; the Midlands News Association have announced a voluntary furlough scheme; Tindle has furloughed staff such as the Glamorgan Gem and publication has been suspended at the six sister titles.

In addition, it has been reported that the Financial Times has furloughed 20 non-editorial staff; PA Media confirmed that it would furlough 44 of its journalists covering sport and racing and that in total about a quarter of PA Media's staff had been furloughed; and at City AM, the majority of staff had been put on furlough.

Small publishers describe how remaining staff, including the most senior management, were performing a wide range of the core work necessary for newspaper publication, in addition to their normal roles,

In addition to staff furlough, as reported by various news outlets, JPI Media, Newsquest, the Evening Standard, Reach, The Guardian and Observer and the Financial Times have all had to cut pay. Similarly, The Telegraph has asked non-editorial staff to work 4 days per week and take a 20% pay cut and DMG media is reported to have introduced a scheme to cut pay by up to 26% and compensate employees for the difference by granting them shares in the company.

### **Impact upon newspaper supply chain and distribution**

With the abrupt drop of advertising revenues, sales of printed copies and circulation revenues for paid for printed titles are of even greater importance to publishers' survival. However, there have been over 4500 retailer closures and with the continued lock-down, Home News Delivery is becoming increasingly important especially to the vulnerable who cannot easily access alternative retailers. Local authorities' sudden refusal, revoking and suspension of under 16 work permits for young news deliverers jeopardised newspaper distribution, until NMA representations and the Education Secretary's intervention, supported by the DCMS and HCLG, resulted in the Easter circulation of the helpful revision of DfE policy and supportive guidance by the Local Government Association.

The closures of retailers have reduced the volumes of copies available for sale and so circulation revenues, which has further exacerbated the situation. So far at least 50 newspapers have suspended their print issues temporarily but there is a real risk that they and others will have to close if the situation continues for too long.

Large retailers have also been reducing the numbers of copies of newspapers ordered and even considering stopping stocking and selling newspaper titles altogether. So far publishers have been able to work with retailers or make compromises to keep supply of their titles in the retailers, but there remains a danger that retailers will stop stocking newspapers with massive irreparable consequences.

So far the supply chain between printing and wholesale and has only been minimally impacted by the lock-down measures; in part because all parties were able to make quick compromises and contingencies to create some flexibility in the chain; but any measures that would affect workers (and fuel supplies) in this chain could have catastrophic effects on the industry.

The NMA therefore considers that a public policy exemption from competition rules in order to allow competing publishers to coordinate on supply chain issue during the covid-19 crisis. Such an exemption has already been granted to supermarkets to ensure security of supply, fair distribution, and the continued provision of essential services.

A limited competition law exemption is appropriate and necessary in order to ensure security of supply, fair distribution, and provision of services to people that are shielding. Moreover, as is the case in the supermarket sector, the risk of significant distortion of competition is minimal, as coordination must:

- be clearly in the public interest;
- contribute to the benefit or wellbeing of consumers;
- deal with critical issues that arise as a result of the pandemic; and

- last no longer than is necessary to deal with those issues.

Furthermore, classifying newspapers core products and requiring that major retailers continue to carry them would help ensure that publishers can continue to reach every community in the UK.

## **2.How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?**

### **Government measures**

The NMA has appreciated its dialogue with the DCMS and the public statements and actions initiated in support of the newspaper industry by the DCMS Secretary of State and DCMS Ministers, the Chancellor of the Duchy of Lancaster and the Cabinet Office and the assistance given by the Education Secretary and DfE including the designation of journalists and ancillary staff as critical workers and ongoing interaction with the DCMS, Cabinet Office, BEIS and the Treasury.

However, the current government Covid- 19 support schemes are not sufficient in themselves.

News publishers cannot furlough critical editorial staff or those who perform other critical commercial, production and distribution functions. However, if the Coronavirus Job Retention Scheme were modified to allow critical key workers such as journalists and ancillary workers across newspaper editorial, production, distribution and necessary staff to continue to perform some work for their employer, that would be of immense help to local, regional and national news publishers to help maintain publication at this critical time and beyond.

The Coronavirus Business Interruption Loan Scheme is not suited to small publishers who have been confronted with complex processes, refusal, unrealistic requirements and requests for evidence which take no account of the inherent uncertainties of the pandemic and consequent uncertain business environment. Such publishers are also reluctant to take on and service debt at such a time, especially if it also entails replacement of independence by control of a bank whose requirements might compromise future development and diversification necessary for longer term survival of local titles.

Most local and regional publishers do not qualify for the business support grant funding in respect of the small business relief grant and the other Coronavirus business support grants are not open to news publishers.

The NMA has therefore set out below the measures which would assist the industry to survive the Covid-19 crisis and sustain its work thereafter. These include the measures for which the industry has already pressed in follow up to the Cairncross Review. They are now of even greater importance and urgency for the whole industry and the sustainable future of independent journalism.

### **Government action: urgent measures and continuing support required by Covid-19 crisis:**

Financial action by Government:

- Government ad spend: The Government must use trusted news channels as part of their ongoing public information advertising campaign to ensure important messages are communicated to readers.

The NMA and the industry very warmly welcome [the Government and the newspaper industry's three-month advertising partnership](#) helping keep the public safe throughout the Covid-19 pandemic. Commenting on the ad campaign, Cabinet Office minister Michael Gove said: "With this campaign, we are both saving lives by providing essential information to the public and supporting cherished local institutions."

The industry is ready and willing to engage on further advertising partnerships with government to convey information to the public. It would welcome government commitment to continuation of its work with the industry to bring public information to all sectors of the community, throughout the UK.

The NMA also continues to call for the Government, one of the UK's largest advertisers to conduct a centralised review of government and public sector advertising and marketing spend and practices, with a thorough re-evaluation of the value, reach, effectiveness and accountability of news media brands, and the public's growing trust in them versus social media platforms.

- Stop Keyword Adblocking against trusted news media content: The Government must maintain its effective and strong assistance in bringing about a swift end to the practice of keyword blocking which is preventing advertisements from appearing next to Coronavirus news content online (projected loss to news websites of £50 million advertising revenue over 3 months from April, as a result of such blocking).
- Business rates holiday: The Government should extend the 100% business rates holiday offered to retail, hospitality and leisure businesses to news providers. This will be particularly helpful to local and regional publishers. Unlike other local businesses eligible for relief, local news publishers cannot simply 'mothball' the business of news provision.
- VAT zero rating: The Government should bring forward VAT zero rating for e-newspapers from the proposed date of 1 December 2020, and instead implement it immediately and back-date to 1 January 2020, with additional targeted tax relief for local publishers who will not benefit from VAT exemption in the next 2-3 years.
- Extend and expand the Coronavirus Job Retention Scheme to enable essential workers such as journalists if furloughed to continue to perform some work for their employer in order to maintain news reporting, production, distribution and dissemination to the public.
- Delay employer taxes: The Government should ensure the deferral of employer taxes, PAYE/National Insurance contributions for news media businesses
- Business Support Grant Funding: The Government should extend the £25,000 grants scheme offered to other business sectors with local presence to smaller local news providers.

- Postal rates: The Government should encourage the Royal Mail to introduce postal concessions for delivery of newspapers, akin to former Post Office scheme under which registered printed weekly and daily newspapers had been given the same treatment as first class letters. This would both benefit vulnerable readers confined to their houses and help support the smallest local and regional publishers of weekly newspapers that have significant postal subscriptions. We understand that the Royal Mail has already introduced free delivery of newspapers to the Scottish Islands.
- Journalist support package: Introduce a direct per capita payment to companies currently employing news journalists.

#### Operational:

- Maintenance of Key workers status: The Government should guarantee that news media providers will continue to be treated as an 'essential service' in the event of any further movement restrictions, including keeping journalists, ancillary workers, publishers, production, printing and distribution workers, retailers, adult and young news deliverers and wholesale operating and able to deliver papers.
- Government promotion of reliable news sources: To counter the proliferation of disinformation online, the Government must continue to encourage the public to rely on trusted news brands (print and online) rather than social media and less reliable online sources for important news and information about the crisis.
- Newspaper availability in stores: The Government should mandate major supermarkets to continue to carry newspapers at current levels as an essential item.

Supply chain: The Government should step in to ensure the wholesale distribution network stays in place and introduce competition law public policy exemptions for the duration of the crisis to facilitate this.

- News site traffic: so far as possible, prioritise news website traffic through ISPs should the internet become congested.

### **3. What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?**

Prior to the Covid 19 crisis, the NMA and industry had already been pressing the government to take swift action in follow up to the Cairncross Review and its recommendations on sustaining the trusted journalism of local, regional and national news publishers. The Covid- 19 crisis has intensified and accelerated the threat to independent publishers, who face the impact of the pandemic in combination with the continuation of the fundamental problems caused by the dominance of the tech companies and online platforms. The tech companies continue their exploitation of publishers' content and their failure to provide publishers with proportionate advertising revenue or proper financial recompense in return. The Government and regulatory bodies must therefore urgently take action and implement the measures set out below to help sustain the industry through the current crisis and beyond. By ensuring improved controls over the tech companies, proper rewards from the tech companies for the content

that publishers create and advertising environment which it creates, and improved, equitable business relationships, news publishers will be able to provide firmer foundations for the development and diversification of their journalism, in accordance with the ever growing demand for their news services.

#### **Medium- term measures and support:**

- **CMA Market Investigation into Digital Advertising and Online Platforms and remedies**
- **Swift Government action in parallel, not a substitute for CAM action**

The NMA has urged the CMA to undertake a full market investigation since the dominance of Google and Facebook has made it impossible for news publishers to realise a fair return for their content.

This and any remedies must be pursued alongside swift Government action including creation of a statutory system of codes backed by a statutory regulator to control the dominant tech companies and online platforms to ensure fair tech company/news publisher business relationships.

- **Competition law safe harbour**

The Government should introduce a competition law safe harbour which would enable the publishers in the industry to

- Improve and sustain the supply chain and distribution issues, and address potential medium to long term problems.( The CMA guidance on its approach to business co-operation in response to covid-19 crisis cannot provide this legal safeguard).
- Facilitate newspaper transfers and mergers that would help sustain local and regional news titles through rationalisation of media ownership, instead of the current ad hoc patchwork, irrelevant to plurality, dictated by historic media ownership controls intended for a very different media landscape.
- Jointly consider, negotiate and make industry representations on the terms of statutory codes and to negotiate appropriate business terms, copyright or other fees and financial recompense with the tech companies and online platforms which exploit publishers' content, without appropriate financial recompense to publishers. ( See also the move to mandatory codes by Australia.

- **Legislate to introduce a UK Publisher's Right for UK publishers**

The Government must implement into UK law as soon as possible a UK version of the 'publisher's right'- negotiated with the support of the UK government prior to Brexit. This is a type of copyright already enjoyed by the UK broadcast and film media. The publisher's right must be framed in UK law and brought into effect as soon as possible in such a way that it will ensure that the tech companies and online platforms are required to make full and proper financial recompense to news publishers for their exploitation of publishers' online content, for which they currently make no payment. Relaxation of competition law by a safe harbour arrangement as suggested above would then enable the news publishing industry to consider the operation, application and fee framework without fearing that they will fall foul of competition law. This would ensure fair conditions for consultation with Government,



construction of the statutory regime and ultimately fair conditions for any individual negotiations with the tech giants which can otherwise exploit their size and dominance against any individual publisher or the industry.

- **Tax Credits**

**News publishers' scheme:** Creative Industry tax reliefs, amounted to £1.1 Billion pounds in 2018/2019 , including support for local orchestras, theatre, art galleries, video games, children's tv, high end tv, animation and film. This form of relief could be adapted and extended to the news sector in a way which would make a material difference. The schemes could apply to news organisations which employ journalists. This could provide an increased tax free allowable expenditure, spending on core activities, such as investigative journalism, editorial and publishing costs, would qualify, and companies could claim a cash rebate on a proportion of those costs. Or a tax credit model could be introduced where news outlets would both be entitled to the reduction in liability and also be entitled to surrender losses for a payable tax credit where additional deduction results in a loss.

**Advertisers in news publications scheme:** In addition to- but not as a alternative to -the above proposals- tax credits for advertisers in the news media, national, regional and local, in print or online, could also benefit advertisers such as SMEs and smaller publishers.

- **Government review of public sector advertising and maintenance of statutory public notices and mandatory publication in newspapers and**

As set out above, the NMA maintains its call for the Government, one of the UK's largest advertisers to conduct a centralised review of government and public sector advertising and marketing spend and practices, with a thorough re-evaluation of the value, reach, effectiveness and accountability of news media brands, and the public's growing trust in them versus social media platforms.

In addition, statutory requirements for publication of public notices in newspapers must be maintained and new legislation continue to require newspaper publication to ensure that the information is properly brought to the attention of

- **Exemption and exclusion from remit from online harms regime and regulator**

The Government must implement in statute its clear and unequivocal assurances that all news publishers journalistic content, wherever it appears, on newspapers' own websites or third party platforms, should not fall within the scope of the new Online Harms regime, confining it to its proper target of the tech giants and harms propagated by the tech giants.

Under the criminal and civil law, publishers already bear legal responsibility and liability for editorial and advertising content. In addition, news publishers already have well-established systems in place governing user-generated content, backed up by transparent industry-wide standards and enforced by an industry-wide regulator, IPSO, which has been commended by Government. (IPSO also offers an arbitration service, at a low cost for claimants (£50-£100). Publishers are also longstanding members of the non- broadcast Committee of Advertising Practice/ Advertising Standards Authority system of advertising regulation upheld by the Advertising Standards Authority, The new Online Harms regime must ensure that news publishers do fall into the remit of the new online harms statutory regulator.

- **Information Commissioner's Office**

Greater transparency is clearly needed to understand how the major online platforms control the ecosystem in relation to collecting, aggregating and selling personal data gathered from news publishers and others to drive the platforms' revenues.

However, it is vital that the ICO, in drafting and implementing its statutory codes on Age Appropriate Design, Direct Marketing or Data Protection and Journalism, is sensitive to freedom of expression rights and avoids any unintended impact on the advertising which funds independent journalism. The ICO should not seek to extend its remit through its drawing up and exploitation of statutory codes. It should apply exemptions for news publishers in recognition of freedom of expression rights, publishers' existing responsibilities and duties undertaken through adherence to industry regulatory systems, codes upheld by long established regulators of advertising, marketing and editorial content, in addition to their observance and liability under the general operation of the civil and criminal law. On the ICO's data protection and journalism code, the NMA has stressed the need for the code to fully reflect the freedom of expression and journalistic exemptions and protections provided by Article 10 freedom of expression rights and mandated by the GDPR and recognised by the Data Protection Act 2018. The NMA continues to strongly oppose any extension of the ICO's remit into the area of media regulation.

- **Repeal of Section 40 Crime and Courts Act 2013**

The Conservative Manifesto included a commitment to repeal Section 40 of the Crime and Courts Act 2013 which would, if commenced, force media organisations to become members of a flawed regulatory system or risk having to pay the legal costs of both sides in libel and privacy cases, even if they win. It is important that a suitable legislative vehicle is found as soon as possible given that this pernicious law has been hanging over the industry since 2013.

- **Introduction of media freedom audit of all proposed primary and secondary legislation including statutory codes to prevent inroads into press freedom, freedom of expression, freedom of information and open justice**

The NMA has also called for a media freedom audit on all proposed primary and secondary legislation, including codes proposed by statutory regulators such as the ICO and legislation such as Online Harms, to prevent unwarranted restrictions on press freedom and ensure that media companies regulated by IPSO and the ASA do not face double jeopardy by also being regulated by proposals aimed at the unregulated tech platforms.

The NMA supports the continuation of the FCO's global media freedom initiative- the covid 19 crisis has enabled the intensification of repression of media freedoms.

- **Public Service Broadcasting review and BBC Mid Charter Review**

The Government must ensure that fair competition is introduced and maintained between the independent news media and the publicly funded broadcasters and licence fee funded BBC. The broadcasters and BBC should not be enabled or encouraged to expand into local, regional and national new provision to the detrimental of the existing news publishers. As independent local and regional publishers seek to recover, diversify and continue to develop their digital news services and advertising

services for the benefit of their local businesses and their local communities as a whole, they should not be forced into a new battle for survival with publicly subsidised broadcasters for advertising and audience.

#### **4. What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?**

The industry acted quickly to identify common priorities, address common problems, co-operate within the law on operating priorities and provide information to DCMS and Government on the potential immediate, medium and longer term solutions.

Prior to Covid- 19, the industry had called upon the Government and independent regulators to regulate the tech companies, rebalance competition law, improve copyright law, introduce VAT zero rating and to provide what the local publishers perceived to be no more than bridging help as they transitioned to digital.

The Covid- 19 impact has again demonstrated the necessity for urgent, constructive action by Government and regulators in support of sustainable independent journalism, rather than further delay.

#### **5. How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?**

The Covid-19 crisis has underlined the importance of the independent news sector and the public demand for verified, accurate information from trusted sources. The local, regional and national news publishers are determined to maintain the lively, strong, independent journalism. The DCMS and other Government Departments including the Treasury and independent regulators must now act to implement the measures necessary. The NMA has been involved in detailed discussions on these measures and urges the Government to act.

News Media Association 28 April 2020