

Written Evidence Submitted by the Professional Publishers Association (PPA)

PPA Submission to the House of Commons Digital, Culture, Media and Sport Committee

Call for Evidence – Impact of COVID-19 on DCMS Sectors

June 19 2020

About Us

The Professional Publishers Association (PPA) is the membership network for UK consumer magazine media and business information publishers, representing around 200 of the UK's most renowned publishing houses. With more than 40 million adults in the UK reading magazine media every month, the sector is worth £4 billion to the UK economy, employing more than 100,000 people.

The PPA's membership incorporates the UK's largest publishing houses, including Bauer Media Group, Centaur, Condé Nast, Dennis Publishing, The Economist, Haymarket Media Group, Hearst UK, Immediate Media, TI Media, and William Reed Business Media as well as many smaller independent publishers. A full list of members can be found here: www.ppa.co.uk/Resources/Members

Executive Summary

PPA welcomes the opportunity to submit evidence to the Select Committee on Digital, Culture, Media and Sport, following its decision to investigate the immediate and long-term impact that Covid-19 and the related social and financial measures are having on the creative sector. This is an important piece of work, given the effect the current coronavirus (COVID-19) pandemic is having on the publishing industry.

While the full impact of the COVID-19 crisis on the UK economy remains unknown, it is clear that the economic fallout will be like no other recession that has come before. Magazine publishers need to not only navigate their way through the pandemic, but also the long-term economic repercussions of how the current crisis will impact the media landscape.

Like many other businesses, our industry has seen revenues plummet as a result of COVID-19. However, unlike many we continue to operate and publish, providing readers with news, insight and entertainment. While we continue to operate, both newsstand and advertising revenues have collapsed. At the same time, the demand for quality news and information is growing – particularly in digital environments – with people hungry for the trusted sources of information and entertainment our members publish.

Despite growing audience reach, publishers struggle to monetise digital content and continue to face a variety of pressures, including the escalation of fake news, the erosion of reporting rights and the financial impact of monopolistic competition from global digital giants. Furthermore, the necessary measures to slow the spread of COVID-19 have further exacerbated these challenges to publishers' revenue streams, contributing to the cancellation or postponement of events and exhibitions, delays to product launches and the suspension of titles.

PPA members play a valuable role within society and the economy, not least in these times to keep the public informed, educated and importantly entertained; as well as providing essential business information in the B2B sector to keep the economic wheels greased and turning. It is therefore vital that the industry survives this crisis and emerges on the other side as strong, viable businesses.

The current circumstances present a direct threat to journalistic endeavour and output in the UK. A healthy, free press – where high-quality journalism holds powerful people and institutions to account – relies on publishers operating in a commercially viable environment. High quality journalism is not the exclusive preserves of news brands, and magazine journalism is critical to the functions of civic society.

We have responded to the Committee’s specific questions below, and would be happy to provide further evidence on request.

Consultation Questions

Q1: What has been the immediate impact of COVID-19 on the sector?

A recent survey of PPA members revealed that 79% of publishers are “extremely concerned” about the financial impact of COVID-19 on their organisation, with the rest being “moderately” or “somewhat concerned”. The picture is volatile and very mixed across different brands, with the crisis exacerbating ongoing challenges facing journalism at this time, notably the proliferation of fake news undermining public trust, combined with the economic challenges of digital transition (discussed extensively in the recent Cairncross Review).

Publishers face unique challenges. Until the recent easing of lockdown restrictions, over 5,500 retail outlets that would normally sell magazine were closed (mainly independent and travel outlets) and consumer shopping habits throughout lockdown have changed as a result of social distancing reducing browsing time in store. The net impact has seen a near 35% decline in newsstand sales since the start of this crisis. That equates to around £6m a week of lost revenue.

Additionally, as publishers have diversified revenues over years to build up strong published media brands, we have seen a widespread impact across revenue streams with the cancellation or postponement of events and exhibitions, delays to product launches and suspension of titles. The survey results suggest that 62% of PPA members have postponed events, 59% have paused or suspended publications, and 15% closed titles. There is a real threat to the continued existence of many much loved and trusted brands.

Advertising revenue has taken the biggest hit as companies rush to cut expenditure to protect their cash positions, deferring or cancelling advertising campaigns that would run in magazines. Consequently, COVID-19 is taking more than £8m a week out of the industry in lost advertising revenue and we anticipate potentially £250m in advertising revenue loss this year, even with some recovery in Q3/4, which remains uncertain at this time. Publishers are also having to deal with advertisers blocking their campaigns from appearing against COVID-19 related content.

Publishers depend on a broad revenue mix to remain viable, and while there has been small growth in subscriptions and paid digital content, events revenue has depleted. In the events industry, with continued uncertainty around the easing of lockdown restrictions and an inability to plan ahead for events even in Q4 or Q1 2021, there will be a significant lag in the recovery of the sector.

Cash flow is an immediate concern for publishers. Businesses cutting their staff costs and overheads has increased week on week. 79% of members surveyed have furloughed staff, meanwhile 50% have asked staff to take temporary pay cuts and reduced hours. The government’s interventions have been a life saver for many, especially the CJRS, however the prolonged impact of COVID-19 is already

leading to structural changes in the sector with significant potential redundancies without further action and support.

For many B2B publications, their fortunes are intrinsically linked to the industry they serve. Travel and hospitality are prime examples where publishers have suffered as a result of sectoral restrictions.

While there is some resilience in subscriptions and digital traffic, the picture is volatile and very mixed across brands. In no way is any uplift in digital traffic or newsstand compensating for the loss of advertising and newsstand revenue. As publishers reach larger audiences in digital marketplaces, a decline in the advertising market has seen revenues fall despite audience growth. Meanwhile, publishers are having to be creative and 62% of surveyed members noted they had launched new digital events to put in place, these do not dent the revenue lost from holding large scale events and exhibitions, dependent on large volumes of paying delegates and sponsorship.

Q2: How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

We are grateful for the various opportunities made available to us to engage with the Minister for Digital and Culture Caroline Dinenage MP, and Minister for Media and Data, the Rt Hon John Whittingdale OBE MP. In addition, we have spoken regularly with HMT, BEIS and DCMS officials about the impact and needs of the sector.

Overall, the Government's measures to reduce the spread of COVID-19 and schemes to mitigate the economic impact for businesses across the UK have had a significant impact. Our members have accessed all of the main COVID-19 financial schemes, and survey results indicate that 68% of participants were "somewhat satisfied" with the measures government has taken to support businesses in crisis, and 24% were "extremely satisfied". We particularly welcome the decision to bring forward VAT zero-rating for digital publications to May 1 and the extension of the Coronavirus Job Retention Scheme (CJRS) until October 1, along with the flexible furlough.

Q3: What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

The long-term impact is unpredictable, and will depend on consumer behaviour change and the extent of government action. There is a very real threat to hundreds of much loved and trusted magazine media brands, with the associated impact on economic activity and jobs.

The outbreak has disrupted typical consumer behaviour and has the potential to become normalised. Consumers have changed their normal purchasing habits and are now becoming increasingly reliant on digital channels. However, publishers are challenged in terms of monetising these revenue streams. Without significant intervention, many publishers will be forced to make difficult decisions, putting tens of thousands of jobs at risk and permanently undermining media plurality in this country.

More support should be made available to magazine publishers, chiefly through the extension of business rate relief to incorporate publishers. As magazine publishers continue to heed government advice regarding working from home, the ongoing expense of empty office space is a significant cost, especially when revenues are under severe pressure.

Newspaper publishers continue to benefit from more schemes than our members, despite both playing a critical role and making a vital economic and cultural contribution to the UK. The current three-month advertising partnership between government and the newspaper industry should be extended and broadened to include magazine publishers, who are exceptionally well placed to support the government communication and public health message, with both consumers and businesses; in turn building confidence and helping level up the economy in recovery.

A new tax credit to encourage advertising spend would also help promote advertisers back to magazine media brands and would help with cashflow and advertising revenues.

The government should also keep the CJRS under review beyond October and consider a sector specific approach to its withdrawal, acknowledging the economic lag in some sectors, including publishing and events.

Q4: What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

Since the country went into lockdown in March 2020, government departments have been incredibly responsive and have gone out of their way to communicate with businesses.

Q5: How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

This crisis may accelerate some structural changes in the market, especially in digital subscriptions and revenue opportunities. The Treasury announcement to zero-rate VAT on digital publications from May 1 will enable publishers to maximise the digital opportunities provided through the coronavirus pandemic and help the survival of many publications.

As a result of this crisis, we could start to see flexible working arrangements become normalised, and more meetings taking place over video conference than prior to the crisis. This will have implications for the amount office space required by publishers of all sizes across the industry, as many look to reduce overhead costs and desk space. Government should accelerate the planned review of Business Rates and look to reduce fixed property costs to avoid the hollowing out of commercial districts.

To help publishers develop greater resilience and innovate against future economic shocks, government should commit time and resources to developing a strategy to improve the relationship between publishers and online platforms. Publishers continue to raise concerns about the lack of competition in the digital advertising supply chain and how the duopolistic market positions of Google and Facebook provide little transparency for publishers to ascertain fair value in the supply chain.

France has taken the lead in applying the press publishers' right from the EU Copyright Directive. Australia has announced new regulation to ensure fair remuneration from platforms to publishers. The UK government supported the Publishers Right and the Copyright Directive and should adopt these in UK law.

The transposition of Article 15 into national law would help rebalance the economic relationship between publishers and digital platforms in the UK, as it has done in France. Last month, the French Competition Authority issued the first provisional decision in favour of press publishers and ordered Google to respect the press publishers' right. The decision recognises that Google may have abused

its dominant position by imposing unfair conditions resulting in serious and immediate damages for publishers.

Meanwhile, the Australian government has decided to take steps to ensure publishing businesses remain viable, instructing the competition watchdog Australian Competition and Consumer Commission (ACCC) to develop a mandatory code of conduct for Facebook and Google.

We hope the Government and CMA will intervene and break the market control exerted by Google and Facebook to the detriment of publishers who provide the content which is so widely shared on, and enriches, their platforms. Action is needed now to safeguard conditions for the sustainability of high-quality journalism; the bedrock of democracy and free press.

Conclusion

Published media in the UK is facing an existential crisis, with COVID-19 and other economic challenges to the industry having long-lasting effects on the ability of publishing businesses to remain economically viable. More needs to be done to enhance the long-term sustainability of the UK press industry, failure to do so will lead to more brand closures and further reductions to the industry's ability to perform its vital role for the economy and society.

Thank you for the opportunity to reply to this call for evidence. We are happy to answer any follow up consultation or supply further evidence or case studies as required.