

Written evidence submitted by DMG Media

DMG Media submission on the impact of Covid 19 on the media and journalism

1. DMG Media is the publisher of the Daily Mail, Mail on Sunday, MailOnline, Metro, Metro.co.uk, the i, and inews.
2. There can be no doubt that Covid 19 has had the most profound effect on the media business, not only in the short term, but in the medium and long term, where the timeframe within which the industry has to manage the transfer from print to digital will be dramatically shortened. Taking in turn the questions asked by the Committee:

What has been the immediate impact of Covid-19 on the sector?

3. The most obvious impact - to our journalists but, we are glad to say, not to our readers - is that in the space of two weeks, from a standing start, we went over entirely to remote working. From March 24 onwards all our five newsrooms, normally home to around 1000 journalists, were completely empty. Everyone worked from home but, thanks to the energy and ingenuity of our IT department, the newspapers still rolled off the presses and our websites were still updated minute by minute as the Covid crisis unfolded.
4. The commercial impact has been equally dramatic. April 2020, the first full month of Covid, saw overall revenue drop by 33pc year-on-year, advertising 46pc and circulation 17pc. Print advertising revenue was hit much harder than digital – 69pc down against 16pc. The position is now improving, but slowly: in June DMG Media is forecast to make a small profit. However print advertising is still down 54pc and digital 17pc.

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

5. One of the brighter aspects of the Covid crisis has been the readiness and openness with which the DCMS has responded to the industry's needs. There have been regular zoom meetings – at the peak two or three times a week - between ministers,

civil servants, and all sectors of the industry. The help provided by the DCMA has included:

- Securing £35m Cabinet Office funding for the government's 'All in, all together' Covid public health ad campaign. Not only did this prove a very effective way of getting the Government's message to the public, it provided a lifeline at a time when other advertisers were suspending all advertising.
 - Advancing the introduction of zero rate VAT for digital publications. DMG's Mail Plus, which is the digital edition of the Daily Mail and Mail on Sunday (as opposed to MailOnline, which is an independent constantly updated rolling news website) has been one of the success stories of the crisis, doubling its subscription base.
 - Action to ensure journalists and news industry ancillary workers were given essential worker status
 - Action to discourage local authorities from preventing young people from working on newspaper home delivery
 - Intervening in a bid to prevent advertisers and their intermediaries blocking ads appearing against Covid-related content. Ministers hosted a number of very useful meetings between publishers, content verification providers and Google, which highlighted the problems publishers often have monetising content on serious issues such as Covid. A number of initiatives were launched, and there has been a marked drop in blocking around Covid content, although there is of course also less Covid content overall.
6. The Information Commissioner's Office eased the pace of the aggressive work it had been doing on cookie consent forms. In its most rigorous form this would mean that news websites would have to operate with no cookies as their default offering. Given that cookies are essential to serving personalised ads, and that personalised ads are the only way digital news operations can make an economic return, this has the potential to be extremely damaging to the industry.
7. The problem with the ICO in the past is that its prime function is to defend data privacy, on which it tends to focus at the expense of all other concerns, including freedom of expression and economic viability. It was very helpful that on this occasion the ICO recognised the potential consequences of the measures it was considering and suspended its work. We hope it takes this opportunity to reassess its priorities.

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

8. There can be no doubt that Covid has hit newspapers harder than digital news sites. Circulation lost to newspapers tends not to return, and with fewer eye-balls advertising revenue diminishes as well. So the move to digital is bound to accelerate.

9. However the digital ad market remains opaque, inefficient and dominated by two giant American-owned platforms which have unfettered power to dictate the terms on which publishers do business with them.
10. In the early weeks of lockdown the advertisers' trade body ISBA published a major piece of research into the digital advertising supply chain¹. It found that on average only 51p in every £1 spent by an advertiser on digital advertising actually reached the publisher. The rest was absorbed by the intermediaries facilitating the digital advertising supply chain, a process so opaque that 15p in the advertiser's £1 could not be accounted for at all. In contrast, in print advertising 83p of every advertiser's £1 flows to the publisher.
11. ISBA also found that over the three months of the research period the 15 major advertisers they studied each served ads to an average of 40,500 websites. These can not possibly all have been responsible sites carrying accurate content produced by reputable publishers.
12. There are similar problems with search, where Google surfaces content to the public according to secret algorithms, which can be and are changed at whim without any redress for publishers. This happened to DMG Media in June 2019, when a core algorithm change by Google caused MailOnline's search visibility to crash by 50pc overnight, while all its major rivals saw theirs improve. DMG Media made representations to Google at the highest level and, although no explanation or redress was offered, search visibility was restored three months later.
13. DMG Media is fortunate in that it is a major publisher and MailOnline is one of the biggest news websites in the USA as well as Britain. Other publishers are not necessarily in that position – it is impossible to plan and invest in a website when traffic can be switched off at the whim of a business partner.
14. The Government has recognised these problems with two very helpful reviews: Cairncross and Furman. Both recommended codes of conduct to deal with the problems of opacity and market dominance in the digital ad industry. Subsequently the Competition and Markets Authority has undertaken a major market study into how the industry works, and how it could be improved to make it fairer and more competitive. The CMA's Interim Report was a most impressive piece of work. Its Final Report is due to be published very shortly. DMG Media hopes that in addition to recommending codes of conduct, it launches a Market Investigation into Google's dominance of the industry, with a view to breaking up the vertically-integrated businesses it controls.

¹ <https://www.isba.org.uk/media/2424/executive-summary-programmatic-supply-chain-transparency-study.pdf>

15. Drawing up and operating codes of conduct for the digital ad industry will be a major task for the CMA and the DCMS. Enormous care will have to be taken to ensure the codes achieve their intended purpose and are not gamed by the platforms. A prime example of regulation having unintended consequences is GDPR, which was intended to protect users' privacy but had the effect reinforcing Google and Facebook's monopoly control of user data.
16. Competition authorities in many major jurisdictions are taking similar action to the CMA in regard to competition and transparency in the digital ad industry. As a major player in the Australian and US news markets, we have supplied evidence to the Australian Consumer and Competition Commission (ACCC), and the parallel investigations in the US by the Department of Justice and the States Attorneys-General. The EU has recently announced it too is launching investigation, with which we will engage. Much of the early groundwork in this area was done by the ACCC, while on digital advertising the CMA has more recently led the way. Its Final Report may well provide a model for others, but it is equally important that the DCMS remains in regular touch with the progress being made elsewhere.
17. We are aware that the next major challenge facing the government will be restarting the economy. Advertising will be central to this, and we understand the DCMS and Treasury are looking at the possibility of a tax credit scheme for advertisers, as proposed by the Advertising Association. We fully support this as a very effective way of fuelling business momentum. It is important, though that any scheme is constructed in a way that ensures significant spend goes to news publishers and broadcasters, which use it to fund socially valuable news services, rather than flowing straight to already hugely profitable platforms.
18. The reduction in newspaper sales and closure of some retail outlets caused by Covid has placed considerable strain on the newspaper distribution chain. This may mean rationalisation at some point in the future, and we have asked the DCMS to look at safe harbour arrangements so the industry can collaborate in achieving this effectively without being in breach of competition law.

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

19. We have already welcomed the openness with which the DCMS has worked with the news media industry, and the speed with which it has responded to requests for help. We very much hope this can be continued.

20. There can be no doubt that one of the major successes of this unhappy period has been the response of Britain's digital industries. Our company was by no means the only one to switch almost overnight to remote working. Thousands of others also did so, without the broadband network collapsing. Shops have had to close, but online businesses have almost seamlessly met the challenge of keeping the public supplied with the goods they need.
21. We hope one of the lessons learned will be that a modern economy cannot thrive without fluid and efficient digital services. It is true there are serious competition problems caused by lack of transparency and network effect creating monopoly control of some services. The CMA is addressing those, but as it noted in its Interim Report, there are tensions between competition and privacy issues.
22. In our view it is unfortunate that until now digital regulation has been left largely to the ICO, which is focused almost entirely on privacy. This has led, in addition to worrying cookie consent proposals, to the ICO's Age Appropriate Design Code. Drawn up with the original and laudable intention of protecting children from child sexual abuse and exposure to addictive content, it was eventually framed so broadly that we would have had to require all users to prove their age before accessing our websites. What harm children might encounter from reading news was never explained.
23. We are grateful to the ICO for listening to our concerns, and the final version of the Code includes FAQs which make it clear that users will not have to prove their age before accessing news. We also welcome the fact that the DCMS has asked the ICO to carry out an economic assessment of its Code. However this should have been done before it was drawn up, not as an afterthought. Data is the currency of the internet, and measures to prevent it being shared on privacy grounds must be balanced against the benefits sharing brings in funding public services such as the provision of news.

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

24. Whilst DMG Media believes there will always be a place for print newspapers, and continues to invest in our four titles, the future is unquestionably digital and the DCMS will play an important role in shaping it. Two immediate issues concern us, one an opportunity, the other a danger.
25. One of the problems with sustaining a viable digital news industry has been the lack of an alternative source of revenue to advertising. European legislators have spent

many years trying to address this problem through copyright law, and in 2019 passed the European Copyright Directive.

26. However the platforms have so far managed to thwart every attempt to convert copyright into revenue. Attempts to do this via existing national law in Germany have been mired in the courts, and in Spain Google responded by simply delisting news publishers which did not grant it a free licence. France moved very quickly to incorporate the Copyright Directive into national law, but again it has yet to yield any results.
27. However, little noticed here due to Covid, there have been very interesting developments in Australia. The ACCC has published a concepts paper outlining proposals for mandatory codes of conduct, which for the first time would force platforms to pay for content.
28. The essential difference between the Australian and European approaches is the ACCC scheme does not rely on copyright, but on regulatory action under competition law to remedy imbalances in negotiating power. Its key features, if implemented in its strongest form, would be:
 - A requirement that platforms enter into negotiations with publishers to determine terms of payment for content. These negotiations could be collaborative or bilateral, or a combination of both.
 - Time limits to ensure negotiations are not stalled
 - Disclosure to ensure the platforms reveal the information necessary to value news content
 - A mechanism (mediation or - preferably - binding arbitration) to impose terms if they cannot be agreed in negotiation.
 - Penalties if agreements are not honoured.
29. The value of Australian news content to the platforms has yet to be determined. Peter Costello, chair of Nine News, one of the two major incumbent news organisations in Australia, and a former Federal Treasurer himself, is suggesting 10pc of advertising revenue. Google and Facebook earned A\$6bn between them in 2018, which on those terms would yield \$600m for the news industry.
30. Unsurprisingly Facebook have already said news has no value to them, and they would be ready to remove it from their newsfeed. However, if that happens, we understand the ACCC will consider using legislation which obliges operators of mineral concessions to enter into contracts with Australian suppliers.
31. If adopted, the Australian scheme would be simple, would not involve the complex collection mechanisms required for copyright schemes, and would provide a reliable source of revenue to help maintain a healthy news industry. The ACCC will be

publishing concrete proposals by the end of July and we hope the DCMS will be watching developments closely.

32. The most imminent threat to news publishers post-Covid is online harms legislation. The government intends to publish proposals in the autumn, and again no one would argue with the fundamental aim, which is to remove content enabling child sexual exploitation and recruitment of terrorists from the internet.
33. However, we believe the scope of online harms as so far outlined is far too wide and the enforcement mechanism badly flawed. In particular, in addition to criminal activities (which in truth should be dealt with under the criminal law) it covers online abuse of public figures and disinformation. These are areas where objective judgments will be very hard to make. When does robust criticism of a public figure become abuse? Why should public figures have protection not available to private citizens?
34. It is the same with disinformation. Who is to rule what is the truth about climate change, or the source of Covid 19? Popular journalism is sometimes derided for misrepresenting science, but scientists themselves often cannot agree. At the height of the Covid crisis the Lancet published a major report saying hydroxychloroquine and chloroquine, the anti-malaria drugs taken by Donald Trump to prevent Covid, were dangerous to patients. Days later the report had to be withdrawn because the data on which it was based could not be verified². If only established orthodoxies were allowed a voice, Galileo would never have been published and Wikipedia would still be confidently telling us the Earth is flat.
35. These concerns are greatly amplified by the means the White Paper proposes for policing the internet. A regulator will draw up the rules but they will be executed by Google and Facebook under threat of draconian fines and, possibly, personal criminal liability for senior executives. The platforms are not remotely equipped for this role. They are not fact-checking organisations (nor should they be) and will never be able to recruit enough staff qualified to take on that role. Instead they will have to rely on algorithms, which will operate by blocking key-words. An algorithm would struggle to differentiate between a quack website extolling the virtues of hydroxychloroquine and an intelligent news website article discussing its merits and demerits. It will just block both, to avoid risk.
36. This already happens. Very recently the Guardian reported how Facebook blocked and banned users for sharing a Guardian article which included a 19th century picture of aboriginal men in chains. The picture had actually been published to disprove a comment by the Australian Prime Minister that there had never been any slavery in

² <https://www.nytimes.com/2020/06/04/health/coronavirus-hydroxychloroquine.html>

Australia³. Facebook's algorithms only saw that the men were naked apart from loincloths, and blocked it for offending the platform's nudity rules.

37. If enacted as set out in the online harms white paper these measures pose a very serious threat to freedom of expression. We have been told by successive Culture Secretaries that there will be safeguards for news publishers. No detail has been given of what these safeguards might be. We believe the Government needs to go much further than that and guarantee that all news publications will be exempt from online harms regulation. Not only that, news publishers' content also needs to be exempt when it is distributed by third parties such as Google and Facebook.

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June 2020

³ <https://www.theguardian.com/technology/2020/jun/15/facebook-blocks-bans-users-sharing-guardian-article-showing-aboriginal-men-in-chains>