



Submission of evidence to the Cairncross Review

Executive Summary

- The Cairncross Inquiry must focus on developing recommendations aimed not at protecting legacy brands or titles but at nurturing particular journalistic practices, especially those most likely to counter sources of propaganda, disinformation and disengagement.
- Local news has an especially important role to play in serving communities that have been disenfranchised. Concentration, closures and job losses demonstrate the need for remedial action to protect local news and to secure it as a public good.
- Digital transformations present opportunities to reinvigorate local journalism but they are not a magic bullet. The Inquiry needs to learn lessons from initiatives and experiments – from the use of charitable status to membership organisations and from the provision of tax relief to the distribution of subsidies such as New Jersey’s Civic Information Consortium – designed to provide a secure funding base for local news.
- This is all the more essential if new ventures are to avoid the risks posed by the emergence of branded content and ‘native advertising’ as a replacement for traditional advertising revenue. The Inquiry needs to find mechanisms to ensure that local media are insulated from the types of programmatic, behavioural and contextual advertising that generate clickbait and disinformation and that have led to falling levels of trust in social media.
- Digital intermediaries have failed to provide a secure environment for high-quality news and are not re-investing their advertising revenue back into original news content creation. News organisations are, in turn, increasingly forced to sensationalise their material in order to attract the eyeballs and attention that is endemic in a clickbait environment.
- We propose the setting up of a networked local news wire service, composed of a series of small ‘hubs’, that would resource existing local news providers on the one hand, whilst also offering a significant boost to plurality at the level of wholesale newsgathering. This would create a new infrastructure for local news provision and lead to the creation of approximately 1600 jobs.
- This wire service should be funded by a small levy on digital advertising revenues earned by the largest companies or through the receipts from the next auction of spectrum previously occupied by Digital Terrestrial Television.

Call for Evidence

1. **The review’s objective is to establish how far and by what means we can secure a sustainable future for high-quality journalism, particularly for news. Looking ahead to 2028, how will we know if we have been successful, in relation to:**
 - a) publishers
 - b) consumers

We welcome the opportunity to respond to this timely and important review. Since 2011, the Media Reform Coalition has been at the forefront of the media reform movement, producing evidence and giving oral testimony to a broad range of public inquiries into the media. Our particular concerns relate to the sustainability of media pluralism and as such, the notion of quality journalism is central to much of our research and analysis.

However, high quality journalism is a contentious and contested term. In the terms of reference for this review, it is not elaborated but closely associated with the press industry, referring to both publishers who are “members of press self-regulators (i.e. IPSO/IMPRESS)” as well as “those who have their own internal standards code and means of readers making complaints.” Clearly the press industry, as defined, can play an integral role in nourishing public debate, promoting an informed citizenry, and holding power to account. It is for these reasons that the press has historically been looked to as the ‘fourth estate’ and as guardians of democracy, and that a diverse media ecology and plurality of ownership is seen as integral to a healthy functioning democracy.

But it is equally clear that the press are also capable of undermining public debate, misinforming citizens, and failing to hold power to account. The webs of institutional corruption exposed by the Leveson Inquiry in 2012 extended far beyond the newspaper at the centre of the phone hacking scandal, and serve as a compelling reminder that systems of self-regulation – especially when they do not adhere to essential criteria of independence and effectiveness as set out in the Leveson recommendations – offer no guarantee of high quality journalism in any sense.

We therefore consider it essential that this inquiry takes a broad view of what constitutes high quality journalism and recognises the obvious differences in equally valid perspectives: a consumer who gets their news predominantly from the *Daily Mail* will likely have a very different, and no less legitimate idea of what quality journalism means compared to avid readers of the *Canary*, or those who rely on the BBC for news.

If high quality journalism is implicitly or notionally associated with a particular sector or platform, or particular titles or brands, then there is a substantial risk that the work of the Inquiry will not be perceived as credible by key stakeholders and large sections of the news audience.

The terms of reference do, however, draw attention to practices and phenomena that can reliably be considered the antithesis of high quality journalism, namely ‘clickbait’ and fake news. This is useful to the extent that it helps us conceive of high quality journalism by understanding what it is *not*, and therefore allows the Inquiry to adopt a brand and platform-neutral approach and to start from the premise that sensational and/or trivial news – as well as

disinformation – can and does emanate from both ‘mainstream’ and ‘alternative’ sources; social and ‘legacy’ media; in broadcasting, print and online.

From this starting point, it is then possible to identify certain *types* of journalism that most closely reflect its social and democratic purpose, and which are facing the most intense sustainability pressures in the new information environment. Local and investigative reporting in particular, have always been foundational, in this sense, to journalism in the public interest. But they are also the most risky and least profitable forms of journalism and, for decades now, have faced the thinnest end of cost-cutting regimes in news institutions across platforms.

It follows that any effective subsidy must be targeted: not at particular ‘industries’ or brands, but particular journalistic practices; and those that are most likely to counter sources of propaganda, disinformation and disengagement, as well as trivial and sensationalist news wherever it surfaces. At the same time, any system of subsidy must be designed in such a way as to minimise incentives for further cost-cutting, which could result in negligible or no net benefit.

We believe it is possible to design such a remedy that can support local and investigative news through a range of vehicles and on a range of platforms, as elaborated in section 6 below.

When it comes to consumers, the issue of sustaining high quality journalism is critical. We are currently seeing a decline in journalism’s authority and legitimacy. This decline of trust in journalism is one of the biggest challenges facing journalism today.

The Edelman Trust Barometer surveys over 33,000 people in 28 countries across the globe. In 2018, when asked to indicate which institution they trusted to do what is right, ‘the media in general’ came out as the least trusted institution in 22 of the 28 countries. In the UK, taking all of the many surveys on trust together, Cathcart (2017) has shown how the general trend is that trust in national newspaper journalism in the UK is low in comparison to other media, to other countries and to other institutions. In 2017 the Edelman Trust Barometer said that trust in the media in the UK had plummeted to an all time low of 32% (the same as in the US) and it stayed the same in 2018 when only 23% of UK youth said they trusted the media. In 2018, in the wake of ‘fake news’, the UK media was quick to point out that trust in traditional media had risen and that traditional journalism was more trusted than social media platforms. But a closer look at this data shows that while the likes of the BBC are indeed more trusted, the red-top journalism of the UK tabloid press still languishes at the bottom. What is more, 63% of people globally said that the average person does not know how to tell rumour from falsehoods. The same survey also revealed that 33% of people are reading or listening to the news less and 19% are avoiding the news altogether because its too depressing (40%), too one-side or biased (33%) or controlled by hidden agendas (27%). 66% of people said that news organisations were more concerned with attracting a big audience than reporting.

Concentration of media ownership is likely to be related to this decrease in legitimacy that goes hand in hand with the general decrease in trust of elites (and particularly political elites). The UK has a supposedly competitive national newspaper market but just four companies control 90% of daily circulation (with only three companies controlling 83%) and help to set the agenda for the rest of the news media (Mediatique, 2018). Legacy press may have lost the

trust of the nation but they have not lost the ability to influence the public conversation and conduct of the rest of the media. Research on the agenda setting influence of right wing newspapers on broadcast news coverage of the 2015 General Election in the UK (Moore and Ramsey, 2016) and the coverage of the European Union Referendum points to the continuing ability of those voices to distort conversations about contemporary politics (Centre for Research in Communication and Culture, 2016).

This is complicated yet further with the likes of Google and Facebook. Ofcom show high levels of news consumption through third-party platforms. But before we conveniently point the finger at the new global giants on the block we should be aware that the 2017 *Digital News Report* from the Reuters Institute also states that “the vast majority of news people consume still comes from mainstream media and that most of the reasons for distrust also relate to mainstream media” (p. 19).

Rebuilding trust requires transparency and accountability with visible fairness (Schlosberg, 2013). Practices that have brought the profession into disrepute need to be defined as professionally and socially unacceptable and the press needs to recognise the need for independent regulation so that its practices can be open to challenge and subject to scrutiny. Independence means independence from government control but also securing the independence of news from commercial interests. While the majority of the news industry is regulated by IPSO, an organisation that is not independent of the industry and does not comply with the Leveson recommendations, it is unlikely to regain public legitimacy. Accountability also requires the identification of principles of good journalistic practice – principles that are themselves subject to regular external review. According to IPSO’s own data, it received 8,148 complaints in a single year relating to discrimination but only *one* of those was upheld. This is due to the nature of Clause 12 of the Editors Code that only allows complaints of discrimination to be upheld when they are made against individuals and not a group of people such as Muslims, LGBTQ+, migrants, refugees, women etc. In other words it “gives license to general discrimination by explicitly excluding it from its definition” (Moore and Ramsey, 2017).

Until journalists are willing to recognise that freedom of the press must be balanced by freedom of the public to assess and challenge the nature of that communication: freedom shared not power abused, trust in journalism is unlikely to be rebuilt. Until journalism is able to hold its own institutions of power to account; to expose its own malpractices, and is willing to challenge some of the most obvious abuses of media power, *distrust* in news journalism is likely to grow. Where concentration of media ownership makes politicians too willing to garner favour with news organisations we must legislate for more and better media plurality and oppose further media concentration – exactly how media concentration and its impact on plurality should be evaluated in a digital age should be under constant review by Ofcom and considered afresh by their plurality review in the Autumn.

- 2. Do you consider that the future of high-quality journalism in the UK is at risk - at national, regional and/or local levels?**
 - a) What are the main sources of evidence that support your view?**
 - b) What are the main sources of evidence which support an alternative perspective?**

Media institutions in the UK are facing multiple crises: of funding, trust, representation, accountability and legitimacy. Newspaper and magazine readership is in serious decline as large digital intermediaries gobble up the majority of advertising revenue. Local news is increasingly under threat. Research from 2017 showed that the majority of the UK population (57.9%) is not served by a local daily newspaper (MRC, 2017). The number of Local Authority Districts (LADs) in the UK with no daily local newspaper coverage is 273 out of 406 (45%) across the whole UK. Local daily papers are overwhelmingly located in major urban areas. Only 80 LADS are directly served by a daily newspaper with another 53 covered by local dailies in adjacent or nearby LADs. Between November 2015 and March 2017 five LADs suffered a loss of plurality through closures and were reduced to single-publisher monopolies, increasing the number of local monopolies to 170 out of 380 in England, Wales and Scotland. In combination with previous research, this identifies 1,103 local newspaper titles in the UK as of March 2017.

In addition to the net loss of titles, there were 30 separate instances of announced job cuts over the 17-month period involving the loss of 418 jobs. Newsquest, with 12 announcements affecting 139 jobs led the way, followed by Trinity Mirror (at least 102 jobs) and Johnston Press (100 jobs). As well as job cuts, reorganisations affected a further 83 jobs, and six newspaper office closures were recorded, with journalists in some instances being moved long distances away from the communities they serve. This research also points to deeper problems in the local newspaper industry with some local papers no longer providing content of relevance to the local communities or providing sufficient coverage of court and council proceedings along with an over-reliance on clickbait to attract audiences.

There were two principle causes of cuts: Firstly, profit-maximisation by local newspaper publishers seeking to deliver ‘shareholder value’ – this was evident in the coexistence of huge job losses at local titles with high corporate margins. Secondly, the collapse of newspaper profitability from the mid 2000s with the migration of advertising online. The loss of classified advertising was clearly the pivotal development for local newspapers, and there is no reason to think they will ever get this revenue source back. Classified advertisers have in effect gone from subsidising journalism to making Google and Facebook profitable.

These two causes need to be distinguished: the first shows that simply boosting the profitability of publicly traded commercial newspaper publishers may not lead to increased investment in journalism. The second, and in particular the story about the migration of advertising, underlines the rationality of a levy on these companies to fund journalism (see section 6 below).

Additionally, as noted above, we are seeing declines in the levels of trust in media, a phenomenon that is particularly acute for those on low incomes, BAME audiences and young people. This is perhaps unsurprising given how unrepresentative the cultural industries workforce is of the wider population, and the barriers to entry faced by those from minority ethnic and working-class backgrounds (Brook, O’Brien and Taylor, 2018). We believe that this has broad consequences given that social trust is foundational to the functioning of democracy. However, repairing the democratic deficits caused by an inadequate media environment, we would argue, requires not just rebuilding trust but also the creation of a healthy communications environment – one that is not just economically robust but innovative, diverse, independent of vested interests and sensitive to the changing political geography of the nation.

Alternative perspectives point to the rapid growth of digital media as offering a diverse abundance of news and a means of plugging the growing democratic deficits. There is no doubt that while print circulation of local news content has decreased dramatically, digital circulation has risen (MRC, 2017). But the growth of digital audiences has, so far, failed to compensate for the losses of print revenue. Nor is there evidence that the increased frequency of publication of online journalism represents an increase in journalistic capacity; rather, fewer journalists are having to fill more space, more quickly than ever before pointing to a shallower and faster journalism now commonly referred to as ‘churnalism’. Furthermore, the agreement between sections of the local newspaper industry and the BBC for the latter to provide 150 local news reporters did little to offset the more than 400 jobs that have been lost.

Others (Williams et al, 2014; Fenton, Witschge and Freedman, 2010) point to the steady growth of hyperlocal news outlets that have often sprung up to serve communities where the local newspaper has closed down. However, they are often very small, run on a shoe-string budget and reliant on volunteer labour and cannot provide the independent, daily, critical local journalism that so many communities have lost

The levels of concentration together with the closures and job cuts identified in these reports demonstrate that we need remedial action to protect local news. Here, it is important that we consider local journalism – and by extension, news more generally - as a public good and therefore treat it accordingly when it comes to public policy. This means recognising that the market cannot provide what society needs in sufficient quality or quantity. What is required, we argue, is a set of local news policy interventions that can stimulate independent, pluralistic, local news.

To be clear, such interventions should not only be aimed at the printed newspaper industry, but should recognise the period of huge digital transformation we are witnessing. As a 2014 Media Standards Trust report argued: “during this period the opportunities for innovation and experimentation are considerable. There is significant grassroots innovation, but much of it is nascent and needs to be incentivised” (Moore, 2014: 41). We support calls for a contestable fund, paid for by a levy on the largest digital intermediaries, for local news and local news journalists that work directly with and for local communities and are situated in their midst (see section 6).

In line with the thinking of the Independent Inquiry into the Future of Civil Society (Civil Society Futures, 2018) we believe that local papers should be treated as community assets and whenever a paper is up for closure, irrespective of (perceived) profitability, it should first be offered to local journalists themselves and welcome alternative models of media ownership such as local co-operatives that will remove the emphasis on large profit margins.

- 3. What can the review learn from successful business models in other sectors or other countries, including those which work at scale? We are particularly interested in any organisational or business models which might promote or advance the future of high-quality journalism at the local and regional levels:**
 - a) Where new and viable business models are emerging for high-quality journalism, what does this tell us about changing consumer behaviour and preferences?**

- b) Are different approaches needed for different parts of the market (e.g national and local; general and special interest news)?**
- c) To what extent do new and emerging business models such as online-only, hyperlocals and cooperative models work or mitigate issues felt by traditional players?**
- d) What alternative income streams (other than advertising) are most likely to sustain high-quality journalism in the digital age? Are there barriers to their effective exploitation and if so, how could these be addressed?**

According to research undertaken by the Reuters Institute (2017) based on 171 of the most important news organisations in 6 countries (Finland, France, Germany, Italy, Poland and the UK), 66% of newspapers operate a pay model of some kind with pay for premium content the most common followed by metered paywalls. Most are moving away from digital news offered for free subsidised by advertising and embracing things like native advertising, ecommerce, events and membership subscription. Digital-born news media continue to offer content for free with 54% getting revenue from advertising, public funding or legacy operations. This move towards paid for news indicates that people are willing to pay for digital news they find valuable and useful and that quality content and services are key. But this option will only be available for certain news brands and will likely only be read by a highly educated audience.

In the local news market older successful models exist such as The Maidenhead Advertiser owned by the Louis Baylis Charitable Trust which receives at least 80% of the company's profits. The Trust distributes grants of more than £100,000 to more than 100 recipients each year with the majority going to local organisations and charities thereby gaining the support and loyalty of its readers and local advertisers. Elsewhere the Bristol Cable set up as a Media Co-operative and runs via a local monthly membership fee, crowd funding and grant awards. The Ferret, based in Scotland, is also a co-operative run by its members and funded by subscriptions, donations, paid for stories or material and grants and gains its following from being democratic and having a clear public purpose. Further afield, Lawmakers in the US state of New Jersey have recently voted to establish a 'civic information consortium' in which journalists would collaborate with public universities to report on local issues and have set aside \$5 million to support the initiative (Gabbatt, 2018).

Far more organisations could attract grant funding if journalism in the public interest was recognised as a charitable purpose. Unless such possibilities are legislated for the danger is that news organisations turn to branded-content and native advertising (as we discuss in the next section) that threatens to damage trust in news still further. Or, they continue to rely on unpaid labour that ultimately will reduce the sustainability and quality over time.

Research by Schweizer et al. (2014) on 14 European media systems, the US, Canada, New Zealand and Australia, noted that policymakers can support private media organisations with tax relief or direct subsidies to specific media companies (including online media) without compromising media independence if safeguards such as statutory eligibility criteria are in place. They point out that some countries including those who consistently score highly on the Press Freedom Indices have long and successful traditions of supporting the press. General measures (such as some form of tax relief that was present in all EU countries

surveyed, reduced tariffs of telecommunications, electricity, paper or transport or subsidies for news agencies, journalism schools, etc.) do not prevent media ownership concentration while selective measures can help weaker media organisations. Direct press subsidies are used in several countries either to maintain struggling news organisations to preserve media diversity and pluralism (e.g. Canada, France, Denmark Netherlands, Norway) through a distribution aid, export aid, support for the internal training of journalists, or the formation and re-organisation of newspapers; or to support newspapers in minority languages (Finland).

The eligibility criteria employed varies between countries and can refer to the type of content (to ensure diversity); market position (advertising market share) and organisational criteria (such as ownership restrictions). Subsidy schemes that have traditionally been associated with the press have in several countries been reformed and extended to online publications as well (e.g. Denmark, Sweden, Italy), whilst other countries have grants specifically targeted at newsroom or business innovation linked with journalism (e.g. France and Canada). Funding via industry levies are common. The authors conclude that their comparison of 18 media systems indicates that where there is political will to support news organisations and journalism, policy makers can choose from an array of options with established methods for ensuring editorial independence and that “direct production support to selected economically struggling media based on clear criteria is most suitable to help maintaining plurality and editorial competition” (p.14). Media plurality is in many countries perceived as a necessary conduit to advance freedom of speech and underpin a functioning democracy. The Norwegian Constitution, for example, embeds an “infrastructural requirement” in its reference to freedom of speech, which “states that it is the responsibility of the state to facilitate an open and enlightened public debate” (Moe, 2017). Introduced in 2004, this specific reference to infrastructure support for media plurality recognises the need to guarantee citizens’ access to information and channels of debate, as an important aspect of placing citizens at the centre of democratic governance.

Our own thoughts on how this could work are included in section 6 below.

- 4. What has been the impact of the operation of the digital advertising market on the sustainability of high-quality journalism in the UK?**
 - a) Can digital advertising revenues support high-quality journalism in the future, as print advertising has done in the past?**
 - b) How does the digital advertising market affect the ability of news publishers to monetise content?**
 - c) Does the digital advertising market influence what news people see and if so, in what ways?**
 - d) What changes might be made to the operation of the digital advertising market to help support and sustain high-quality journalism?**

Digital advertising revenues have continued to grow overall but have not replaced the losses from print display advertising revenue. Between 1955-1995 the proportion of revenue from advertising to sales by national newspapers averaged between 40-60 per cent and has since fallen as ad revenues declined. A recent survey of publishers worldwide found that ten per cent were preparing for a future with little or no display ads (Newman, 2018: 22). This is the context in which media have offered ever-increasing incentives to marketers, including paid/sponsored content and related formats. For their part, marketers have sought engaging

content that will overcome ad-avoidance (Hardy, MacRury and Powell, 2018). The outcome has been the growth of brand sponsored content including editorial-like content that is hosted by publishers and which may be controlled by publishers, by advertisers, or jointly. Such non-traditional advertising, which blends brand messages with entertainment or information, grew at twice the rate of advertising worldwide in 2017, surpassing \$100 billion (PQ Media 2018). Branded/sponsored content is amongst the top three most important sources of income after subscription and video by nearly 300 publishers surveyed (Newman, 2018).

Traditional display and classified advertising cannot support commercial news journalism. The extent to which sponsored content can provide significant revenue is uncertain, with some digital native publishers whose business models are based on branded content struggling in 2017. BuzzFeed and Vice both missed revenue targets, while Mashable was sold for less than expected. However, consideration of branded content cannot be limited to finance alone. The impact of advertising on news media is much greater and there are sufficient concerns to warrant a review that should investigate digital advertising in news, and examine emergent forms of native advertising, programmatic advertising and other branded content.

The avowed intent of native advertising is to blend into the editorial environment in which it occurs. This includes advertorials, described by Creative Director at OgilvyOne Business, Simon Fraser (n.d.), as “ads donning editorial clothing in an attempt to make you believe that what you’re reading is objective”. For news media, this means that content that is controlled or influenced by brands can be carried without the reader being aware. However, critical concerns go beyond issues of disclosure and consumers’ identification of marketing communications to include the integrity of communications channels, editorial independence and quality, and marketers’ influence and ‘share of voice’. The creation of content on behalf of marketers that looks very similar to editorial content has the potential to undermine the editorial integrity of the publication. “[N]ative advertising threatens to spread advertising’s low credibility to all content, thereby destroying the reason advertisers wanted to mimic editorial content in the first place” (Piety, 2016: 101). Another risk is that, as an article in *Advertising Age* put it “[w]hen you are a publisher that peddles native advertising, you’re more vulnerable to advertising pressure” (Goefron, 2015).

This raises further concerns over issues of consumer trust in the news market. George Osborne, formerly Chancellor of the Exchequer for the David Cameron government and now editor of the *London Evening Standard* has recently been accused of striking a deal with six major advertisers in the paper to secure ‘money can’t buy’ positive news and ‘favourable’ comment pieces, causing cries of corruption and ethical malpractice (Cusick, 2018).

Governance arrangements for the identification of brand-sponsored content have not kept pace with industry developments.

News media are affected by the distribution of advertiser to search and social media platforms, by the manner in which programmatic, behavioural and contextual advertising works. The investigation of their impact is very welcome. However, news publishers are also actively involved in practices that diminish the range, amount and quality of news. In particular, the adoption of content recommendation engines as a revenue source, makes publishers agencies for clickbait and content farm material with poor editorial provenance or worse, paid content, and ‘fake news’, better described as misinformation and disinformation. Moreover, social media platforms are increasingly engaging in content creation or

repurposing material from others in order to attract audiences – whose profile and behaviour on the site is then monetised. This further erodes the distinction for audiences between publishers of original and quality journalism, and platforms intent to monetise their personal data for commercial purposes.

The Culture Select Committee has recommended stronger rules on identification for the provenance of political communications across all publishing and platform-publishing. The same arguments apply to commercial communications. A review is required to address all aspects of digital marketing communications in news media.

There should also be discussion of a mandatory, or voluntary, universal logo, akin to the P-sign that is required to alert consumers to the paid presence of brands in UK television production. This might take the form of a B-sign for publications carrying editorial-like content items produced by, for, or in association with third-party marketers, to feature prominently at masthead and individual item levels. There needs to be better labelling of sources for content (including brands), better signalling and kitemarking (for both branded content and also high quality independent journalism), improved news and media literacy (part funded by levies on platforms and aggregators). It is important that any debates about such kitemark systems involve a discussion about technological solutions for implementing this online, and systems designed to circumvent or block advertising. The DCMS consultation on age verification and child safety online, for example, demonstrate the complexity of industry implementing such technical solutions – and indeed the need for appropriate powers or sanctions to implement it (much like Leveson’s recommendations for an independent press regulator).

Any discussion about labelling of content should also consider evidence from similar projects globally, that are also attempting to enhance trust in quality journalism. Trust Project hosted by Markkula Center for Applied Ethics at Santa Clara University in the US, for example, has defined a series of ‘trust indicators’ that participating news organisations use to foster transparency and demonstrate integrity of their reporting. There is a T-logo kitemark, and a technical schema that provides platforms with a machine-readable set of tags it can use to display trust indicators from the news providers or even incorporate them into their personalisation algorithms. Whilst the UK may wish to approach content signalling differently, or emphasise different indicators, the Trust Project demonstrates how such solutions can be more effective if cross-platform integration and open standards is part of the approach.

5) Many consumers access news through digital search engines, social media platforms and other digital content aggregation platforms. What changes might be made to the operation of the online platforms and/or the relationship between the platforms and news publishers, which would help to sustain high-quality journalism?

- a. Do the news publishers receive a fair proportion of revenues for their content when it is accessed through digital platforms? If not, what would be a fair proportion or solution and how could it best be achieved?**
- b. When their content is reached through digital platforms, do the news publishers receive fair and proportionate relevant data from the**

platforms. If not, what changes should be made and how could they best be achieved?

News publishers receive little revenue for content when it is published via digital platforms. What income does trickle back to the news organisations comes in the form of advertising revenue which is generated programmatically, either directly by the platforms, or via third party organisations. Although this advertising is directly related to news content the level of payment is very low. A recent report from Digital Content Next in February 2018 (Moses, 2018) found that publishers were receiving only 5% of their revenue via Facebook and Google while at the same time relying more and more heavily on those platforms for audience reach.

The additional problem for news publishers is that ad sales on platforms are dependent on scale rather than quality. In the era of print journalism, advertisers paid more in order to put their products in front of people with higher incomes even though circulation was lower. Thus advertising provided a higher subsidy to considered, long-form journalism, than it did to tabloids where sales provided a far higher proportion of income. On a platform, news organisations are competing for audience numbers, against content farms that do no original research at all. This forces news organisations to sensationalise their material in order to stand out and attract attention, rather than focus on time consuming research. The ‘popularisation’ of the news agenda and news writing in order to influence a derisory level of digital advertising funding is a very high cost to pay. Whilst platforms are increasingly alert to clickbait and have sought to reduce its prominence in the content they serve to audiences, this has simply shifted the emphasis for news producers to attempt to coach their content into favour of personalisation algorithms that dynamically prioritises content for users, or to pay for the privilege of being displayed – thus negating the already meagre advertising revenue obtained from the clicks.

Given the method by which advertng is raised and distributed it is hard to see how the platforms can change the system to reward journalism at a higher rate. Any attempt to do so would inevitably result in accusations of censorship. Already attempts to ‘white-list’ publications have reduced incomes of a number of small scale companies that depended on the platforms.

A more equitable solution would be to take the question of redistributing a portion of advertising income (and possibly other sources of revenue) into public hands via a levy. This would relieve the platforms of an onerous responsibility and make it possible to organise the re-distribution of advertising revenue through an organisation like the Arts Council or Nesta. Such a publicly accountable, but independent, organisation would be tasked with establishing instruments for distribution, specifically tailored to improving depth and the diversity of news production, in particular at local level, where income has been most affected by the loss of classified advertising.

The platforms depend on content and audience data in order to function and make money but they don’t pay for either. The use of data to target advertising is the reason why fake news has flourished and sensationalism has grown so it is somewhat contradictory to suggest that news organisations should be given greater powers to mine and make use of such data for their own purposes. Nevertheless, when the European Union passed the GDPR to offer more control over data use to individuals, publishers had reason to hope that this would be their

opportunity to establish greater control over audience data that they have collected and obtained consent to use. This might have been expected to give them more control over their own advertising income.

However Google has used its near monopoly power as a platform to insist that publishers share that primary data. This interpretation of the GDPR transparency rules is likely to lead to even greater power accruing to the platforms at the expense of individual publishers. This was not the purpose of GDPR and it may be necessary for the European Union to intervene to ensure that it doesn't operate to the detriment of news producers. It is too early to judge what actually will happen as GDPR compliance is still at a very early stage. However it seems reasonable to suggest that if publishers take the risks and costs involved in ensuring GDPR compliance, they should also have the lion's share of any revenue raised through the use of that data.

6) High-quality journalism plays a critical role in our democratic system, in particular through holding power to account, and its independence must be safeguarded. In light of this, what do you consider to be the most effective and efficient policy levers to deliver a sustainable future for high quality journalism?

a) Where, if at all, should any intervention be targeted and why (for example, at the local level, or at specific types of journalism)?

We believe that while many newsrooms have been negatively affected by declines in advertising and circulation, there is a particular need to protect and invigorate local news, not least because of the emergence of 'news deserts' at the local level that have fuelled disengagement and democratic deficits. We have discussed the structural reasons for this decline above.

Our objective is to boost plurality without threatening competition and to support investment in local newsgathering without triggering equivalent cuts in response. We propose here a **networked local news wire service** that resources existing local news providers on the one hand, whilst also offering a significant boost to plurality at the level of wholesale newsgathering. Such an initiative could be designed to derive the maximum scale efficiencies of a nationally coordinated network, whilst preserving the autonomy and independence of the network nodes ('local news hubs') (Fenton et al., 2010).

We want to create a new infrastructure for local news provision: a network of approximately 400 local news hubs mapped according to local authority districts. Each hub could consist of at least four full-time staff covering reporting and editing roles, and operating out of a small newsroom space located in the community it serves. Daily newswire copy could be fed into a centralised national database that subscribing publishers would have instant access to. In-depth exclusive features could be made available via an embargoed pool on a first-come-first-serve basis. Any output that is not picked up by subscribers after a given time limit could then be published through the wire network's own locally branded platforms. A dedicated national news desk could also monitor daily copy to leverage any news of relevance to a national audience.

The initiative could be put out to tender and operated/coordinated nationally either by a new entrant or existing non-profit organisation with relevant expertise. It could be concentrated in

select areas based on existing levels of coverage and/or demographic factors. If rolled out to all local authority areas, it could result in 1,600 new jobs in the local news sector whilst at the same time promoting the sustainability of existing providers, both commercial and non-profit alike. Subscription rates would need to be pegged at an appropriate level to ensure that both existing publishers and potential new entrants are sufficiently incentivised to take up the service, whilst start-ups, non-profit organisations or community groups could for example access special rates to stimulate development of new local provisions or services. Of course, there is always a risk that the subsidy could trigger further newsroom cuts, and/or stimulate competition which can offset any relief in sustainability pressures.

Notwithstanding such risks, the initiative will provide an effective guarantee of daily, independent wholesale newsgathering where it is most needed. The unique advantage of this approach from a public policy perspective is that it enables effective arms-length intervention without any risk of creating undesirable channels of influence and without any need for the picking of ‘winners’ by targeting particular titles or platforms. The national contractor should be a non-profit entity with a governance structure that ensures its independence from government and commercial news publishers and commitment to nourishing the vitality of local news, as well as preserving the editorial independence of the local news hubs.

b) What do you think are or should be the respective responsibilities of industry, individuals and government, in addressing the issues we have identified?

Public policy has, thus far, failed to stop the emergence of ‘news deserts’ and the jobs onslaught that we have seen across UK news media sectors. We believe that a comprehensive and strategic response is long overdue. This is a priority for government if it wishes to enhance political participation and reduce disengagement in part by facilitating coverage that speak to multiple geographical, political and cultural forms of belonging. It is also a priority for industry to contribute to this process as a robust local news environment will generate value for UK news as a whole and restore trust and credibility in areas that have had low levels of esteem in recent years. Yet neither the legacy press nor digital intermediaries should be the main beneficiaries of our proposals. Instead, it is publics – those individuals who have long been at the mercy of commercial decisions about investment and closure of which they have no control – who are the target of our plans for a new local news wire service.

c) If there is a case for subsidising high-quality journalism, where should any funding support come from? What form should it take? How or where should it be targeted?

We believe that the wire service could be sustained by a hybrid model of funding including subscriptions and donations. But above all, we propose that it should be supported by public subsidy derived from a small levy on the revenues of major search and social media companies as we explain below.

Some countries have attempted to address digital disruption to news publishing businesses by enforcing so-called ‘ancillary’ copyrights. In 2013, the German Government passed legislation requiring digital intermediaries to obtain a license from publishers to include cached content from their articles in search listings or news feeds. But a law intended to make Google pay for the use of such ‘snippets’, quickly became a law that forced publishers to agree *not* to be paid.

Other European countries have pursued divergent paths in dealing with this issue. In France, for instance, publishers agreed to lay their claims to rest after Google promised a fund for supporting digital innovation in journalism. In Spain on the other hand, legislators passed a much tougher version of Germany's ancillary copyright law in 2014, making it illegal for publishers to 'opt in' and extending copyright restrictions to cover *any* amount of copyrighted text or hyperlinks. Google's response in that case was to simply shut down its Spanish news service altogether.

But even if ancillary copyright laws were to prove workable, they would be unlikely to promote the sustainability of high quality journalism, especially at the local level. This is because a blanket subsidy does not target the particular types of journalism – such as reporting on local authorities – which confer the most benefit to the public, whilst also facing the most acute pressures due to market failure.

The rise of platform monopolies like Google and Facebook has dramatically encroached on the local advertising and classified markets that formerly sustained much of the local news industry. At the same time, local news titles are often squeezed out of the news agendas promoted by major news algorithms and intermediaries which tend to favour national news brands.

Given the demonstrable capacity for these monopolies to avoid corporation tax by redirecting profits away from the jurisdictions in which they are generated, there is both a moral and economic rationale for a small levy on their digital advertising revenues. There is also a long established precedent in media policy to enforce cross-subsidy from the most profitable media in favour of media as a public good. The establishment of Channel 4, for instance, was made possible by the support of ITV in its formative years.

If a levy was imposed on those companies with more than a 25 percent share of the online search and social networking markets within the UK, it would currently impact only on Google and Facebook. A 1% levy on the UK digital advertising revenues of Google and Facebook alone would raise tens of millions of pounds per annum¹.

If the government truly believes that fostering a robust and high-quality news landscape across the UK is a policy priority, then it could investigate other means of funding including using the proceeds from the forthcoming auction of the 700 MHz band (the spectrum reallocated from DTT to mobile data) to support new news infrastructures. The last auction of 4G and 5G spectrum in April 2018 raised £1.4 billion. Even a small proportion of this 'windfall' could kickstart the local wire service which could then be supported annually by a combination of subscriptions and levy revenue.

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