CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE

AGENDA

23rd Meeting, 2020 (Session 5)

Thursday 1 October 2020

The Committee will meet at 9.00 am in a virtual meeting and will be broadcast on www.scottishparliament.tv.

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.

2. **Sustainability of the newspaper industry and the impact of COVID-19 on print journalism:** The Committee will take evidence from—

   Joyce McMillan, Chair of the National Union of Journalists, Edinburgh Freelance Branch;

   Dr Eamonn O'Neill, Associate Professor in Journalism, Napier University;

   Peter Geoghegan, Chair of The Ferret and Investigations Editor at openDemocracy.

3. **Consideration of evidence (in private):** The Committee will consider the evidence heard earlier in the meeting.

4. **Future relationship negotiations: internal market:** The Committee will consider draft correspondence.

Stephen Herbert
Clerk to the Culture, Tourism, Europe and External Affairs Committee
Room T3.40
The Scottish Parliament
Edinburgh
Tel: 0131 348 5234
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The papers for this meeting are as follows—

**Agenda item 2**

Note by the Clerk  
PRIVATE PAPER

**Agenda item 4**

PRIVATE PAPER (to follow)
Background

1. In February 2019, Dame France Cairncross published an independent report - *The Cairncross Review: a sustainable future for journalism* - presenting an overview of challenges facing high quality journalism in the UK and putting forward recommendations to help secure its future.

2. In April 2020, in the dawn of the COVID crisis, the NUJ published a plan titled ‘From Health Crisis to Good News - A recovery plan for the news industry by the NUJ’. The recovery plan calls for measures to ensure quality local and national journalism can sustain through the Covid-19 crisis, and a package of economic stimulus measures that will ensure journalists play their full part in the recovery and reinvigorate and reimagine the sector into the future across the UK and Ireland.

3. On 18 August 2020, Joyce McMillan, Chair of NUJ Edinburgh Freelance Branch wrote to the Convener of the Committee to highlight the challenges faced by Scotland’s national titles and local newspapers in recent years. The letter also highlighted the potential for the COVID crisis to contribute to collapse of professional media coverage in Scotland.

4. In order to secure the future of high-quality journalism in Scotland, and to offer a positive contribution to the growing global debate on the future of journalism in an age of ‘fake news’. The NUJ is asking the Scottish Government, and other relevant agencies, to consider suggestions for a new media policy. They are based on the NUJ’s News Recovery Plan for the UK and Ireland, published in April 2020.

Evidence session

5. The evidence session will focus on three areas: the industry pre-pandemic; the impact of the pandemic; and possible future direction for the industry so it can deal with the long-term challenges it is facing and still contribute to a well-functioning democracy.

6. The Committee will take evidence, via video conference, from—

   - Peter Geoghegan - Chair of the Ferret and investigations editor at openDemocracy;
   - Joyce McMillan – Chair of the National Union of Journalists, Edinburgh Freelance Branch; and
   - Eamonn O’Neill - Associate Professor in Journalism, Napier University.
Supporting Information

7. The letter from NUJ Edinburgh Freelance Branch to the Convener of 18 August 2020 can be accessed at Annexe A to this paper. A written submission from Peter Geoghegan provided in advance of the meeting is provided at Annexe B to this paper.

8. SPICe have also produced a briefing on the sustainability of the newspaper industry in 2020, available in Annexe C.


10. NUJ’s plan titled ‘From Health Crisis to Good News - A recovery plan for the news industry by the NUJ’ can be accessed here: www.nuj.org.uk/documents/from-health-crisis-to-good-news/

Laetitia Jan
Assistant Clerk
Culture, Tourism, Europe and External Affairs Committee
28 September 2020
Correspondence from NUJ Edinburgh Freelance Branch to the Convener of 18 August 2020

Dear Joan,

As you know, the current pandemic crisis has come as a massive blow to many sectors of the media which were already in a precarious position before the coronavirus threat emerged. Many of the economic models which used to support the presence of professional journalism in our society are no longer working; and now, with newsagents closed, print newspaper sales plummeting, and advertising revenue in free-fall, those trends are being dramatically accelerated.

Modern nations and communities arguably cease to exist, psychologically and politically, when they have no distinctive media in which to hold a well-informed national or local conversation about the decisions they face; yet so far as print media titles are concerned, that is the prospect now facing both many local communities, and the three smaller nations of the UK. The ability of Scotland’s national titles to cover Scottish politics, arts, sports and public and civic life has already been decimated by years of editorial cuts; and many local newspapers have all but ceased to be produced locally, in any meaningful sense of the term. And this despite the fact that everyone in public life is keenly aware of the key role played by media in informing citizens about the public life of their town, region, or nation; and of the danger of disinformation, disengagement and poor democratic decision-making which can follow a breakdown of serious professional news-gathering and presentation.

The NUJ believes that to prevent a historic collapse of professional media coverage following the Covid crisis, new policy initiatives should be considered now, and put in place with some urgency. In order to secure the future of high-quality journalism in Scotland, and to offer a positive contribution to the growing global debate on the future of serious journalism in an age of “fake news”, we would therefore ask that the Scottish Government and other relevant agencies consider the following positive suggestions for a new media policy. They are based on the NUJ’s News Recovery Plan for the UK and Ireland, published in April 2020.

1. To seek to persuade governments at all appropriate levels to introduce a substantial windfall tax on “tech giant” companies, using means such as the Digital Services Tax, sufficient to help fund a News Recovery Plan, and continuing support for high-quality independent journalism.

2. To consider the establishment of a government-funded Journalism Foundation - as recommended in the UK’s Cairncross Review - to invest in local journalism, innovative media projects, and vital areas of quality and investigative journalism which are no longer supported elsewhere.

3. To confer “asset of community value” status on local newspapers, ensuring that titles facing closure, or potential sale to owners who fund little local content, are preserved for potential community ownership.
4. To offer rate relief and other financial support for journalistic co-operatives and local social enterprises taking over titles from major commercial operators, and running them as not-for-profit enterprises.

5. To ensure that government advertising is strategically invested in innovative journalism and local and hyperlocal news initiatives, as well as in mainstream media.

6. To consider a news voucher system, particularly for young citizens aged between 16 and 19, to encourage them to engage with the news sources available, and to make informed decisions about them. Such a scheme could be combined with a programme of media literacy education in schools, designed to prepare young people for their role as media consumers.

Yours with best wishes,

Joyce McMillan
Chair
NUJ Edinburgh Freelance Branch
I am an author, journalist, investigations editor at the website openDemocracy and chair of the Ferret Media Ltd. In this submission I will be speaking primarily in the latter capacity.

The Ferret Media Ltd is a multi-stakeholder co-operative that publishes and promotes public interest investigative journalism. Founded in 2015, the Ferret has subsequently received numerous awards for its reporting. Our work is mainly published online at theferret.scot, although we frequently partner with other organisations to get reports into print or extend our reach. We have partnered with other media organisations including, among others, The BBC, The Daily Record, The Guardian, The i, and The Bureau of Investigative Journalism.

The Ferret is regulated by Impress and the Financial Conduct Authority. We also run Ferret Fact Service - Scotland’s only non-partisan Fact Checking project that has been independently assessed as meeting the International Fact-checking Networks

The Ferret currently has over 1,600 paying members who are part owners of the project, with places reserved on our board for readers and journalists who are elected each year.

I welcome the opportunity to give evidence to the committee and I am heartened to see that the Scottish Government is concerned with the vital issue of the future and sustainability of journalism. In relation to the issues raised by this committee I would like to make the following points:

1. **Importance of supporting public interest journalism**

The reliance of traditional print media outlets on digital advertising revenues has had a significant negative impact on public interest journalism, especially as those revenues decline in the wake of the Covid19 pandemic.

Legacy publishers are generally reliant on a small number of multinational platform companies for their ‘revenue share.’ Given this focus on scale, it is inevitable that important public interest journalism that may not have a long shelf-life, or broad appeal, is de-prioritised by publishers that are focussed on digital display advertising revenue.

The Ferret Media Ltd has developed a mixed-income model. We derive our revenue from membership subscriptions, philanthropy, media partnerships with other publishers, training and events. Income has grown year-on-year since we were founded in 2015 but we have been affected by Covid-19, too, with initiatives such as face-to-face trainings delivered by Ferret journalists curtailed.

We know that many of our readers place a significant value on the fact that when they subscribe, they become a part-owner of the project. They are not merely passive recipients of information - they are proactively investing in public interest journalism and can have an input into the direction and priorities of the project. This structure serves to mitigate against many of the current concerns over media concentration, and
allows for an editorial that can be directed towards more than maximising advertising revenue via page views.

There is a real need for government support for public interest journalism that provides information that is of importance to the health of the body politic and of democracy itself. Any support that the Scottish Government gives to journalism should be focused narrowly on public interest and should be agnostic of platform delivery. The reality of digital convergence means that regardless of whether a publisher began in print or online, virtually all publishers are now grappling with the challenges of digital publishing and delivery.

2. Need to support independent, locally-owned journalism

In recent years, UK government initiatives to help journalism have primarily focused on providing stealth public support to traditional publishers. The BBC local democracy reporters scheme is a good example of this with the licence fee used to hire reporters that were paid by the BBC but work for major news organisations across the UK. The success of this scheme has been repeatedly questioned and anecdotal evidence suggests that major publishers often laid off and did not replace experienced reporters, relying instead on what effectively are ‘free’ reporters paid for with public money.

This approach should not be repeated. Any public funding made available to support journalism should proactively support:

- Plurality of ownership at both local and national level
- Diversity of voices, formats and contributors.
- High quality, independently regulated, public interest journalism
- Registered non-profit and social enterprise business models.

Conversely, we urge the government to be clear that public funding should not be used to subsidise:

- Incumbent private businesses which generate significant financial surpluses for their owners.
- Media companies or platforms with offshore ownership structures, or structures designed to minimise tax liability.
- Media companies or publishers that are not independently regulated to a high standard.

3. An opportunity for distinctly Scottish media policy

When considering the scope for public policy intervention we would highlight that this is not just an issue for the Westminster government. There are specific opportunities for the Scottish Government, other devolved administrations and even local authorities, to play a role in supporting a more effective media sector. Overall, there is an opportunity for the Scottish Government to develop a distinct media policy which takes account of specific issues and challenges.

One example of a very effective change that Holyrood could support would be to add public interest journalism as a permitted “charitable object” recognised by both the Office of the Scottish Charity Regulator. This would support an increase in philanthropic funding from charitable sources for public interest news.
1. Add “public interest journalism as a permitted “charitable object” recognised by Office of Scottish Charity Regulator.

2. Provide public funding to support public interest news, administered via an independent body tasked with promoting new non-profit and social enterprise business models.
Culture, Tourism, Europe and External Affairs Committee

Sustainability of the newspaper industry

Introduction

The Committee has agreed to take evidence on the sustainability of the newspaper industry in Scotland. This paper considers this and is structured into three parts: the industry pre-pandemic; the impact of the pandemic; and possible future direction for the industry.

In March 2018, the UK Government commissioned Dame Frances Cairncross to undertake a review “into the sustainability of high-quality journalism”. The review was supported by three pieces of research on online advertising, consumer habits and “recent dynamics in the UK press market”. The report of the Cairncross Review was published in February 2019 and the UK Government's response was published on 27 January 2020. The review has been referenced in correspondence from the NUJ to the Committee and in a submission from Peter Geoghegan. This paper makes a number of references to the Cairncross Review and the analysis that supported the review, particularly in the first and third sections.

The newspaper industry up to 2020

The health of the newspaper industry has been a matter of concern for quite some time. In 2010, Committees of both the House of Commons and the Scottish Parliament held inquiries and produced reports highlighting the challenges faced by local media. As with other information industries (e.g. music), the digital revolution has disrupted business models. Newspapers and publications have had two related but distinct challenges. First, how to maintain income from advertising. Second, how to monetise information when people no longer wish to buy a physical product.

The graph below shows the estimated change in income for newspapers between 2007 and 2017.

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The Culture, Media and Sport Committee of the House of Commons, Future for local and regional media (2010) https://publications.parliament.uk/pa/cm200910/cmselect/cmcumeds/43/43i.pdf
The share of advertising revenue in the UK underwent a significant change in the 10 years between 2007 and 2017. The chart below is taken directly from the Cairncross review (p41).

A large share of digital advertising is spent through online platforms, especially Google and Facebook which, in 2017, were estimated together to have captured 54% of UK online advertising revenue. There is an enormous supply of advertising space on the internet, which in turn makes the cost of advertising relatively cheap. Online platforms...
are able to use the data they hold on their users to target advertising which can attract higher prices for adverts.

The Cairncross review identified two strategies newspapers had adopted to maximise income from online adverts: increase the number of clicks on a story; and increase the value of the advertising space on a news provider’s website. Analysis of data on which articles are being viewed allows editorial teams to see which articles are generating the most amount of income. However, Cairncross concluded—

“News publishers are fighting a losing battle with online platforms on the data front. Platforms are able to triangulate the data of a user across the web; publishers are still struggling to develop similar capabilities on their own websites. Even if some may be able to convince advertisers to pay a small premium for advertising with them, ultimately advertisers will be more interested in what a target user is trying to buy than what news he or she reads.” (p47)

In terms of charging for access to news, newspapers have taken a variety of approaches. Some have moved their content behind a paywall entirely, others partially with some limited access available to registered users, others have sought voluntary donations and others have sought to rely on advertising keeping their content online open to all. Peter Geoghegan is the Chair of the Ferret, which is co-operative; Mr Geoghegan explained it has “over 1,600 paying members who are part owners of the project, with places reserved on our board for readers and journalists who are elected each year.” The way people access news stories has changed; in physical newspapers gossip, sport and public interest stories, for example would sit together in one package, now many people access articles through links on other platforms, such as Google or Facebook, and those links can be presented to the user based on the user’s interests.

Perhaps surprisingly, the Cairncross review found that (as of 2017)—

“Most national and regional news publishers are generating good profits, with margins of 10% or more. But for several publishers, a large proportion of those profits is being used to pay down debts or pension liabilities (as in the cases of Johnston Press and Reach/Trinity Mirror respectively). As a result, they have reduced staffing, closed local offices, and have less money available for investment in the substantial innovation that a successful digital future requires.” (p5)

However, profitability has been maintained by reducing the “breadth and depth of their news reporting service (the expensive part of their editorial bundle)” (p15) and the “number of full-time frontline journalists working in the UK had fallen from 23,000 in 2007 to 17,000.” Newspapers seeking to maximise the number of clicks on stories would have a commercial interest in maintaining popular journalism; this is more likely to be sport, culture, or national politics stories than the workings of, say, local democracy.

The NUJ has argued that media groups failed to invest in new technologies when the internet was emerging. Instead, the NUJ argues, businesses focused on consolidation and purchasing new titles. In a briefing on the impact of Covid-19 on the Scottish media, NUJ stated—
“When the going was good, the publishers creamed off profits of 20-30 per cent, rather than investing in the future. Buy-outs and mergers proliferated, severely denting media plurality in Scotland, to leave just three main newspaper publishing groups; one of which, JPI Media, is desperate to sell up.”

As noted above, Dame Cairncross was tasked with reviewing “the sustainability of high-quality journalism”. She narrowed this remit a little to focus on the sustainability of investigative journalism and democracy reporting which “are the areas of journalism most worthy and most under threat.” (p7) The Review stated—

“This Review argues that there are two areas of public-interest news that matter greatly. Each is often of limited interest to the public, but both are essential in a healthy democracy. One is investigative and campaigning journalism, and especially investigations into abuses of power in both the public and the private sphere. Such journalism is particularly high-cost and high-risk. The second is the humdrum task of reporting on the daily activities of public institutions, particularly those at local level, such as the discussions of local councils or the proceedings in a local Magistrates Court. Reporting on the machinery of government and justice matters at a national level too, but it is in greater danger locally, mainly because the size of the potential audience for local issues is so much smaller, and thus inevitably attracts less financial support from readers.” (p17)

The Culture, Media and Sport Committee of the House of Commons published *Future for local and regional media* in 2010. It highlighted the important role of the local and regional journalism—

“Regional and local newspapers perform an important role in the UK. They provide more coverage of local news, local events and local people than any other medium. The vast majority of local newspapers are politically independent, something which is partly driven by financial common sense since alienating large sections of a local community could be commercially unwise. However, this independence and objectivity is one of the most significant features of the local press, as local newspapers are the primary source of reporting of local politics and public bodies facilitating independent scrutiny and accountability.” (para 12)

Local media, by definition, has a smaller geographic reach for its intended readership and had previously relied more heavily on classified and local advertising which have moved to other platforms (e.g. Gumtree, Facebook). The review also highlighted the particular benefits of local media outlets; it stated that studies “demonstrate a clear link between the reduction in the numbers of local journalists and the closure of local newspapers on the one hand and declines in democratic and civic engagement and negative impacts on the management of public finances on the other”. (p7)

The ONS collects data on the number of VAT and/or PAYE registered enterprises by type of enterprise. Between 2015 and 2019, the number of enterprises in Scotland under the category “Publishing of newspapers” remained stable at around 25. Taking a broader view of the industry, including printing and pre-press activities, as well as “News agency activities”, the number of enterprises fell from around 155 to 120.²

² Business Register and Employment Survey
Impact of Covid

The Press Gazette has stated—

“The coronavirus pandemic presents the greatest threat to the global news industry since the 2008 economic crash.

“At the same time, our industry has never been more vital. With fake news proliferating on social media, access to quality news and information can be a matter of life and death.”

Again, the threat here is diminishing advertising revenue. The Institute of Practitioners in Advertising reported in July—

“UK marketing budgets were slashed to their lowest levels in the twenty-year history of the IPA Bellwether Report in light of the devastating impact of the coronavirus, according to the Q2 2020 figures released [on 15 July].

“The net balance of firms that cut marketing budgets fell to -50.7% in Q2, down from -6.1% in Q1, with almost 64% of panel members having registered a decrease in spending compared to the first quarter, while only 13% posted an increase. These figures supersede the Report’s previous nadir of -41.7% evidenced in Q4 2008, following the global financial crisis.”

In its briefing on the impact of Covid-19 on the Scottish media, NUJ noted that there have been reductions in wages, saying—

“Our members have had pay cuts imposed on them – mostly without any consultation with recognised unions. At Reach, JPIMedia, Newsquest and PA cuts of between 10 per cent and 15 per cent have been made. These have hit our members hard at a time of lockdown, especially after years and years of below-inflation pay rises. At the time of writing the union is backing action by members at Reach titles who are challenging the necessity of these cuts when the union believes the company’s cash reserves are £20m.”

The NUJ also noted that freelancers been hit hard in the pandemic as sports and arts events have been cancelled. The NUJ identified issues for freelancers accessing support through the Self Employed Income Support Scheme.

The Press Gazette reported that in the most recent ABC figures of physical circulation, at a UK level, “most national newspapers saw year-on-year decline of about a fifth.” However, in early June the Press Gazette reported strong growth in digital subscriptions, with “ten of the biggest newspaper groups in the US and UK have collectively gained more than 1m new digital subscriptions amid the Covid-19 crisis”. In Scotland, the National reported in May that it had passed its target of 10,000 subscribers, a year before its target date.

The NUJ’s letter to the Committee asked that—

“Government advertising [be] strategically invested in innovative journalism and local and hyperlocal news initiatives, as well as in mainstream media.”
In a Parliamentary question answered on 9 September, the Scottish Government had spent “£5.8 million on various Covid-health related campaigns across all media channels since 23 March 2020. Another PQ answered on the same day broke down that spend. The table is reproduced below.

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<thead>
<tr>
<th>Media Channel</th>
<th>Spend</th>
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<tbody>
<tr>
<td>Facebook and Instagram</td>
<td>£246,543</td>
</tr>
<tr>
<td>Newsquest</td>
<td>£40,174</td>
</tr>
<tr>
<td>Local / Regional Newspapers</td>
<td>£780,377</td>
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<tr>
<td>National Newspapers</td>
<td>£259,071</td>
</tr>
<tr>
<td>Online (incl. FB and Instagram)</td>
<td>£1,199,301</td>
</tr>
<tr>
<td>Television</td>
<td>£1,963,246</td>
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<tr>
<td>Radio</td>
<td>£747,703</td>
</tr>
<tr>
<td>Broadcast Media (e.g STV Player, Sky Adsmart)</td>
<td>£662,034</td>
</tr>
<tr>
<td>Magazines</td>
<td>£4,384</td>
</tr>
</tbody>
</table>

Newspapers may also have been able to access other financial covid-related support.

**future of the industry**

This section once again returns to the Cairncross review. That review made a number of recommendations on the sustainability of high-quality journalism to which the UK government responded at the start of 2020. The recommendations and the UK Government’s response to them are included in the Annexe to this paper. The Scottish Government does not appear to have publicly commented on the review, although SPICe understands that the Cabinet Secretary for Economy, Fair Work and Culture has met with Dame Cairncross.

The recommendations were mainly focused on how tax, regulation and support from government could indirectly support public interest journalism, largely through capacity building. The recommendations were aimed at the UK Government and UK institutions. Some issues, such as the suggestion that the Competition and Markets Authority look into digital advertising, are clearly reserved. Others, such as the recommendation on media literacy, could potentially be addressed by the Scottish Government through other means. The Cairncross review did not recommend long term direct funding for public interest journalism; however, it noted that there was a potential for market failure in the provision of public interest news, particularly at a local level, and “public intervention may be the only remedy” (p22). It said—

“How should society continue to support the monitoring of, and reporting on, the activities of public bodies not just in central government, but also in localities: local councils, courts, inquests? This area of reporting, which this Review calls "public-interest news", has always been one of the most important functions of journalism, and brings undeniable public benefit. At a national level, it attracts considerable reader interest. However, at a local level, the story is different. Now that it is possible to see online how many people read reports of local councils, for instance, it is all too evident that the numbers rarely justify the cost of sending a reporter. So here are activities which are important public
goods, essential to the preservation of an accountable democracy, with poor market incentives for supply (and limited demand), but which it would be inappropriate for the state to finance directly.” (p6)

The NUJ has suggested that media literacy should be undertaken in schools – indeed this is something that may be covered in modern studies or potentially PSE (Personal and Social Education) lessons. The NUJ also suggested that consideration be made to the provision of vouchers for young people to subscribe to news organisations. A number of the suggestions made by the NUJ reflect the Cairncross review and some are clearly outwith the competence of the Scottish Parliament (e.g. a windfall tax on tech companies).

The review was mindful of the tension between public support of media and maintaining independence of the press. The BBC is a major public intervention into the news market in the UK. Publishers have been concerned that particularly the online offering is difficult to compete against. The Cairncross review stated—

"[The BBC] is successfully delivering the objectives driving this Review: high-quality journalism, a substantial part of it in the form of public-interest news. It seems unlikely that its news provision – free at point of use (and completely free to anyone who has not paid the licence fee) – has much effect in undermining people’s willingness to buy subscriptions. After all, it is not alone in offering high-quality news without directly charging for access. Sky News online, The Guardian, the online Independent and indeed most regional and local papers also do exactly that. As for “soft” content, the BBC argues that a diverse spread of material is essential in order to serve all audiences, especially the young, and may indeed lure readers to public interest news, which might not be their first priority.” (p96)

Nonetheless, the Review recommended that—

"Ofcom should assess whether BBC News Online is striking the right balance between aiming for the widest reach for its own content on the one hand and driving traffic from its online site to commercial publishers (particularly local ones) on the other. The BBC should do more to share its technical and digital expertise for the benefit of local publishers."

The review also recommended that the there be direct funding for local public interest news and this could be achieved through the expansion of the BBC’s Local Democracy Reporting Service. The BBC’s Local Democracy Reporters scheme has allocated 21.5 posts to local news organisations in Scotland. These journalists are funded by the BBC as part of its latest Charter commitment but employed by regional news organisations. They cover local authority and other public bodies. The review also recommended that this scheme be reviewed and potentially moved away from the BBC and noted that this scheme ideally should be a short-term support.

Peter Geoghegan, in his submission, stated—

"In recent years, UK government initiatives to help journalism have primarily focused on providing stealth public support to traditional publishers. The BBC Local Democracy Reporters scheme is a good example of this with the licence fee used to hire reporters that were paid by the BBC but work for major news
organisations across the UK. The success of this scheme has been repeatedly questioned and anecdotal evidence suggests that major publishers often laid off and did not replace experienced reporters, relying instead on what effectively are ‘free’ reporters paid for with public money.”

The question of how public support can be provided to support journalism, rather than publishers, has been raised in the past. An NUJ submission to the Culture, Media and Sport Committee in 2010 stated—

“We should be careful before rushing to provide any public assistance to those who helped bring about the crisis they are facing. It is them who paid too much for titles to fuel consolidation. It is them who cut journalists—thereby helping accelerate a decline in viewers, listeners and readers. It is they who failed to reinvest the billions of pounds which have been handed to shareholders across the world and which are lost to local economies. It is they who decided to give away expensive online content for free in order to try to secure a larger market share. Decisions about the future should be taken on the basis of the whole business cycle not just its low point. Public assistance should consider the interests of local communities not just the media companies. Public assistance should be conditional. Conditions should seek to ensure assistance directly benefits local journalism rather than shareholders.” (p156)

Mr Geoghegan made similar points in his submission. He said—

“Any public funding made available to support journalism should proactively support:

- Plurality of ownership at both local and national level
- Diversity of voices, formats and contributors.
- High quality, independently regulated, public interest journalism
- Registered non-profit and social enterprise business models.”

In 2010, the Culture, Media and Sport Committee in the House of Commons published its report on the Future for local and regional media. The report discussed a proposal from the Press Association of public service reporting model, whereby publicly funded journalists would report on events at public institutions such as courts, health trusts and police authorities at a local level who would then provide independent content that could be supplied free to local newspapers. The UK Government did not directly address this issue in its response to the committee in 2010.

The Cairncross review recommended that the UK Government establish a fund focused on innovations aimed at improving the supply of public-interest news. A pilot Future News Fund has been taken forward by Nesta. Nesta awarded 20 grants to grantees across England who undertook “four-month prototypes to diversify and expand readership and find new routes to financial sustainability.” A report on the pilot was published in August, which made the following five conclusions—

- Access to high quality, independent news and information reinforces our democratic landscape, and it is vital that it is sustained.
- There are many promising ideas, but to sustain public interest news we now need long term public investment into innovation in the news ecosystem.
• The #BlackLivesMatter movement that exploded in the aftermath of the George Floyd killing has revealed the need to address diversity in many institutions and industries.
• Innovation has never been more necessary to create sustainable revenue models.
• We need more coalitions of funders who will support the goals above.

The NUJ has asked that the fund, or something like it, be continued. The NUJ has also asked for “rate relief and other financial support for journalistic co-operatives and local social enterprises taking over titles from major commercial operators, and running them as not-for-profit enterprises.” This again built on a recommendation of the Cairncross review, which suggested that public interest journalism be added to the list of charitable purposes under which an organisation can register as a charity, and therefore qualify for reliefs. Peter Geoghegan’s submission asked that this be done in Scotland. It is for OSCR to determine whether a charity would meet the charity test in Scotland, under the Charities and Trustee Investment (Scotland) Act 2005, and guidance is available online.

The NUJ has also asked that local newspapers are given asset of community value status “ensuring that titles facing closure, or potential sale to owners who fund little local content, are preserved for potential community ownership.” The term “asset of community value” refers to legislation covering England for properties that are listed as such by local planning authorities. The commonly cited property type in relation to an asset of community value is the local pub and a building being listed as an asset of community value gives the right to the community to bid for the property. In Scotland community buy outs are under the Land Reform (Scotland) Act 2003 – again the focus here is on land and buildings. It is a little unclear how such an approach would apply to firms and brands. Another approach would be for staff or communities to seek to work with Co-operative Development Scotland which “supports companies and community groups who want to adopt employee ownership or co-operative business models such as consortium and community co-operatives.”

The one recommendation of the Cairncross review that was not taken up by the UK Government was an establishment of an Institute for Public Interest News. The purpose of the new institute was envisaged to oversee the funding to the industry, such as the BBC’s Local Democracy Reporting Scheme and the Future News Fund. It was also seen as “a centre of excellence and good practice for public-interest news, carrying out or commissioning research, building partnerships with universities, and developing the intellectual basis for measures to improve the accessibility and readership of quality news online” and to be the focal point of collaborative practice to support the sector. The review stated—

“In time, the Institute might evolve into a body somewhat resembling the Arts Council in scale, reach and perhaps budget. The future of local and regional reporting is so uncertain that there is no way of guaranteeing that it will retain even its present diminished scope, without some form of permanent aid.”

The NUJ support this proposal and Mr Geoghegan’s submission suggested that a similar body ought to be established at a Scottish level.

During a 2010 inquiry undertaken by the Education, Lifelong Learning and Culture Committee of this Parliament, the then Minister for Enterprise, Economy and Tourism,
Jim Mather MSP, argued that it was not the role of government to make interventions in the industry and that the industry must respond to the recent technological and cultural changes to survive—

“It would be arrogant of Government—and is likely that it would be unsuccessful—to go around trying to fix industries. An evolutionary process is needed and the outcome depends on committed people who do the job day and daily. We are beginning to see signs that change is under way. Most of the major titles have made a good fist of their internet offerings, although they might still face the challenge of finding appropriate revenue streams and rewards for that. … The faster we can get the evolutionary process under way and accelerating, the better will be the results.”

One of the conclusions of that Committee’s report was—

“A business model which allows newspaper companies to compete with other news providers, whilst also generating enough profit to support the continuing and sustainable involvement of professional journalists in reporting news and generating quality content, must be developed. The Committee notes the Scottish Government’s position that responsibility for this lies with the industry. Nevertheless, the Committee recommends that the Scottish Government closely monitor the situation.” (para 98)

In advance of the session, SPICe has been in touch with Scottish Government officials on its current position. The Scottish Government noted the long-term challenges facing the industry and also its importance to a well-functioning democracy; it said that the Scottish Government is “is committed to doing what we can to ensure it is maintained.”

Ned Sharratt
SPICe Research
28 September 2020

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot
Cairncross Review Recommendations and UK Government’s response

Summary of the government’s response to the recommendations

The following section sets out each of the recommendations Dame Frances made and summarises the UK government’s response. More information on the UK Government’s response can be found here:


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<th>Recommendation</th>
<th>UK Government Response</th>
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<td>1. New codes of conduct to rebalance the relationship between platforms and publishers</td>
<td><strong>The government agrees that codes of conduct that formalise the relationships between news publishers and online platforms may help to rebalance that relationship.</strong> As such, the government is working with interested parties to further assess this recommendation over the coming months. This will form part of a wider programme of work — which includes the government’s work in response to the Digital Competition Experts Panel’s recommendations in Unlocking Digital Competition and, in due course, to the Competition and Markets Authority’s (CMA) market study into online platforms and digital advertising — that seeks to set out the government’s approach to competition policy in digital platform markets.</td>
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<td>2. The CMA to investigate the workings of the online advertising market to ensure fair competition</td>
<td><strong>The government welcomed the CMA’s decision to launch a market study into online platforms and digital advertising.</strong> The CMA published their interim report in December 2019 and the government notes the range of potential interventions being explored; for example, measures to promote transparency and enhance data sharing. We will consider the findings of the final report (which is due for publication in July 2020) and take action if needed.</td>
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<td>3. Online platforms’ efforts to improve their users’ news experience should be placed under regulatory supervision</td>
<td>The government agrees platforms should take steps to help users identify the reliability and trustworthiness of news sources. Platforms’ efforts to help users identify the reliability and trustworthiness of news sources may continue and expand as a result of the proposals in the Online Harms White Paper.</td>
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<td>4. Developing a media literacy strategy alongside Ofcom, industry and stakeholders</td>
<td>The government accepts this recommendation. The Online Harms White Paper published in 2019 set out the government’s intention to develop a new online media literacy strategy. We plan to publish the strategy by the summer of 2020.</td>
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<td>5. Ofcom should explore the market impact of BBC News</td>
<td>The government welcomed Ofcom’s decision to conduct a review into the BBC’s news output. The review, which was published in October 2019, looked specifically at the BBC’s links to third party news sites, and Ofcom have indicated that they may look at this further.</td>
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<td>6. The government should launch a new fund focused on innovations aimed at improving the supply of public-interest news, to be run by an independent body</td>
<td>The government accepts this recommendation. The government has worked with Nesta to develop a pilot innovation fund which launched in October 2019. The government will evaluate this pilot to inform decisions on the full innovation fund ahead of the next Spending Review.</td>
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<td>7. The government should introduce new tax reliefs aimed at encouraging (i) payments for online news content and (ii) the provision of local and investigative journalism</td>
<td>The government has already committed to extending the existing business rates relief for an additional 5 years, until 31 March 2025. The Chancellor will consider the case for a range of potential tax incentives to support the news publishing industry this year.</td>
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<td>Recommendation</td>
<td>UK Government Response</td>
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<td>8. The Local Democracy Reporting Service (LDRS) should be reviewed and expanded</td>
<td>The government is supportive of this recommendation. The government strongly encourages the BBC to ensure a robust evaluation of the LDRS and supports the BBC’s plans to grow the scheme.</td>
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<td>9. Establish an Institute for Public Interest News</td>
<td>The government will not be taking this recommendation forward. While it acknowledges the value, the proposed institute is intended to provide, it is not for government to lead on this issue.</td>
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