



THE CAIRNCROSS REVIEW

A SUSTAINABLE FUTURE
FOR JOURNALISM

12TH FEBRUARY 2019

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Executive Summary

Executive Summary

“The full importance of an epoch-making idea is often not perceived in the generation in which it is made... A new discovery is seldom effective for practical purposes till many minor improvements and subsidiary discoveries have gathered themselves around it.”

Alfred Marshall:
Principles of Economics, 1890

It is now 35 years since the dawn of the internet, and more than ten years since Steve Jobs brandished the first iPhone and predicted that it “changes everything”. But only in the past decade have these epoch-making ideas begun to have a serious impact on the main sources of high quality news: television, radio and above all, the newspaper. The ways in which news is provided and the ways people find and read it are changing more rapidly and radically than ever before. This digital revolution is bringing enormous potential benefits to consumers, but is also challenging the future of news provision.

This Review was asked to consider the sustainability of the production and distribution of high-quality journalism, and especially the future of the press, in this dramatically changing market. It has looked at the overall state of the news media market, the threats to the financial sustainability of publishers, the impact of search engines and social media platforms, and the role of digital advertising.

The Review received a large body of evidence, and interviewed a wide range of people: journalists, academics, entrepreneurs, and representatives of every corner of the industry. From the evidence, the scale of the threat to the press was abundantly clear. The news publishing business is undergoing an extraordinary period of contraction in both of its main traditional sources of revenue: advertising and circulation.

But the evidence also showed the difficulties with recommending general measures to support journalism. Not only is it still unclear what shape the industry will eventually take - established companies have often found it hard to reinvent themselves and thus survive profound technological change (think of Kodak or Blockbuster). In addition, many national news publishers are viewed by the public with some mistrust (although mistrust for social media is much greater). Moreover, 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).¹ 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.

The goal of the Review has not been to protect news publishing companies themselves, but to advocate measures that will ensure the market in which they operate is efficient, and to defend their most democratically significant outputs. As such, the Review focused on the following two areas:

First, is the market in which publishers now operate a fair one, or has the rapid growth of the big online platforms² - especially Google and Facebook - created distortions that justify government intervention? The platforms now not only take a large share of the market for advertising, they also provide the routes that many people use to find news online. The Review offers some recommendations intended to create a better balance between publishers and platforms, and to persuade the online platforms to use their position in more accountable ways.

Second, 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.

In considering recommendations, the Review has primarily looked for ways to help publishers become self-sufficient: for ways to foster innovations in technology and in business models, and to ensure sustainable private provision of public-interest news. In the shorter term though, more direct support from government may be necessary to ensure a minimal level of provision. Undoubtedly new institutions will also be required.

In conducting this Review, I have had the support of a panel of advisers with experience of different aspects of the news business, including national and local papers, digital-only news, and advertising. I have also had considerable support from DCMS and from Enders Analysis. I have met a wide variety of people involved in the production of news, in various parts of the advertising industry, at Google, Facebook, Apple and Twitter, and the other main online outlets for news. I have conducted interviews across the UK, US and Brussels. I have also read the wide variety of replies to the Call for Evidence. However, the views expressed are ultimately my own.

The scale of change

The most striking aspects of the change that is occurring are its speed and its extent. A majority of people - in the case of young people, a huge majority - now reads the news entirely or mostly online. In 2018, the Reuters Institute for the Study of Journalism reported that 74% of UK adults used some online method each week to find news, and 91% of 18-24 year olds.³ Most online news is available for free and much of it is carried by aggregators such as Google News or Apple News, posted on Facebook’s news feed, or sent from one person to another at the tap of a finger. This vastly expanded availability of news, and the speed with which it can be found, is clearly something that people value.

At the same time, sales of both national and local printed papers have plunged: they fell by roughly half between 2007 and 2017,⁴ and are still dropping. In addition, print advertising revenues, which used to carry much of the cost of producing news, have fallen even faster, declining in a decade by 69%.⁵ Small wonder so many news groups are struggling, including digital-only groups like *HuffPost* and *Buzzfeed*, as well as many local newspaper publishers. To cut costs, there have been mergers, as well as heavy cuts in staffing: the number of full-time frontline journalists in the UK industry has dropped from an estimated 23,000 in 2007, to 17,000 today, and the numbers are still swiftly declining.⁶

Moreover, the switch to online has changed the way people find news and the way they absorb it. They are much less likely to see the mixed bundle of politics, finance, entertainment and sport that constitutes many papers, and more likely to see an individual story, chosen by a computer program and not necessarily clearly labelled with the name of a particular publisher. This “unbundled” experience has implications for the visibility of public-interest news and for trust in news.

Yet the transformation has happened because it offers people something they like: free and portable access to a vast array of news sources and stories, constantly updated and easily shared with others. So the main question the Review confronts in **Chapter 1** is why society should care about the disruption of journalism, and of high-quality journalism in particular, and why it might want to intervene in what is happening. The chapter considers a range of studies which 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.

The key findings of Chapter 1 are:

- High quality journalism generally abides by certain standards for content and accountability, but it is ultimately a subjective concept, and includes endeavours (such as fashion and sports reporting) for which it is harder to justify government support.
- Investigative journalism and democracy reporting are the areas of journalism most worthy and most under threat.
- Although news can be found on television and radio, written journalism (whether in print or online) supplies the largest quantity of original journalism and is most at risk.
- The cost of investigative journalism is great and rarely seems to pay for itself.
- The reduction in public-interest reporting seems to reduce community engagement with local democracy (such as voter turnout) and the accountability of local institutions.
- The chapter **concludes** that, given the evidence of a market failure in the supply of public-interest news, public intervention may be the only remedy.

Chapter 2 reports on the dramatic changes in the market for news: the fall in print circulation of both national and local papers, and the changes in the ways people now navigate to news online and the ways they absorb it. The digital revolution has not just affected how people arrive at news online; it has also changed their habits and their attitudes to news. Three-quarters of adults now look at news online each week, although half of them worry about misinformation (“fake news”⁷) too.

People read more sources of news online, but spend less time reading it than they did in print. They increasingly skim, scroll or passively absorb news, much of it “pushed” news: i.e., news presented on a site such as Google News, Facebook’s news feed or Apple News.

The key findings of Chapter 2 are:

- How people choose their news provider is increasingly influenced by what the online platforms show them and is largely based on data analytics and algorithms, the operation of which are often opaque.
- Social feeds and search results show snippets and single articles. This creates a more disaggregated news experience than traditional news media.
- Online content is effectively “unbundled”. The different sections of a print newspaper are brought together into one product. Online, readers can select only the articles they wish to view, without necessarily being exposed to other content. So, they may be less likely to read public-interest news.
- Half of UK adults worry about fake news. [add Footnote] A quarter do not know how to verify sources of information they find online. So, users need to acquire the right skills to spot fake news, and online platforms must identify and quickly remove the deliberate spread of fake news on their services.⁸

The chapter **concludes** that intervention may be needed to determine what, and how, news is presented online, to improve people's ability to assess the quality of online news, and to measure their engagement with public-interest news.

Chapter 3 discusses how news publishers are responding to the shift online and their plummeting revenues. Classified advertising (e.g. used car sales, offers from local businesses), particularly important to the finances of local papers, has largely migrated to online sites, especially Google Search. Online advertising revenue has not grown nearly as fast as publishers had hoped, nor come close to compensating them for the decline in print revenue. Some are now trying various subscription strategies. Most newspapers have lacked the skills and resources to make good use of data on their readers.

The key findings of Chapter 3 are:

- Publishers' digital advertising revenue is much lower than they had hoped. The potential is especially dim for smaller and local publishers.
- The decline in news publishers' advertising revenue results partly from the fact that the space for ads, once limited by the size of newspapers, is almost limitless online.
- To boost online ad revenue, publishers aim to maximise the number of times readers click on one of their pages. This has led some to push "clickbait" content and sensationalist headlines to generate a higher number of clicks.
- To compensate for falling print and advertising revenues, publishers have increasingly focused on direct payments from users.
- Some news publishers operate subscription schemes. So far, success is limited: UK consumers are much less used to buying papers on subscription than Americans and many Europeans.

- This strategy may work better for broadsheets, global brands, and specialist publications than for tabloids and smaller players.
- The revenue gap for local news providers is larger and harder to plug.
- Some publishers see BBC News Online, which is free at point of use, as an obstacle to selling subscriptions.

The chapter **concludes** that publishers face significant revenue challenges online. It explores the case for more favourable tax treatment for online subscriptions.

It also urges the BBC to think more carefully about how its news provision can act as a complement to, rather than a substitute for, commercial news.

Chapter 4 focuses on the huge power of the online platforms, *both* in the market for online advertising *and* in guiding online readers to news.

The key findings of Chapter 4 are:

- Between them, Google and Facebook appear to have captured the majority of online advertising revenue.
- The online advertising market is complex and opaque. There is undoubtedly a lack of transparency across the advertising supply chain.
- The power of the online platforms results partly from their sheer scale, and partly from the wealth of personal data they harvest. Their superiority makes it hard for publishers to compete.
- The more prominent news content is on the online platforms, the more likely are readers to click through to news publishers websites, and the more advertising revenue (and potential subscribers) news publishers will acquire.

- The online platforms regard this as a fair exchange, and have successfully resisted attempts - most notably in Spain and Germany - to get them to pay publishers for carrying news content.
- The online platforms can impose terms on publishers without consulting or negotiating with them.
- It is difficult for publishers credibly to threaten to remove their content from the online platforms. Without that threat, they cannot easily negotiate fairer terms for the distribution of their content.
- Policy makers - most notably across Europe and in Australia - are increasingly concerned about the potential market power of the online platforms.

The chapter **concludes** that the opacity of the market for online advertising, and the market shares of Facebook and Google, are justification for regulators to study the market. Policy-makers should also seek to ensure that the unbalanced relationship between publishers and online platforms does not threaten the viability of publishers' businesses.

Chapter 5 explores ways to ensure a sustainable future for public-interest news, and especially for local democracy news and investigative journalism. The supply has been reduced especially at the local level, as publishers have cut costs in response to falling revenues.

The key findings of Chapter 5 are:

- As a result of falling revenues, publishers have cut costs dramatically. This has hurt the provision of all types of public-interest news, but local level democracy reporting the most.

- Some start-ups have begun to provide local coverage and there are promising examples of innovations to bolster the provision of public-interest news, but these are unlikely to be sufficient.
- While all types of public-interest journalism are in difficulty, the scale of the revenue gap of local publishers, combined with the public's limited appetite for local democracy reporting, creates a unique challenge.
- Local news publishers are now less essential to community life. Facebook offers a hub for local groups, with more speed, versatility and local involvement than local publishers offer.
- The interventions described in previous chapters may not be sufficient to ensure the adequate supply of local public-interest journalism.
- To plug this gap, it will be necessary to develop more targeted interventions.

The chapter **concludes** that government has a role in helping publishers adapt to the online world, by encouraging the development and distribution of new technologies and business models. This should help all forms of high quality journalism, but support for public-interest news providers is particularly urgent and justified. In the immediate future, government should look to plug the local gap to ensure the continued supply of local democracy reporting.

Chapter 6 recommends some measures to tackle the uneven balance of power between news publishers and the online platforms that disseminate their output; and some to address the growing risks to the future provision of public-interest news. Though the summary below includes only this Review's recommendations, a number of other options were discussed but ultimately rejected. These are discussed at the end of the relevant chapters.

The recommendations of Chapter 6 are:

Recommendation 1: New codes of conduct to rebalance the relationship between publishers and online platforms

To address the unbalanced relationship between publishers and the online platforms upon which they increasingly depend for referral traffic (certainly Google and Facebook, perhaps Apple), the Review **recommends** that these platforms should be required to set out codes of conduct to govern their commercial arrangements with news publishers. The process would be overseen by a regulator, with powers to insist on compliance and particular skills in understanding both economics and digital technology. Once approved by the regulator, these codes can form the basis for individual negotiations between publishers and online platforms. In time, the regulator might move to set out a compulsory set of minimum requirements for these codes. The regulator would therefore need a full set of powers to command information and ensure compliance. If those powers proved insufficient, government should implement stronger measures.

Recommendation 2: Investigate the online advertising market to ensure fair competition

The Review **recommends** that the Competition and Markets Authority use its information-gathering powers to conduct a market study into the online advertising industry. By looking more closely into the position of different players, their roles, costs and profitability, the CMA will be able to identify how efficiently the online advertising market is working, and what remedies, if any, are needed.

Recommendation 3: News quality obligation

The Review **recommends** that the online platforms' efforts to improve their users' news experience should be placed under regulatory supervision. Online platforms have already developed initiatives to help users identify reliability, and the trustworthiness of sources. They must continue and expand these efforts, but do so with

appropriate oversight. This task is too important to leave entirely to the judgment of commercial entities. The initial requirement would be only a reporting one, to allow a regulator to gather information on the steps online platforms are taking to improve people's awareness of the origins and quality of the news they read.

Recommendation 4: Media literacy

The Review **recommends** that the government should develop a media literacy strategy, working with Ofcom (which has a statutory duty to promote media literacy), the online platforms, news publishers and broadcasters, voluntary organisations and academics, to identify gaps in provision and opportunities for more collaborative working.

Recommendation 5: Ofcom to explore the BBC's market impact; and the BBC to do more to help local publishers

Although the Review was not asked to comment on the BBC, it **recommends** 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.

Recommendation 6: Innovation funding

Given the pressing need for news publishers to develop new approaches and tools, this Review **recommends** that the government launch a new fund, focused particularly on innovations aimed at improving the supply of public-interest news. Initially, the fund should be managed by Nesta, and in due course by the Institute for Public Interest News described below. It should focus on innovation that will not just benefit the recipient, but be sufficiently generous and well-managed to make an industry-wide difference.

Recommendation 7: New forms of tax relief

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.

The Review **recommends** extending the zero-rating of VAT to digital newspapers and magazines, including digital-only news publications. The present arrangement actively discourages publishers from developing online payment mechanisms. The Review also **recommends** that government gives priority to exploring the development of a form of tax relief, ideally under the Charities Act but if necessary along the lines of the Creative Sector reliefs, to support public-interest journalism.

Recommendation 8: Direct funding for local public-interest news

The Review **recommends** that direct financial support for local news should be expanded. Government should encourage the refinement and extension of the Local Democracy Reporting Service currently managed by the BBC. In due course, management of the service should be passed to, or shared with, the proposed Institute for Public Interest News.

Recommendation 9: Establish an Institute for Public Interest News

The Review **recommends** the creation of a new Institute for Public Interest News. A dedicated body could amplify efforts to ensure the future sustainability of public-interest news, working in partnership with news publishers and the online platforms, as well as bodies such as Nesta, Ofcom, the BBC and academic institutions. Its governance should ensure complete freedom from any political or commercial obligations, and its strategic objective would be to ensure the future provision of public-interest news. It would

become a centre of excellence and good practice, 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. It would collaborate with the many institutions seeking to contribute funds, organisation or ideas. If new business models fail adequately to support public-interest news, and especially local democracy reporting, the Institute might become a rough equivalent to the Arts Council, channelling a combination of public and private finance into those parts of the industry it deemed most worthy of support.

Conclusion

Together, the proposals put forward by this Review have the potential to improve the outlook for high quality journalism. They are designed to encourage new models to emerge, with the help of innovation not just in technology but in business systems and journalistic techniques.

However, the fact remains that we are likely to see a further decline in the size of the UK's news publishing sector - in journalists and in titles. Ultimately, the biggest challenge facing the sustainability of high quality journalism, and the press, may be the same as that which is affecting many areas of life: the digital revolution means that people have more claims on their attention than ever before. Moreover, the stories people want to read may not always be the ones that they ought to read in order to ensure that a democracy can hold its public servants properly to account. This Review has therefore dwelt most on what it considers to be the most significant functions of journalism - ensuring public accountability and investigating possible wrongdoing. And whereas new business models may continue to support good journalism in many different forms, they may not always support this public-interest news.

So as well as seeking to deliver improvements to the market for news, and encouraging innovation, this Review proposes that most energy be given to measures which incentivise the provision and consumption of public-interest news. This will require new sources of funding, removed from direct government control. It will need institutional and financial structures that combine a guarantee of independence with adequate support. That will be a difficult combination to secure, but the future of a healthy democracy depends upon it.

A handwritten signature in black ink, appearing to read 'Frances Cairncross', written in a cursive style.

Frances Cairncross

12th February 2019

Chapter 1

Why should we care about the future of journalism?

Chapter 1 – Why should we care about the future of journalism?

Key findings:

- Investigative journalism and democracy reporting are the two forms of journalism which are both most worthy and most under threat.
- High quality journalism is a subjective concept and could apply to endeavours that would not warrant government support.
- Although news can be found on a number of different media, written journalism (whether in print or online) supplies the largest of quantity of original journalism and is most at risk.
- The cost of investigative journalism is great and rarely results in significant financial reward.
- The reduction in democracy reporting leads to a fall in community engagement (such as voter turnout) by local residents.

Introduction

News publishers are in difficulties, as later chapters in this Report explain, but why does this matter? The Internet has disrupted many industries. So why should society care particularly about the disruption of journalism, and of high-quality journalism in particular? More people now read news online than ever read news in print. Online distribution makes news more widely available – and less expensive for readers – than ever before. Yet, alongside the benefits that online distribution brings, the Internet has also created significant problems for news publishers. Print circulation has been drifting down

since the 1950s,⁹ but the decline has accelerated since the advent of the Internet, and especially since the arrival of the smartphone just over a decade ago. A sharp fall in revenues has already killed many local newspapers and threatens the quality, if not the survival, of many nationals.

This chapter explores the reasons for worrying about the survival of news publishing and of the professional skills it relies upon to inform the public. The news industry, it argues, plays an important democratic function that supports participation in local and national society, and safeguards the public-interest by reporting on the activities of the powerful and the workings of the state.

To examine what it is about journalism that is central to a properly functioning society and democracy, this chapter will first outline what it means by “high-quality journalism” before discussing two specific forms of journalism which matter particularly to a healthy democracy, both of which appear to be especially at risk, and which the public has an interest in finding ways to support.

In making the case for intervention in support of journalism, it is important at the outset to acknowledge three points, all of which were mentioned in evidence to the Review. The first, made in evidence submitted to the Review by Dr Marc Edge of the University of Malta, is that most national newspapers and regional newspaper groups are generating good profits, with margins of 10% or more. Dr Edge wrote that: “not only are newspapers profitable on an operating basis, most are more than just marginally so...most newspapers have coped with the downturn in their revenues by cutting their costs in lock step.”¹⁰ News publishers have achieved continued profitability

by cutting back on the breadth and depth of their news reporting service (the expensive part of their editorial bundle). For several publishers, a large proportion of the resulting 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 had less money available for investment in the substantial innovation that a successful digital future requires and less money to devote to the categories of journalism that, as argued below, are most important for the democratic process.

It is evident that cost cutting has led to heavy cuts in staffing: work commissioned by the Review from Mediatique¹¹ estimates that the number of front-line journalists in the industry fell from an estimated 23,000 in 2007, to just 17,000 today.¹² Evidence from the NUJ added weight to Dr Edge's analysis. For example, the National Union of Journalists said, in August 2018, Newsquest made 10 redundancies in its Bradford office the day after Gannett, its US-based parent company, announced that the changing value of the pound had given them a windfall of \$13.2 million (£10.2 million) and that shareholders would receive a \$18.1 million (£14 million) dividend.¹³ More recently, in January 2019, several digital native publishers, once believed to be the future of news publishing, announced significant staff layoffs. *Buzzfeed*, for example, was reported to be making 200 staff redundant, despite achieving double-digit growth in revenues in 2018 and an income of \$300 million (£231 million).¹⁴

The second is the difficulty of engaging government in supporting the very institutions which society most needs to hold it to account. If the state directly finances the production of news, the effect may be to undermine trust in the press still further, at a time when it needs rebuilding. Institutions that may protect the press in future therefore require careful separation from government.

The third point is the current widespread mistrust of journalism and the press in the UK. By far the largest number of responses to the Call for Evidence came from members of the public who

argued that the Review should not recommend giving money to news publishers. Some claimed that newspapers merely purveyed political propaganda for their wealthy owners. Many deplored the reluctance of most newspapers to implement the provisions of the Leveson Inquiry and the subsequent cancellation of the Inquiry's second stage. Trust in traditional media, and especially in the national press, has fallen sharply in the past decade, although it now shows some signs of recovery.¹⁵ This lack of trust could itself undermine public backing for intervention designed to support journalists and news publishers.

It is all the more important, therefore, to make a robust case for any intervention, as this Review seeks to do, and to design and focus that intervention carefully. The issue of trust (or mistrust) in the news media also influences the debate about fake news and the difficulty many people have in recognising which news is of high quality and trustworthy and which is not, especially with respect to news found online. Chapter 2 looks in more detail at the issue of trust, and the impact it may be having on the sustainability of news publishers.

This Review is concerned with the sustainability of high quality journalism in the UK, but other countries are also looking for solutions. The UK is not alone in experiencing declining newsprint circulations and revenues, nor is it alone in recognising the important role the press plays in the life of a country, and trying to find ways to sustain it. The experience of news publishers in the UK is part of a much wider, global trend. Journalism, both online and in print, is in serious difficulty in the US, Canada, Australia and across Europe. Other countries are also hunting for ways to ensure that good journalism continues to flourish, even if physical papers do not. In Australia, the Australian Competition & Consumer Commission (ACCC) has recently published the preliminary report of its inquiry into the impact of digital platforms on competition in the media and advertising services markets.¹⁶ In Canada, a CAN\$595 million (£348

million) tax package was implemented in 2018 to help arrest the disappearance of jobs in journalism, and a significant number of other countries provide direct subsidies, often in the form of tax exemptions, to support news publishers.¹⁷ In Europe, the recent movement towards updating the EU Copyright Directive seeks a solution to the problems facing news publishers by restructuring the terms of trade that exist between publishers and search and social media platforms.¹⁸ This Review has watched all of these discussions closely. This is an area where internationally applicable answers are especially desirable.

1.1 What kinds of journalism matter most?

1.1.1 Defining “high quality journalism”

This Review set out to examine the future of “high-quality journalism”. It heard, not surprisingly, widely differing and conflicting suggestions for how that term should be defined.

Many responses defined “high quality” in terms of how journalism is produced, with some emphasising the importance of professionally trained journalists and/or professional editing. A number of frameworks governing content standards and editorial decision-making exist, including professional codes (such as that of the Independent Press Standards Organisation) to which some professional journalism associations and newspapers subscribe. Some responses focussed on the regulatory background of the provider. Thus, Professor Brian Cathcart argued that the Review should transfer the task of definition to the Press Recognition Panel, as a body that is “qualified...independent of the press industry...[and] charged with acting in the interests of the public.”¹⁹ The Press Recognition Panel (PRP) was set up under Royal Charter as a result of the Leveson Inquiry, to judge whether press

regulators meet the Inquiry’s recommended criteria for recognition under the Charter. Important though issues of press regulation are, they have not been the direct concern of the Review. Moreover, these definitions focus too much on the credentials of journalists and their employers, rather than on their output.

Some definitions assumed that it was mainly upmarket national newspapers and a few magazines that produced “high-quality journalism”. Others argued that quality could be judged by the amount of attention people give to the content, including their willingness to pay for it. The consumption of news online makes it possible for news providers to see which stories people read, and which they linger on for longest, but that hardly solves the problem. Some of the pages that are most frequently visited and for the longest time are produced with great skill but carry celebrity or sports gossip: subjects that would never justify (or require) public support to ensure their survival.

Ultimately, “high quality journalism” is a subjective concept that depends neither solely on the audience nor the news provider. It must be truthful and comprehensible and should ideally - but not necessarily - be edited. You know it when you see it; but this is not a definition that justifies direct public support.

Defining “Public Interest News”

“High quality journalism” is desirable, but that alone does not justify specific government intervention to ensure that it survives, or is available to the right people. This argument was well made in the evidence submitted by Martin Moore and Gordon Ramsay of the Centre for the Study of Media, Communication and Power at King’s College London. What needs support, they contend, is not “high-quality journalism” but “public-interest news and information”. They wrote:

“It is not clear to us that the sustainability of high-quality journalism is the primary problem for UK democracy and society. There could be a dearth of high-quality film reviews, consumer product reviews or travelogues. Yet if this was the case, there is no evidence to suggest that this would threaten community cohesion, undermine public accountability and jeopardise democratic legitimacy. By contrast, there is evidence that a dearth of public-interest news and information, especially reporting of public authorities, can have dire democratic consequences.”²⁰

A doctoral thesis by Rachel Howells of the University of Cardiff²¹ quotes a number of studies that elaborate this point. All of these studies (including Dr Howells’s own study of the retreat of news coverage from Port Talbot in Wales) demonstrate a clear link between the disappearance of local journalists and a local newspaper, and a decline in civic and democratic activities, such as voter turnout, and well-managed public finances.

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.

1.2 The wider landscape of news provision

There are a number of ways in which news reaches people in the UK. Although newspapers are generally still the main original sources for stories, including public-interest news, they are by no means the primary means by which people read those stories. According to the Reuters Institute for the Study of Journalism’s *Digital News Report 2018*, 74% of UK adults read news each week via an online source (including social media), with 66% using TV, 39% printed newspapers, and 34% radio.²²

The availability of news on TV and radio has expanded considerably in recent years. On television, public-service broadcasters must meet quotas (set by Ofcom) for the provision of news and current affairs; and all UK broadcasters are bound by requirements for impartiality and accuracy under the terms of Ofcom’s Broadcasting Code.²³ Over the last ten years the choice of news channels has grown, with the Digital Terrestrial Television (DTT) switchover in 2012, which now allows digital television to reach 95% of UK homes and provides three more news channels. Ofcom’s report *News Consumption in the UK: 2018* shows that among adults who use TV for news nowadays, the most popular channel is BBC One (78%), followed by ITV (52%) then the BBC News Channel (33%) and Sky News Channel (30%).²⁴

Not only do television and radio broadcast news have to meet certain quotas; they are also, more or less, well funded. The BBC received £3.8 billion from the licence fee in 2017/18, and part of that fee is used to deliver the Corporation’s commitment to provide high-quality journalism. Commercial news broadcasters, such as ITV, Channel 4, Channel 5 and Sky, tend to operate a cross-subsidy model. The relative stability of TV and radio advertising around other forms of content has helped to cover the costs of providing news.²⁵

So TV and radio both offer considerable news coverage throughout the day – and news, moreover, which has to reach high standards of

accuracy and impartiality. Both sometimes carry important original stories. The Government does not interfere with the freedom of broadcasters to make editorial decisions.

News publishers, whether online or on paper, play a different role in the UK. The press is not required to be politically impartial, and so newspapers can offer a greater diversity of viewpoints and opinions. Because of its hard-won position as a powerful institution independent of the state, the published press is more likely to be a check on holders of power. Moreover, the press has invested more money and skilled journalists into news gathering than broadcasters have done.²⁶ Work commissioned by the Review from Mediatique suggests that the traditional print newsbrands contribute by far the biggest share of all editorial content costs among the three main news providers: publishers, broadcasters, and digital natives (such as *HuffPost* and *Buzzfeed*). “All told,” reports Mediatique, “newspaper publishers are responsible for 50% of all frontline journalism costs...in the UK”. Newspapers, in other words, still play the central role in financing the creation of original journalism, accounting for as much as broadcasting and online put together.²⁷

Thus, broadcasters are more likely to carry news stories that have first appeared in newspapers, rather than vice versa. This is even more the case for local news. Local newspapers tend to cover a specific town or local area, whereas broadcasters tend to be regional, and so they frequently draw upon local newspapers as a source for local news stories with wider implications. As the Review discusses later, this makes local newspapers a particularly important component of overall national news coverage.

In future, broadcast news may come under many of the pressures that now affect print journalism. There are growing signs of a structural decline in television viewing across all ages. As people watch less TV, they are likely to see and hear less broadcast news, and the finance to provide high-quality broadcast journalism, much of which comes from TV advertising, may also decline.

The role and sustainability of news publishers (online or offline) is thus especially important, in order to ensure continued high levels of quality output. The following sections explore in more detail the two types of public-interest news that this Review believes matter most.

1.3 Investigative journalism

News publishers have long been the main institutions throwing light on activities by government, businesses or individuals that are unethical or illegal, but that might not otherwise surface. Such “investigative journalism” is expensive and time consuming. Some newspapers do no investigative journalism – *Metro*, the free paper with the largest UK circulation is an example. Others do lots – *Buzzfeed*, an entirely online publication, has for some time deployed an impressive team of investigative journalists. Some broadcasters also specialise in investigative journalism, as with programmes such as *Panorama*, *Dispatches* and *Unreported World*. However, it is the traditional press that still undertakes most investigative journalism.

Does investigative journalism justify public support? It is, on the face of it, surviving the transition from print to digital. There are a number of apparently successful new players. The *Bureau for Investigative Journalism*, founded in 2010, produces a steady stream of public-interest stories, often in collaboration with national newspapers, as does its new spin-out, *Bureau Local*. *The Ferret*, which gave evidence to the Review in Glasgow, describes itself on its website as “an award-winning investigative journalism platform for Scotland and beyond” and “a registered co-operative, with places reserved for both journalists and subscribers on the board”. *The Bristol Cable*, which also gave evidence to the Review, provides another example of co-operative journalism with a focus on investigations. In the United States, an impressive example is *ProPublica*, which describes itself as “an independent, non-profit newsroom that produces investigative journalism with moral force”,

and its role as “exposing abuses of power and betrayals of the public trust by government, business, and other institutions, using the moral force of investigative journalism to spur reform through the sustained spotlighting of wrongdoing.” The International Consortium of Investigative Journalists (ICIJ), a non-profit organisation that specialises in cross-border investigative stories, which it describes as being some of “the most expensive and riskiest in the world”, provides yet another example. The ICIJ broke the story known as the “Panama Papers”, which detailed the seamier side of the offshore finance industry. The Consortium relies mainly on charitable foundations to support it. All these show the potential for purely investigative journalism to exist and thrive in a digital world.

However, all of these newer organisations rely partly on other outlets to reach the sort of audience that gives their stories the profile they need to influence public opinion and policy. *ProPublica* has a tab on its website labelled “Steal our stories,” explaining the basis on which others can recycle its work with suitable attribution. The ICIJ, too, proclaims: “we give our work away for free”. To be truly effective, investigative journalism needs wide dissemination. The online world provides that in spades, and in time will do so even better. However, investigative journalism needs something else that, for the moment, even the best specialist investigative bodies cannot match: scale and resource. In both the UK and the US, traditional news publishers still dominate investigative journalism. Thus the 2018 British Journalism Award for Investigation of the Year went to *The Observer*’s Carole Cadwalladr for her work on the Cambridge Analytica/Facebook data scandal, and six of the eight nominations went to news publishers (and two to broadcasters). Even more telling, the Pulitzer Prize for Investigative Reporting, US’s highest accolade for investigative journalism, has been won in the past decade eight times by a newspaper (once in collaboration with *ProPublica*), once by Associated Press and once by the Center for Public Integrity, one of the country’s oldest and largest not-for-profit organisations. This suggests that newer online

organisations are still far from mustering the resources and skills that allow the published press to be society’s most important watchdogs.

Investigative journalism is easily the riskiest and most expensive activity that most publishers undertake. It involves setting aside one reporter or more to pursue leads, sometimes for several weeks or months, that may go nowhere. Or the result may be a legal challenge by the target individual or company either before or after publication, which is costly to fight in court.

Such journalism presents an enormous challenge, but it is also at the heart of the journalist’s role as guardian of public probity. Stories such as the scandal over the expenses claims of MPs, brought to light by *The Telegraph* in 2009, or the 2010 investigation by *The Sunday Times* into FIFA, which uncovered corruption on a massive scale and eventually led to the arrest and conviction of high-ranking FIFA officials for fraud, or the *Daily Mail*’s investigation into the unethical fundraising of some of Britain’s biggest charities, or the work of *The Times* in 2011 to uncover the scandal of the exploitation of young girls in Rotherham; or more recently, *The Guardian*’s 2018 investigation into misuse of data by Cambridge Analytica: all these have influenced public policy.

Do newspapers recoup the costs of producing such stories with extra readers? The Review has seen no evidence on this; rather, as the box on page 19 shows, it seems likely that much investigative journalism is undertaken by the mainstream press as an investment in reputation. There may be direct rewards in a digital world: one online journalist told the Review that people spent longer reading investigative news, which made it more valuable to advertisers. However, advertising revenue generated by the article is unlikely to approach anywhere near the cost of creating that content in the first place. Thus, if the transition to digital and a consequent decline in publishers’ revenues is likely to reduce the supply of good investigative journalism, the public has an interest in finding ways to support it.

Case Study: The Cost of Investigative Journalism

The cost of conducting investigative journalism is, by its very nature, impossible to quantify precisely. There are myriad factors, such as the number of journalists working and the length of the investigation, that mean there is no such thing as an “average” investigation. Further, an investigation may not find anything worth reporting. Richard Tofel, President of *ProPublica*, told the review that “investigative journalism is expensive and uncertain; it is like drilling for oil – with lots of dry holes”.²⁸

Moreover, most news publishers do not separate out the cost of investigations from the overall running costs of the newsroom. The salary paid to one journalist, for example, might represent work done on an investigation along with other reporting; likewise with legal or administration costs. However, the Bureau of Investigative Journalism supplied the Review with data for a rough estimate, by breaking down costs as follows:

Overheads	£220,000
Staff (e.g. journalists and editors)	£980,000
Overall Budget	£1.2 million

The cost of overheads includes office, accounts, stationery, IT and website, plus £40,000 which is spent on fundraising, as well as fact-checking, right-to-reply and legal costs, all of which can be lengthy and expensive. The staff costs include salaries for a CEO, three editors, ten full time journalists, a community organiser (who oversees collaborations with Bureau Local) and an operations manager. These costs, they claim, would be enough for approximately 32 investigations.

However, because the Bureau works in partnership with other publishers, and does not publish its own investigations, they do not include the costs of turning these investigations into television reports or of running a news publication (whether in print or digital).²⁹

Others gave similar figures. News UK, for example, claimed that *The Times*’s investigation into sexual abuse by charity workers, and the subsequent cover up by Oxfam, cost £48,000 and went on for 10 months. This cost included reporters, editors, freelance photographers, senior editors, legal department and travel costs, not to mention the various designers and graphics editors who helped publish the story. The figure does not include overhead costs, which means that the investigation relied upon a significant infrastructure already in place. What is perhaps more striking than this, however, is that News UK also claimed that *The Sun* spent £73,000 on an investigation that was not published, because it failed to meet the evidentiary threshold for publication. This cost covered senior staff, security and legal costs and travel. The outlay, for no return, illustrates the great cost of high quality journalism.³⁰

Sean O’Grady (Associate Editor of *The Independent*) also told the review that, although *The Independent* has never had a dedicated investigations team, the probable costs would include:

“...about £100,000 for a head of investigations/editor, plus say an average of £50,000 each for the team. Add 10 percent for on-costs and sundries. So I’d say half a million a year in extra editorial costs for a “team”... even for rich papers, it’s not trivial.”

Mr O’Grady agreed that there was no guarantee of any return on this investment. Some investigations lead nowhere; others must fight injunctions; others are not strong enough to make the front page. Online, stories are rapidly copied, meaning that the scoop is lost and, after all, the reader may simply be more interested in celebrity gossip than in human trafficking.³¹

1.4 Reporting on democracy

Newspapers have traditionally devoted much space to covering the work of the machinery of government. With the erosion of their revenues, some of that coverage has diminished. The decline appears to have been particularly stark in the case of the courts (at both national and local levels), and of local news. It is, of course, local news provision that has suffered the largest contraction in recent years. These gaps do not appear, as yet, to be filled by a growth in online coverage, and as this Review will argue, online revenues seem unlikely ever fully to support an adequate amount of democracy reporting across the UK.

The decline in democracy reporting has been highlighted by a number of researchers. A study carried out by Brian Thornton at Winchester University found that court reporting in the four years from 2012 to 2016 had dropped by 30% in the national newspapers and by 40% in regional newspapers.³² In 2018, Lord Igor Judge, a former Lord Chief Justice, called this decline a threat to the justice system. Justice needs to be seen to be done, he argued, ideally by those who can accurately and impartially inform the public about the legality of rulings. A study by Gordon Ramsay and Martin Moore, carried out in 2015, also found “mounting evidence...that local councils, courts, public bodies and local business are being less attended and less reported on than they were”.³³ They argued that the declining fortunes of the local press were reducing the extent of democracy reporting, although they acknowledged that the exact deficit had yet to be quantified.

Behind these disturbing trends lies a transition described in more detail in the next chapter.

This transition has had a more devastating financial impact on local press than on the national press. As the number of local reporters has shrunk, so has their coverage of the whole machinery of

local democracy, including local councils, health authorities and school boards.

This decline in coverage of local institutions has an important and worrying impact on society. One example of what may happen when local reporting contracts was the Grenfell Tower fire. In 1990 the *Kensington and Chelsea News* had ten journalists covering the borough; it now merely shares resources with other titles in the group. In 2017, a former journalist on the *News* told *Press Gazette* he was certain it would have investigated residents' concerns about fire safety if it had had more staff.³⁴ In his speech to the Edinburgh TV festival in 2017, the broadcaster Jon Snow also argued that the lack of a strong local paper was a key reason why the authorities failed to heed local concerns and warnings about the Tower.³⁵

A growing body of academic work in the United States suggests that the loss of a newspaper has less obvious detrimental impacts on local government and politics. For example, a study by Sam Schulhofer-Wohl and Miguel Garrido, published in 2009, analysed voter turnout, number of candidates and re-election of incumbents in Cincinnati with respect to the closure in 2007 of *The Cincinnati Post*, leaving the city with only one local daily paper, the *Cincinnati Enquirer*.³⁶ The study found that, in the following year, fewer candidates ran for municipal office in the Kentucky suburbs most reliant on *The Post*, incumbents became more likely to win re-election, and voter turnout and campaign spending fell. The authors argue that newspapers – even underdogs such as *The Post*, which had a circulation of just 27,000 when it closed – can have a substantial and measurable impact on public life. Two other large-scale US academic studies have found that the presence of one or more local newspapers keeps local authorities in check and makes them more efficient, partly by auditing their spending and generally by acting as a watchdog.³⁷

In the UK, Martin Moore and Gordon Ramsay use similar language, referring to the role of a journalist as a “scarecrow”.³⁸ The very existence of journalists, they argue, who might investigate and write about abuses of power, acts as a threat that keeps the powerful in check. Their work suggests that the role of a local newspaper is not just to inform the citizen about political issues, but also to increase engagement in the political process and to encourage better management of local finances.³⁹

Rachel Howells’s research in Port Talbot, Wales, following the closure of *The Port Talbot Guardian* in 2009, provides both quantitative and qualitative evidence of a consequent democratic deficit.⁴⁰ Dr Howells found a decline of almost 90% in reporting by journalists at Port Talbot local council meetings, public meetings or political party meetings over the period from 1970 and 2013. In addition, the proportion of stories based on sources local to the Port Talbot area declined from under 60% to 44% by 2013 – with voices from outside Port Talbot rising. In extensive interviews with local people, Dr Howells recorded that they felt frustration at their inability to influence decisions being made in institutions such as the local council and the Welsh Assembly. She discovered high levels of rumour and speculation. People felt it was difficult to find out what was going on in the town, to know where to complain, and to get answers to questions. She also found that voter turnout suffered.

What is particularly noteworthy about Dr Howells’s research is that she noticed a decline in measures of democratic and civic engagement after journalists ceased to be based in the town and to cover it in the depth they once had, and before

the local newspaper closed.⁴¹ This does not mean that a local newspaper is not important (after all, journalists need somewhere to publish their work), but that the mere survival of a local title may not be enough to safeguard democratic and civic engagement if the journalists who fill its pages no longer work close by.

Overall, this evidence suggests that it is right to be concerned about the supply of democracy reporting, both now and in the future. Might the market eventually provide the resources to ensure sufficient provision of this essential form of reporting? It seems improbable, if only because reader interest is unlikely to generate the revenues. Readers rarely pay directly for local news (via subscriptions or donations), and few sign in or register with a local publisher’s site, making it harder for publishers to compile detailed data on their readers which might help them to increase their advertising revenues. In the case of national institutions, the sheer scale of the possible audience will help to preserve some – possibly reduced – level of reporting on the machinery of government. That scale will likely never be possible for local papers, whose revenues from cover price and classified and display advertising have all declined considerably.

The following chapters explore how news publishers have responded to the shift to online and assess their attempts to build new business models for the digital age, before going on to argue that, given the evidence of a market failure in the supply of public-interest news, public intervention may be the only remedy.

Chapter 2

The changing market for news

Chapter 2 – The changing market for news

Key findings:

- In 2018 74% of UK adults said they looked at news online each week, increasing to 91% of 16-24 year olds.⁴² Online is the most popular way of accessing news – ahead of TV, radio, and print.
- Print circulation has halved over the last ten years – national papers from 11.5m daily copies in 2008 to 5.8m in 2018 and for local papers from 63.4m weekly in 2007 to 31.4m weekly in 2017.⁴³
- The move to digital has changed how UK audiences navigate to news online – and for many UK newspapers, Google and Facebook are the main channels through which traffic is funnelled to their site.
- People spend less time reading news online than they used to do in print, with an increase in behaviour such as skimming, scrolling, passively absorbing news and reading a lot of “pushed” news.
- The globally recognised issues around disinformation exist in the UK – 53% of UK adults say they are worried about being exposed to fake news on social media, and 24% of the UK population don’t know how to verify sources of information found online.⁴⁴ Trust in the media – and particularly social media – is low in the UK.
- This chapter identifies two connected issues. The first relates to what, and how, news is presented online, and the second to readers’ ability to assess the quality of online news. Both require public policy attention.

Introduction

This chapter examines how the consumption of news has changed in the last decade. The job of a journalist and the mission of a news publisher are fundamentally the same as they always were, but the world around them has changed significantly. People in the UK still consider news to be important to their lives. Almost everyone reads, listens to or looks at news at least once a week.⁴⁵ Furthermore, UK adults think that public-interest news is important: in a recent survey conducted by YouGov for DCMS, almost two thirds of regular news consumers agreed that national news is the most important topic to them (63%), with local (58%) and political news (58%) in second and third place.⁴⁶

However, the technological changes of the past decades – the internet first, and the smartphone more recently – have had a profound impact on how people find their way to news, on the way they consume it, and on how they react to it. Like all periods of great technological disruption, the move online has created opportunities and challenges for the industry. We are not yet at the end of this change and we may never be: developments in voice recognition, artificial intelligence, augmented and virtual reality may change the news industry further. Although the revolution is not yet over, the trajectory is clear. Readers have moved online, and are unlikely to come back to print.

The digital revolution has not just affected how people arrive at news online; it has also changed their habits and their attitudes to news. Overall, they spend less time on it than they did ten years ago. Moreover, the way digital tools work – encouraging scrolling, skimming headlines and relying on social media feeds – means that people

find it harder to assess the reliability of online news. Consequently they trust it less, particularly news arrived at via social media.⁴⁷

These changes affect the type of news that people see, and consequently how visible public-interest news is online. The “unbundled” nature of online news – discussed later in this chapter – means that where newspapers have public-interest news woven between the gossip and sports pages, digital news sources do not. This Review finds that UK adults may be less well-informed online than through more traditional forms of news delivery. Moreover, with online news, publishers can see at once what most people want to read and for how long. As the next chapter explains, this too is a threat to public-interest news.

This chapter focuses on the impact of this shift in the way people absorb news and on print circulation. The permanence of this shift will inform the Review’s conclusions. Although there may be a case for influencing the pace and direction of change, it will be far more important to look for ways to build on the opportunities created by technological change than to ignore them.

It also looks at the increase in online consumption of news, the concurrent decline in print circulation, the changing ways in which people arrive at news, and at the changes in people’s attitudes to news.

2.1 Readers have moved online, and print has declined

As it has become easier (and often cheaper) to read news online, people have increasingly stopped buying papers. The launch of the smartphone in 2007 accelerated the process. Adults in the UK are now spending almost 15 hours a week on their smartphones, and this dramatic change in behaviour has particularly affected how people read news.⁴⁸ Moreover, in the decade from 2008 to 2018, the rise in internet use doubled.⁴⁹ In 2018, the Reuters Institute for the Study of Journalism reported that 74% of UK adults used some online

method each week to find news – and 91% of 18-24 year olds.⁵⁰ The direction of travel is plain: online is now the most common single way to reach news in the UK, and this affects both how the news is delivered to people, and how they perceive it.

Social inequalities of accessing news online

The move to online news has not benefited all social groups equally: those from less affluent households are more disadvantaged. People with low incomes can now read for free a lot of news which once was only for sale. But those people are not just more likely to have lower levels of literacy than the better-off; their digital skills also tend to be lower. The Reuters Institute has shown that there is a social class gap in access to news: UK adults from low income backgrounds are less likely to access news online (65%, compared to 74% of the overall population), and are more likely to get their news from print – a risk if there is a further decline in print availability.⁵¹ In addition, although few people pay for online news in the UK, even fewer do if they are from less affluent households.⁵² If the UK moves towards a market where newspapers are increasingly available only behind a paywall, it will leave those with lower incomes with fewer quality news sources. This evidence suggests that there is a real divide in the news available to people of different socioeconomic backgrounds, creating a democratic gap in news engagement.

One consequence of the move to online is a dramatic decline in print circulation. Circulation of both national and local papers had been drifting down since the 1970s but it has fallen precipitously in the last decade.⁵³ For national daily papers and for local and regional papers, figures from the Audit Bureau of Circulations show that weekday circulation has fallen by half in the past decade.

It plummeted from 11.5m daily copies in 2008 to 5.8m in 2018 for national dailies, and by much the same proportion for local and regional papers (from 63.4m weekly in 2007 to 31.4m weekly in 2017).⁵⁴ The decline varies by title, as the table below illustrates – but all national titles have experienced a steep decline in paper circulation since 2008.

10-year decline in national newspaper circulation by title, 2008-2018, %⁵⁵

National title	10-year circulation decline (weekday)
The Guardian	60%
Daily Express	52%
Daily Mail	40%
Daily Mirror	62%
Daily Star	46%
Daily Telegraph	56%
Financial Times	58%
The Sun	54%
The Times	30%

Despite this fall in print circulation, people still have ready access to high-quality national and local news, on television, radio, print and online. Indeed, by far the most popular source of news for people in the UK – the BBC – is available on television, on radio and online [see box right].

The UK is, by international standards, unusually well supplied with national print newspapers. Only two national print titles have closed in the last ten years – *The News of the World* (replaced by *The Sun on Sunday*) following the phone hacking scandal in 2011 and *The Independent* (which has continued to publish online seven days a week) in 2016. There remain ten national daily newspapers which continue to offer a print edition, and nine Sunday papers.⁶¹ Elsewhere in the print news market, magazines have seen less of a decline: the print circulation of news and politics magazines fell by an average of 18% over the five years from 2012 to 2017, with *The Economist* and *The Spectator* bucking the trends for magazines as a whole.⁶²

The BBC as a unique news provider in the UK

Several publishers have told this Review that the dominance of the BBC makes it harder for them to compete in a digital market. To the extent that the BBC ranks highly for audience news consumption in the UK, they are correct. The BBC remains by far the most widely used individual news source for UK audiences, with over half of adults saying they use BBC TV for news on a weekly basis (58%) – far higher than any other individual source.

On radio (partly because of its many stations and its investment in news), the BBC is the most popular source of radio news, with 74% of radio news consumers saying they used a BBC station to listen to news.⁵⁶

Online, the BBC as a whole is one of the most visited sites in the UK, and the most visited news site, with 43% of UK adults using it each month, according to the Reuters Institute.⁵⁷ Ofcom similarly reports that it is the most followed news brand on Facebook, Twitter and Instagram respectively.⁵⁸

However, as to the extent to which the BBC crowds other competitors out of the news market, the evidence is less clear. Ofcom’s *News Consumption in the UK 2018* reports that 66% of adults in the UK use four or more sources of news.⁵⁹ Further, the *Reuters Institute Digital News Report 2018* claims that only 14% of people in the UK rely exclusively on the BBC as a source of news.⁶⁰ This suggests that the majority of news consumers use multiple sources, and that the BBC is a large – but not the only – player in an increasingly crowded news market.

These national titles have all been expanding their online provision. There are also many online-only news brands such as *The Independent*, *HuffPost* and *Buzzfeed*. At its best, the growth of digital has allowed high quality journalism to get even better - marginal voices and niche news subjects are better represented, and global projects such as the ICJ-led Panama Papers investigation all have been able to develop because of the growth in digital news.⁶³ In headline terms, then, the availability of high quality news remains strong.

Local newspapers have fared much worse. In October 2018, *The News Letter*, the oldest English language daily newspaper still in publication (launched in 1737 and based in Belfast), was put up for sale by its owner Johnston Press. Many other local papers have closed. Between 2007 and 2017, the number of local newspapers dropped from 1,303 to 982.⁶⁴ The result is that there has been a sharper decline in the availability and number of local titles than in national ones.⁶⁵ As analysis by the Centre for the Study of Media, Communication and Power at King's College London shows, every local authority district (except the City of London) still has at least a weekly local paper – if we exclude titles such as the *Metro*, *Evening Standard*, and *City AM*. But the situation is precarious: the level and quality of local coverage may have declined further since this analysis was carried out in 2016. Even where mastheads have been protected, the quality has shifted perceptibly with more content shared across local areas and regions, and less original journalism.

Perhaps not surprisingly, the fall in circulation also correlates with a reduction in the number of people reading print newspapers. The Reuters Institute reports a decline in the proportion of UK adults using print news each week from 59% of the adult population in 2013 to 36% in 2018, and an even faster fall for those aged under 35.⁶⁶ The trend has hit local papers particularly hard: only one person in ten in the UK now reads a regional or local printed paper each week.⁶⁷

So, the way that most people read news has

moved swiftly from print to online. And as the next section explains, people reach online news and respond to it in very different ways.

2.2 Online news distribution has changed the ways people consume news

As this chapter has noted, three quarters of UK adults claim to read news online each week. On the face of it, established news sources are therefore reaching more people than ever before. For example, BBC News attracted 30m UK users a week in 2017⁶⁸, and the Mail Online reported that it reached 2.7m people a day in the UK in November 2018.⁶⁹ Indeed, according to research by the Reuters Institute, the most popular online news websites are those of traditional brands (though they are those that do not charge a subscription) – the BBC, *The Guardian*, *Daily Mail*. In fact, with the exception of *HuffPost* and *MSN News*, the top 10 most used news websites in the UK do not look markedly different from the top TV news brands and the top print newspapers in the traditional news market.

Top 10 news brands accessed online in the last week, % UK adults.⁷⁰

News brand	% weekly reach, all UK adults
BBC News online	43%
Guardian online	15%
Mail Online	14%
Sky News online	11%
HuffPost	10%
Regional/local newspaper website	9%
The Sun online	7%
Telegraph online	7%
MSN News	6%
Independent	6%

Yet the move from print to online news consumption has not been a straightforward switch. The ways people absorb online news differ from their habits with traditional newspapers.

As a result, publishers have had to adapt their editorial output, and to develop new ways to reach and retain readers, in order to make money from their content. This section highlights the consequences of the transition to online news and splits this into three areas; (i) how people find news online; (ii) how they engage with news online; and (iii) how attitudes to news online differ from attitudes to print.

i) How people find their way to news online

A survey of UK news consumers by YouGov for this Review in August 2018 found that 47% reached news in more ways now than they did five years earlier.⁷¹ This reflects the growing dominance of a number of online platforms: Google, Facebook and increasingly Apple. Although the biggest news brands in the traditional media are also the most

popular ones online, the way in which people navigate to those brands frequently involves the online platforms. Google and Facebook are the two biggest online sites in the UK, used by over 80% of adults each month, according to figures from UK Online Measurement (UKOM), the UK's official online measurement tool.⁷² Their dominance in the UK is not unique – the Australian Competition and Consumer Commission (ACCC)' for example, reports that, in Australia, Google accounts for 94% of online searches, and Facebook and its subsidiary Instagram have between them the largest social media audience in Australia.⁷³ Apple News, which aggregates stories and shows them in an app pre-installed on iPhones, is regarded by the ACCC as a considerable platform in the Australian news market. In the UK, UKOM estimated that in September 2018, 10.9m UK adults used the Apple News app on their phones – 22% of all UK adults online.⁷⁴ Although smaller by comparison than the number using Google or Facebook in the UK, Apple remains one of the biggest online platforms overall, and its news platform may grow over time.⁷⁵

The way that different online platforms rank news

Google News uses an algorithm-only approach (with no human editors but human raters - see below) to rank the results of a search query in news.google.co.uk, via the Google News tab or the Google News tab. A result is rated by:

1. Relevance (essentially, term-matching: relatively straightforward)
2. Authoritativeness (a complex and continually developing criterion)

Signals for authoritativeness include:

- Page rank: whether the page is endorsed by other authoritative sites. Google commented in meetings with the Review that this had been gamed by some players, so Google has been re-evaluating how this algorithm functions.
- Age of domain (the amount of time a website has been registered and active) is taken into account with caveats by Google, as this is by no means always an indicator of reliability (e.g. *Infowars.com* is an older domain than *HuffPost*).
- Google uses a global team of 10,000 people called 'search raters' to rate the information given in response to search queries, and to give scores for the results, guided by a 160-page Search

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Quality Rater Guidelines. This is a completely transparent process and documented openly online. These evaluators—real people who assess the quality of Google’s search results—give Google feedback on Search experiments. These ratings don’t determine individual page rankings, but are used to help Google gather data on the quality of Search results and identify areas where they can improve.

- Google News tries to balance freshness and originality, for example, prioritising where there have been updates to a news story since it was first published online.
- The algorithm gives more credence to a story for which it can find a number of different sources. For example the special investigation by *The New York Times* into Donald Trump’s involvement in suspect tax schemes⁷⁶ was not originally surfaced by Google, as *The New York Times* was the only publisher online carrying this particular story.
- The algorithm also takes into account a website’s area of expertise. For example, *The Wall Street Journal* might be ranked highly on finance, but lower on wood-craft.

On **Facebook**, a publisher can set up a page for free, which other Facebook users can “like” or “follow” in order for content (“stories”) posted by that page on Facebook to show up in the user’s News Feed. Typical users have thousands of stories in their personalised News Feed each day – mostly personal stories from friends – but they only have time to read a couple hundred. So, News Feed uses “ranking” to “organize all of those stories so that you can see the most relevant content at the top, every time you open Facebook.”⁷⁷ Facebook publicly emphasises that ranking is meant to “prioritize posts that spark conversations and meaningful interactions between people”⁷⁸ and that clickbait, hoaxes, and other problematic content are deprioritized.⁷⁹ The company stated that the News Feed “prioritises content that is trusted, informative, and local”.

In discussions with the Review team, Facebook set out its approach to ranking posts, which involves four factors:

- Inventory. This refers to all posts from a customer’s friends, groups and pages, and all comments on posts they choose to “follow”.
- Signals. These influence predictions and rankings. Some are specific to the person, some to the content, some to the publisher. The most important signals relate to who posted something, what type of post this was (text / video / photo), how popular it is (in aggregate and amongst friends). Other signals include whether something is clickbait, a hoax, etc.
- Predictions. The prediction model looks at the probability that a post will spark conversations and meaningful interactions among friends, as well as whether someone will “like”, comment on, or share a post, watch a video, open an article etc.
- Relevancy score. Predictions are weighted to determine this for each post. This (as well as how recent a post is) determines the order of posts in news feeds.⁸⁰

In January 2018, Facebook’s ranking process was re-weighted to prioritise family and friends. Facebook now gives more weight to conversations between people on the network than to those between a page and a person, as part of its signals (above). This has had dramatic consequences

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for many publishers, with immediate negative impacts on their revenue streams and longer-term impacts on their business models (discussed further in Chapter 5).^{81 82 83}

Apple News uses both an algorithm and human editors to curate their content from publishers. Their editors update top stories five times a day. Editors decide what should come at the top, and which is the best article from the different publishers on a given subject.

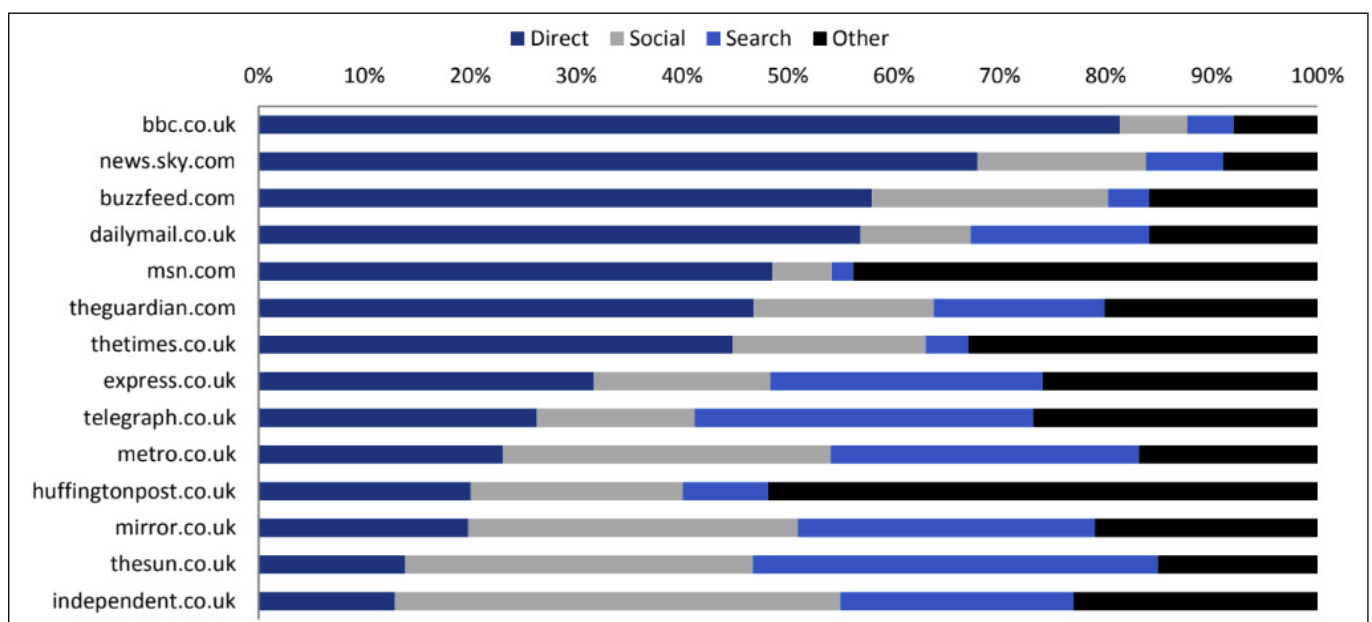
See below for information on other platforms.

People may search directly for news online, but increasingly news appears in social feeds and search results alongside – and effectively in direct competition for attention with – other online content, including gossip, gaming and family news. It can often be shown as a snippet of the news article, and not the full piece. For many UK newspapers, the online platforms – mainly Google and Facebook – are the main ways in which traffic is funnelled to their site. In the UK, 24% of adults say they reach news through online search such as Google and Google News⁸⁴, and 39% of adults say they use social media such as Facebook and Twitter as a source of news each week. Although that proportion is lower than in other countries (in the US for example 45% use social media for news, and in Brazil 66%), it still means that both

search and social media are significant drivers of news consumption for UK adults.⁸⁵

The chart below from the Reuters Institute gives figures only for PCs and laptops, but shows that many of the UK’s national newspaper titles rely more on social media and search results for traffic to their sites, than on people clicking on their own sites directly. Even for news sites, which get their biggest proportion of traffic from people who click on their sites directly (as with *Buzzfeed* and *Daily Mail* for example), the platforms still play a significant role in directing other readers to their content, and thence to their sites. The growing level of dependence of news sites on this indirect traffic has important implications for the terms of trade between the two groups, as discussed later in this Review.

Percentage of online traffic by source, desktop and laptop only, selected newsbrands, 13 March until 10 April 2017⁸⁶



This intermediary role played by the online platforms has several important consequences - both positive and negative. Research by Richard Fletcher and Rasmus Kleis Nielsen in 2017 suggested that accessing news via social media and search diversifies users' news sources - partly because search results are based on a wider definition than simply what users have previously seen and partly because news appears amidst non-news content in a user's social feed - thus increasing the chance of serendipitously discovering news.⁸⁷ This may be a positive outcome, but it also creates challenges for publishers and users.

Firstly, social feeds and search results will show snippets and single articles, thus creating a more disaggregated news experience than that offered by print and traditional news media. Secondly, the online platforms have no reason to give priority to public-interest news, and readers do not necessarily go in search of it. So, public-interest news may not reach online audiences (if it reaches them at all) as frequently as it does when packaged by newspapers in print form. It is worth reiterating the social divide here again: those from lower socioeconomic groups are less likely to access their online news by going directly to news sites than are those from higher social groups.⁸⁸ So if public-interest news is less likely to be shown by intermediaries than on publishers' own sites, that may disproportionately affect those from less affluent backgrounds. Secondly, the way people choose their news provider is increasingly determined by what the online platforms choose to show them - which in turn is largely based on a mixture of data analytics and algorithms [See boxes on previous pages]. The news shown on social networks like Facebook is chosen by a mixture of algorithms, the news brands being followed by the user, and the user's social network. Twitter shows the top trending topics alongside brands and individuals followed by the user; Google ranks search results using an algorithm (a complex set of data rules

for presenting content) which looks at the newest and most authoritative content, the most relevant content, and the user's own past preferences. News aggregator sites like Apple News and Flipboard combine an algorithm with editorial choices on the articles that users are shown on their news feed.⁸⁹ Moreover, online platforms such as Facebook and Google often show users snippets and summaries of news articles in their news feeds and search results, rather than the full article. All this makes it harder for readers to understand the source of a particular item of news, or to gauge its importance. It is therefore important that the processes to determine what news the online platforms display are fair and transparent, to readers and publishers alike. This is a point tackled in the Review's recommendations.

ii) How people engage with news online

The move online has also changed the way in which people engage with news.

One key difference is the "unbundling" of content. A print newspaper has different sections (e.g. sport, arts and culture, international news) but those sections are brought together into one product. Readers may well read only selectively, but they are serendipitously exposed to a variety of popular and public-interest journalism, that they may read more closely if their interest is piqued while they flick through the newspaper. Online news is often presented differently. Readers are no longer offered a single bundle of diverse content, but are able to select only the articles they wish to view, without necessarily being exposed to other content. Publishers have therefore had to adapt their online pages to respond to the various ways in which readers enter their sites. Each page on which a reader arrives becomes that user's effective "front page".

Not only do people read differently; they also read less. Evidence suggests that the total time people spend with news online is lower than it is when they read news only in print. A study by

City University in 2017 comparing the total time spent reading eight national newspaper brands in either print or digital form in 2000, and then again in 2016, found that there was an average fall of 40% over that period. The fundamental change between 2000 and 2016 was the move from print to online consumption.⁹⁰ Similarly UKOM reports that the average length of a session on a smartphone is 6.5 minutes – though of course this will vary greatly between a quick check online, to a longer read of an article.⁹¹ Nonetheless, as the smartphone is the most popular device for looking at online news, this suggests that the time invested in news on a smartphone is likely to be short. Indeed, the switch to reading on smartphones might help to explain the considerable drop in overall time spent with newsbrands between 2000 and 2016.⁹² News publishers have adjusted their online output accordingly, shortening their articles and creating more eye-catching headlines. Together these analyses suggest that the overall growth in the quantity of digital news has not helped to maintain the amount of time that people spend reading news.

In addition, the constantly connected nature of online media, together with the dominant use of smartphones, has created a tension between choice and personalisation. People may receive too much information online, but they may also miss more. A recent qualitative study by Ofcom found that the fatiguing nature of news overload led people to filter out stories. People reported both passively absorbing news and reading a lot of “pushed” news. The combination allowed them to feel relatively informed at a basic level.⁹³ The disaggregated nature of news online, and the ready way in which it appears in people’s social feeds, allows people to move seamlessly between news and non-news content. A 2018 study by Edelman, a communications-marketing firm, revealed that 42% of adults admit that they often skim headlines on social media without clicking through to the relevant story.⁹⁴

Moreover, although friends and family may long have influenced a person’s choice of news, the

impact is greatly magnified when people look at news online, especially if they use social media. The Reuters Institute reported that 48% of people who used social media weekly agreed that the person who shared the story is an important factor in deciding whether information is worth reading. A further 16% said that the number of likes and shares was an important consideration.⁹⁵ That may indeed be a perfectly good way to find an interesting story. But, as Ofcom’s qualitative study into news attitudes in 2018 suggests, relying only on such recommendations may create and reinforce an “echo chamber” effect, discouraging readers from seeking out content that questions their own opinions.⁹⁶

What does this mean for public-interest journalism? Although more people now look for news online than ever bought it in print, and people see news in more ways than they used to do, the evidence suggests that they spend less time with news, and the ubiquity of news online means that they feel overloaded, reading news in a more superficial way than they did in the heyday of newspapers. The ease with which readers flick between one headline and another means that publishers have to work even harder to grab attention quickly. Attention-grabbing headlines are not new: famously, in 1986 *The Sun* splashed on its front page the headline “Freddie Starr Ate My Hamster”, but the nature of online news offers even greater temptations to sell sensationalist content at the expense of public-interest news.

The unbundling of news online is therefore a particular concern: it is no longer delivered, as in the world of print, within a package of other news – including entertainment, lifestyle, culture and sport. The public do not regularly seek out public-interest news. This is why both the BBC and ITV schedule their 10pm news right after their flagship entertainment programmes; and why printed newspapers are sold with such a breadth of news and supplements. Investigative journalism and “democracy reporting” may be crucial to the democratic principles of journalism

– but as Chapter 1 has explained, people may not deliberately seek it out. In a world where people pick and choose their online news content, these forms of journalism may suffer.

iii) The difficulty of detecting trustworthy news online

According to the recent YouGov survey for DCMS, people who look at news online are much more likely to say they have increased the range of news brands they read than are those using more traditional types of media.⁹⁷ On the face of it, this is positive, as it adds to the UK's pluralistic media. In its measurement framework on media plurality for DCMS in 2015, Ofcom rightly states that a diverse media is important for ensuring a well-functioning democratic society.⁹⁸ Yet other evidence suggests people are also less likely to trust online news and more likely to struggle to identify high-quality news. Another consequence of the digital news revolution is that it is harder for readers to identify quality publications.

Trust in the UK media has long been low – the latest Edelman Trust Barometer reported that only 32% of UK adults trust the media as an industry, and this has remained flat for several years.⁹⁹ This figure masks wide variations in trust in different forms of media. The public has least faith in news offered by online sources, and in particular news offered through social media. The same Edelman report showed that only 24% of UK adults trust social media – compared to 64% for traditional media. Similarly Ofcom reported in 2018 that whereas 63% of people felt newspapers were trustworthy, only 39% felt the same about news reached through social media.¹⁰⁰

Why should this be? One reason may be that online channels frequently present news content without distinguishing clearly among different sources. This makes it difficult for people to remember what they have seen and whether it was news or not. Indeed the Edelman survey revealed that 63% of people felt that social media platforms were not transparent enough, and that a similar proportion (64%) felt that

the average person could not distinguish between good journalism and falsehoods.¹⁰¹

This lack of clarity may have facilitated the well-documented spread of fake news: stories intended to promote a particular agenda or for financial gain, with little regard for the verifiable facts. There are various aspects to this phenomenon, with wide-ranging repercussions for high-quality news content, for consumers, for the news industry and online platforms, and for the value of news as a pillar of democracy.

People are generally aware of fake news – 53% of UK adults say they are worried about being exposed to it on social media.¹⁰² However, it is particularly hard to spot on social media, where news content is often presented alongside content that has no relationship to news at all. And while people tend to think highly of their own ability to identify fake news, they rate the ability of others much lower. Only 28% of people believed that the average person in the UK could identify fake news but 66% think that they personally could spot it.¹⁰³ This suggests that, whilst people worry about the effects of fake news, they may not realise the influence it has on what they read.

Fake news is not fortuitous. Some individuals and businesses deliberately spread fake news in a professional and systematic way to try to influence public opinion by targeting individuals or groups. Such propagation of misinformation and falsehoods is possible thanks to the use of personal data collected by online businesses and intermediaries.

Whereas public-interest news contributes to a well-functioning democracy, fake news does the opposite. To the degree that online consumption makes it harder for public-interest news to reach audiences, but easier for fake news to do so, this is clearly a significant public policy concern. Addressing fake news will have to focus both on supporting people to spot it through critical skills, and greater proactive efforts by industry, as set out in the next section.

Tools designed to support consumers to judge the quality of news content they find online – Facebook and Twitter

In April 2018, Facebook introduced an information feature about the publishers who shared articles on the platform. By clicking on an ‘i’ button in the corner of the preview of the news story, one can bring up a popup window which provides a short background to the publisher in question, taken from Wikipedia. In January 2019 it was also announced that Full Fact was to begin fact-checking images, videos and articles on Facebook, to minimise the spread of misinformation on users’ feeds.

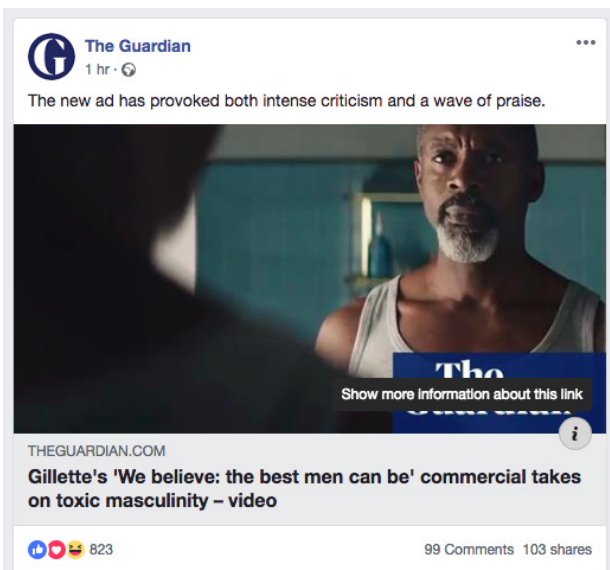


Figure 1: An article shared by the Guardian’s Facebook page as it appears on the platform (on a computer). The cursor is currently hovering over the “i” button.

Facebook and Twitter also verify that a news publisher on their platform is in fact who the publisher says it is, using a blue tick symbol:



Figures 2 and 3 : On the left, Facebook shows a blue tick symbol to verify the page of The Times; on the right, Twitter shows a blue tick to verify the Daily Mail Online.

2.3 What could be done?

Although online news brings enormous choice to people, from the perspective of this Review, the transition appears to have changed their experience for the worse. Not only is it harder for people to distinguish reliable news from other content, but the shift online seems to have reduced the duration and depth of their engagement with news. These changes suggest that individuals are likely to be less well-informed, and thus less able to participate effectively in the democratic process.

Worryingly, in the YouGov survey carried out for this Review, 47% of people who regularly access news believed that the quality of news had declined over the last five years.¹⁰⁴ This suggests that the future of high-quality news reporting and public-interest news in particular is under threat.

What might be done? Fundamentally, there are two inter-related issues. The first relates to what, and how, news is presented online; and the second to consumers’ ability to assess the quality of online news, and how much they want to

view public-interest news. Both require attention, but both are thorny issues for a government to attempt to solve. Any intervention directly aimed at changing individuals' access to, and experience of, information is likely to be fraught with difficulty, as it must carefully balance the public-interest with the case for free speech and the right of an individual to choose. Still, this Review has explored a number of options, which are briefly reviewed below.

2.3.1 Formalise the online platforms' responsibilities for ensuring the public is well informed

When it comes to what and how people see news online, the role of online platforms, especially Google and Facebook, is critical. They increasingly determine what news people see and, to date, this has had several negative consequences on users' news experience. In fact, online platforms have themselves admitted to failing to identify and to limit the spread of fake news.¹⁰⁵

According to a number of responses to this Review, the online platforms' incentives are not well-aligned with the societal objective of ensuring that individuals are as well informed as possible. From a business perspective, the priority of the different platforms is the user experience. For social media platforms, the goal is to ensure that users stay on their website as long as possible; for news aggregators and search platforms like Google, the hope is to convince users to keep coming back. In either case, the nature and quality of the news, and the impact of their business decisions on news publishers, is only a secondary consideration. They have no particular reason to privilege public-interest news, or even high-quality news, over any other type of content.

Of course, platforms do care about the content people see on their website. The significant amount of negative coverage that platforms such as Facebook have received in the last year has increased their interest in dealing with fake news.

Looking forward, the reputational risks associated with hosting fake news may well be so severe that dealing with it will become a business imperative, even without government intervention.

However, the experience of the last decade has shown that it is perfectly possible for social media platforms to be immensely profitable while simultaneously carrying a large quantity of fake news. To ensure platforms really make the problem of fake news a priority, respondents to this Review have suggested a number of options.

One option is to remove the limits on the liability of platforms for content shared on their services. This would mean that, as is the case for news publishers, they could be held accountable for false or inaccurate news stories. When traditional news publishers produce fake stories, the legal ramifications can have a significant impact on the organisation's bottom line. The platforms could be put in the same position.

Although this proposal may appear to put platforms on a more equal footing with publishers, it does not recognise the fundamental difference between distributors of news content, such as the platforms, and creators of content. If platforms were liable for all content on their services, they would be forced to vet everything they, or their users, uploaded, placing strict constraints on what could be shared or surfaced. The overall effect might well be to reduce the online availability of news, and to harm users (who clearly value platforms' aggregation services). In other words, this proposal may go too far.

Another option, also considered by this Review, is to oblige platforms to give prominence to high quality or public-interest news, whether in their news aggregation services, in people's social media feeds, or in search results. This could potentially be combined with a quota or target, requiring that a minimum proportion of the content distributed on specified platforms must be of high quality or specifically public-interest news.

Such obligations for news content exist elsewhere: the UK's Public Service Broadcasters (PSBs) must be given appropriate prominence on the electronic programme guides (EPGs) which people use to discover TV content. In return for this benefit, the PSBs are subject to a number of obligations, including the provision of a minimum number of hours of impartial and authoritative news and current affairs, at both a national and local level. This model may strike the right balance between ensuring the public is well informed, giving people freedom to choose what content they watch, and allowing the PSBs freedom to determine the content they produce and broadcast, but it is difficult to replicate in the case of platforms.

It is relatively straightforward to ensure that the PSBs are given prominence on EPGs because the PSBs are, by definition, easy to define and identify (although Ofcom is currently grappling with the tricky question of how to ensure prominence for the PSBs in a world where people watch more and more TV "on demand" and find content through personalised recommendations). And, because the PSBs either commission or produce their own content, it is also relatively straightforward for them to determine which content to broadcast in order to fulfil their news and current affairs quotas.

Online platforms aggregate third-party publishers' and user-generated content, and the content which appears in search results or at the top of social media feeds is to varying extents determined by the user's choice. So there are considerable difficulties with an obligation on online platforms to give prominence to particular kinds of news content, or to ensure that a minimum proportion of the content that they distribute (or that users share) must be public-interest news content.

Firstly, a regulator would have to agree a clear and unambiguous definition of which news publishers, or which particular types of news, should be given prominence or count towards the fulfilment of a quota. The widely differing and conflicting definitions of high quality news which this Review

received suggest that this would be difficult: many would worry if a state regulator determined which news content should be promoted, and which should not. Secondly, the element of user choice in determining what appears on search and social media platforms limits how far the platforms could control what proportion of that content is news.

It may eventually be necessary to find a way to impose news obligations on the platforms – to give more prominence to public-interest news, to make clearer what readers are seeing, and to avoid disseminating fake news. But in the short term, working collaboratively with the platforms to tackle these issues is likely to be a more fruitful approach.

The Review has considered with interest the report of the Truth, Trust and Technology Commission, set up under the auspices of the London School of Economics. That Commission calls for the establishment of a regulatory body to oversee the reliability of online information. This body would report annually to Parliament on a range of issues, including trends in the most widely shared and read stories, and the effectiveness of voluntary initiatives such as trust marks and credibility signalling. Indeed, at the moment, one of the biggest problems facing policy-makers is the difficulty of understanding and assessing what platforms are already doing to tackle fake news. If platforms were more transparent about the steps they are taking and their impact, the government may be better able to judge whether there is still a case for further intervention. This is the approach this Review recommends and it is described in more detail in Chapter 6.

2.3.2 Equip people to judge the quality of online news

More also needs to be done to equip both adults and children to assess the quality of online news, and to maintain or increase the quality and quantity of engagement with public-interest news. Critical and digital literacy skills can help with this. People need the skills to navigate the variety of news

sources online, to understand more about why they see what appears on the sites they view. They also need to know how to check the reliability and accuracy of content, and how to distinguish factual content from opinion.

Many media literacy programmes in recent years have focused on children and young people. In the UK, a range of voluntary and charitable organisations including Childnet International, Guardian Foundation, PSHE Association and the National Literacy Trust among many others, have launched school programmes, developed advice, and set up partnerships with industry to help minors gain critical thinking skills. The online platforms, and in particular Google and Facebook, have supported a number of initiatives to discourage the dissemination of news that may be fake or harmful. In June 2017, Google announced an online News Literacy Programme for children. The company has also helped to create a classroom curriculum which includes news literacy.¹⁰⁶ As described earlier in this chapter, in January 2019 Facebook announced it was working with FullFact to review and rate the accuracy of content on the social network.¹⁰⁷

However, there is also clearly a need for more to be done to improve adults' critical thinking skills alongside these schemes. A recent report¹⁰⁸ by the LSE Truth, Trust and Technology Commission considered how to approach this problem and proposed a range of solutions including: safety accreditation schemes to better inform consumers, a new body to report on safety and data protection policies by platforms, and a levy to pay for media literacy education. The Department for Digital, Culture, Media and Sport Select Committee's Fake News Inquiry also considered this issue and its interim report made a number of recommendations to improve digital literacy.¹⁰⁹ This Review considers that the government, through Ofcom (which has a statutory duty to promote media literacy), should bring together the online platforms, news publishers and broadcasters, voluntary organisations and academics and work with them to identify gaps in provision and opportunities for more collaborative working. Chapter 6 sets out the Review's proposal in more detail.

Chapter 3

News publishers' response to the shift online and falling revenues

Chapter 3 – News publishers’ response to the shift online and falling revenues

Key findings:

- Revenues from advertising and sales of printed newspapers dropped by 50% between 2007 and 2017.¹¹⁰
 - For most publishers, online advertising revenue has not come close to compensating for the decline in print revenue.
 - To boost online ad revenue, most publishers have sought to maximise clicks, but the value of each click is low.
 - To compensate for falling print and advertising revenues, publishers have increasingly focused on direct payments from users.
 - The evidence suggests this strategy works best for global brands but less well for smaller players.
 - Overall, the revenue gap for local news providers is larger and harder to plug.
 - To help publishers boost subscriptions, the government may want to look at the impact of the BBC to test whether its offering goes too far. It could potentially do more to complement private providers.
 - The government may also want to review the tax treatment of online subscriptions.
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Introduction

When an important new technology comes along, it often crushes the big businesses and business models which previously dominated the field – as has been the case with IBM and Microsoft, whose market positions have been affected by the likes of Facebook, Google, or Apple. In others, old industries cannot adapt fast enough and shrink. Think of the challenge posed to Kodak by the camera on a phone, or to House of Fraser by Amazon. Radical innovation becomes critical to a business’s survival. However, it has always been difficult for organisations with successful strategies to adapt quickly to the completely different approach that a new technology requires.

This process of “creative destruction” was first described by the economist Joseph Schumpeter in the 1940s and has repeated itself many times since the Industrial Revolution drove coachmen and hand weavers out of business. It can be painful in the short run, but typically brings significant benefits to consumers and society in the long run. But it is not just firms that have to adapt when a technological revolution occurs. As industry transforms, regulatory frameworks often must change too. The economics of the internet are fundamentally different from those of the pre-digital age, and are likely to require new policies too.

The news publishing industry is now in the throes of a technological revolution. The appropriate role for government should be to ensure that markets are working well and, where it can, to promote innovation. Though the government holds these responsibilities across all industries, they are particularly critical here, given the wider benefits of public-interest news.

This chapter is concerned with the different strategies that publishers have pursued to reverse the fall in revenue that came with the transition from print to digital. These include strategies to maximise the return on digital advertising, and also an analysis of varied subscription strategies, pursued with varying degrees of success. At the end of the chapter, this Review briefly discusses how news publishers might be helped to build sustainable online business models.

3.1 The pursuit of digital advertising revenue

With the collapse of print revenue and readers' changing habits, news publishers have had to make huge changes to adapt. Not only have they had to create and maintain attractive news websites and apps, they have had to work out the most effective way to present and make money from news published online while still, in most cases, running a physical paper. For the most part, and initially at least, most news publishers sought to replace lost print revenue with digital advertising revenue. The first section of this chapter reviews their efforts, and tries to see the potential of digital advertising revenue to plug the gap left by falling print revenue.

3.1.1 The collapse in print revenues

The starting point for the financial problems of news publishers was the collapse of revenues from print advertising. Print newspapers have traditionally carried advertising in two main forms: display advertising – commercial adverts and spreads in the main section of newspapers; and classifieds – job vacancies, services for hire, car and house sales. The transaction of buying and selling advertising space generally involved only two parties: the advertiser and the publisher. In 2007, advertising in the national and local press brought in £4.6 billion, and accounted for 40% of total UK advertising spend.¹¹¹ In 2017, the share of advertising appearing in the printed press had fallen from 40% to 12%, and generated £1.4 billion in expenditure – a fall of 70% compared to 2007.

Over the same period, revenue from print circulation has also declined, although less dramatically. In 2007, sales brought in an estimated £2.2 billion of revenue. The estimated sales revenue for 2017 had dropped to £1.7 billion. Overall, revenues from advertising and sales of printed newspapers have dropped by 50% between 2007 and 2017.¹¹² The table below shows the various changes in more detail.

Newspaper revenue by source, 2007-2017, as reported by Mediatique¹¹³

	2007	2017	Growth %	Change in expenditure/revenue
Newspaper advertising expenditure	£4.6bn	£1.4bn	-69%	-£3.2bn
Circulation revenue	£2.2bn	£1.7bn	-23%	-£0.5bn
Newspaper digital advertising expenditure	N/A	£0.5bn	N/A	N/A

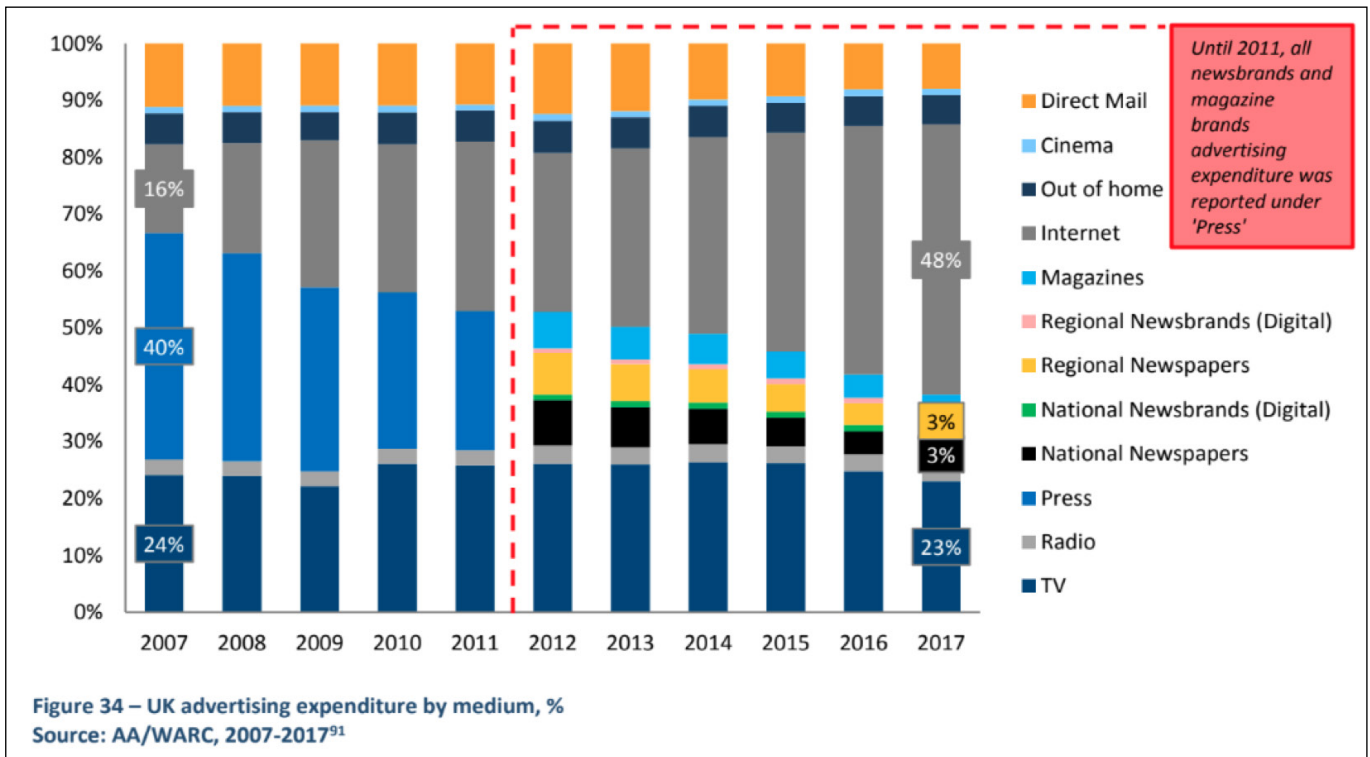
Originally, most news publishers offered digital editions of their content as a complement to their print publications. News publishers likely thought consumers would still be willing to pay for the print edition, as it was more conveniently laid out and more portable than a desktop computer. But, as described in the previous chapter, it quickly became apparent that online news consumption was substituting for print consumption, rather than complementing it. Faced with collapsing print revenue, publishers had little choice but to pursue online revenue, whether in the form of digital advertising revenue or with paywalls and subscriptions.

With a few notable exceptions (*The Times* in particular), the majority of news publishers chose to maximise their advertising revenue, rather than to follow an online subscription model, and continued to give away their content for free. They were following the money: as people spent more and more time online, advertisers moved with them.

Between 2007 and 2017, online advertising went from 16% to 48% of total UK advertising spend, as shown in the chart below. Online advertising spending hit £10.6 billion in the UK in 2017 and is expected to continue growing.¹¹⁴ A large share of this money ends up with the online platforms, especially Google and Facebook which, in 2017 were estimated together to have captured 54% of UK online advertising revenue.¹¹⁵

Few print publishers imagined how dramatically their share of the advertising market would shrink, or how little online advertising revenue they would capture. By 2017, digital advertising expenditure with the press was £487 million.¹¹⁶ This was less than 5% of total online advertising spend and, as the table shows, nowhere near comparable to the revenue that publishers had generated from print advertising in the past. Including digital and non-digital, advertising in the press declined from £7.6 billion in 2007 to £2.7 billion in 2017, a 65% reduction.¹¹⁷

UK advertising expenditure by medium, %¹¹⁸



News publishers were right to expect advertisers to shift their spending from print to online, but they have not been able to generate substantial revenue from digital advertising. As the online advertising market is undergoing rapid change, news publishers may yet increase their digital advertising revenue. The next two sections look in more detail at the strategies they are using to do so. Overall, this review concludes that, while they may be able to improve on the status quo, they are unlikely to generate as much revenue as they used to do offline for the foreseeable future. For reasons discussed later in this chapter, this is especially true for local press.

3.1.2 News publishers' strategies to increase online advertising revenue

Perhaps the most obvious reason for the dramatic fall in news publishers' advertising revenues is that the supply of advertising "space" online is almost limitless. Whereas news publishers had a near monopoly on print advertising, any website can host advertising, and almost anyone can create a website. Beyond websites, social media platforms (such as Instagram) and streaming platforms (such as YouTube) allow advertisers a whole range of other options. The digital landscape creates almost limitless scope for advertising placement, unprecedented in any other market. And as with any market where competition and supply increases, prices per unit – in this case per advert – fall. Almost by default, the shift online has placed news publishers in a tougher position than they enjoyed in the past. The online advertising market is simply much more crowded and less profitable.

To tackle this, news publishers have adopted two key strategies: to maximise the number of clicks on their content, and/or to attempt to increase the value of advertising space on their website. The first strategy is focused on scale, while the second is focused on differentiation. Ultimately, most news publishers will probably need to pursue both strategies, but it is worth exploring each in turn,

as different publishers have focused on each to varying degrees, and there are useful lessons from both.

i) News publishers' initial strategy: maximise clicks

Initially, most news publishers tried to increase their online advertising revenue by increasing their reach. Websites with more users attract more revenue, just as newspapers with larger circulation numbers could charge a higher premium to advertisers. Print readership numbers have been replaced by online "clicks", with the difference that "clicks" can be monitored, fraud aside, far more accurately than readership from circulation. This was the strategy adopted by most of the legacy news organisations such as *The Guardian*, *The Sun*, *The Independent* and the *Daily Mail* (other legacy publishers adopted a different model, which will be dealt with below). A number of new digital native publications such as *Buzzfeed*, *HuffPost*, or *Vice* also took this approach. All these publishers pursued scale in an effort to compensate for the low yields of digital advertising.

As several submissions to this Review argued, this strategy has affected the content produced by news publishers. The struggle for scale and reach has contributed to the sensationalisation of news content.¹¹⁹ Rezonance, a start-up which is working to develop an alternative way to show advertising on news pages, told the Review that publishers now lean more towards "clickbait" and sensationalist headlines to generate a higher number of clicks.¹²⁰ As editors and journalists can now see exactly how many people are looking at a particular news item at any given time, the pressure to dramatise stories is strong. While journalists should think carefully about how to grab people's attention, there is a fine line between presenting readers with news items that justifiably interest them, and showing them titillating headlines and vacuous stories.

Case Study: A Contemporary Newsroom

As readers have moved from print to online, newsrooms have also changed to accommodate their changing approach to news.

One change has been to install website monitors in newsrooms, to track page clicks and rank page views. Journalists can now instantly see how many people have clicked on their story. Coupled with the need for scale to generate revenues from digital advertising, tracking is influencing the type of articles that news publishers run, and the wording of headlines and first paragraphs.

Tracking page views also allows editors to judge when an article should be published to garner maximum exposure and clicks. Previously, an editor's job might include designing the page layout and deciding which story would lead the front page. That job is now more focussed on when to publish an article. One digital-native publisher told the Review that they no longer pay attention to how stories are ranked and displayed on their home page, but rather monitor social media traffic and design and publish a story to align with the way readers are reacting in real time, online.

More pertinently, this propensity for “clickbait” or sensationalist journalism, which is in turn encouraged by the digital advertising market, is having a negative impact on the provision of local public-interest news. In one submission to the Review, a local reporter claimed that:

“It forces us into either click bait headlines or content. There will always be more stories about “WAGS” or TV shows because they guarantee clicks. Local council reports do not.”¹²¹

The extent to which clickbait news is replacing or crowding out public interest news is a concern for this Review and a topic returned to in Chapter 5.

As a strategy to increase advertising revenue, the focus on clicks has had mixed success. On the one hand, news publishers have undoubtedly been successful at attracting clicks. It has taken a remarkably short amount of time for digital native publishers to reach audiences in their millions, and the *Daily Mail* and *The Guardian* have become two of the most popular sites in the English-speaking world. The vast majority of the UK's national news publishers reach far larger audiences than they have ever done before, and consequently design their content for a more international audience.

On the other hand, this substantial reach does not appear to have been sufficient to ensure long-term financial success. Even with more clicks, digital advertising revenue is still too small. Not only are clicks not worth much to publishers, but the use of ad-blockers means that not every click generates revenue. The Reuters Institute Digital News Report 2018, claims that 21% the UK population use ad-blockers.¹²² The more popular the use of ad-blocking becomes, the greater number of clicks publishers will need to generate revenue.¹²³

Online advertising revenue has been modest not just for legacy news publishers but also for digital natives, some of whom have had at least as much difficulty as traditional news groups in building revenues. For instance, it was reported in November 2017 that *Buzzfeed* was on track to miss its 2017 revenue target of \$350 million (£268 million) by 15-20% (around \$50-70 million, or £34-58 million).¹²⁴ More recently, *Buzzfeed* has announced that it will cut around 250 jobs, or 15% of its workforce.¹²⁵ In November 2018, *Mic*, a digital news site aimed at younger consumers which had enjoyed success via Facebook since 2011, announced that it was shedding most of its staff and preparing to sell to a buyer, with commentators citing its inability to make enough digital revenue

to survive.¹²⁶ Most dramatic of all, in December 2018, Verizon downgraded the value of its Oath Media brand from \$4.8 billion to \$200 million (£3.7 billion to £153 million). Since the group includes *HuffPost*, Engadget, AOL, Yahoo and TechCrunch, this represented a 96% devaluation of a new, innovative, digital media brand, which includes not just general news publications but also tech and finance publications and a search engine.¹²⁷

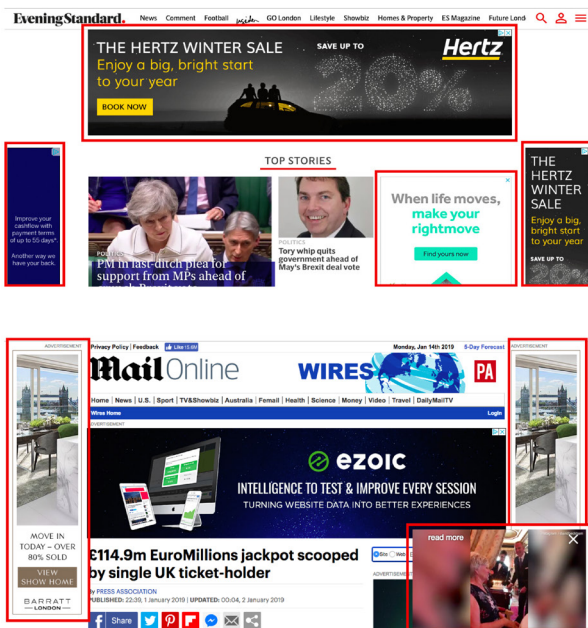
The evidence suggests that sheer scale is not enough. The shift from print to digital has preceded a further shift from desktop to smartphone. As described in Chapter 2, The Reuters Institute reports that people now mainly read news online, and mobile phones account for over half of that online access.¹²⁸ This switch to smartphones has had an important impact. For instance, *Marketing Week* reports that mobile phones accounted for 78% of all programmatic advertising in 2017, and that share is expected to rise to 87% in 2019.¹²⁹ However, digital advertising may work differently on mobile phones than it does on desktops. The smaller screen may mean that advertising on mobile is less lucrative. Moreover, the fact that two platforms – Google via Android and Apple – own mobile software may mean that search and social media platforms have an even higher market share on smartphones. The Review would welcome more robust data on this matter.

Another issue relates to the online advertising market itself. Most online advertising is bought and sold with the use of software through an automated trading system. This system is complex and its functioning opaque. Publishers have raised a number of concerns about the way this system works. These concerns are explored in more detail in Chapter 4.

But while both the transition to smartphones and the nature of the online advertising market have made it much harder for news publishers to generate advertising revenue, the fundamental problem with their scale strategy is that, even with much larger reach, the advertising space news publishers sell is simply not valuable enough. There are too many alternative advertising opportunities available across the internet. If news publishers are to raise more revenue from online advertising, they must find ways to make their advertising space more valuable.

ii) News publishers' new strategy: increase the value of their advertising space

What distinguishes online advertising from print advertising most of all is the primacy of user data. The more data is held about the individual, the more the advert can be personalised, and the more valuable the click. An independent report in 2018 by ID5, a digital marketing consultancy, claimed that the value of an ad targeted with data that picks out the people it is most likely to influence is worth at least two to three times as much as one where there is no such data.¹³⁰ As described above, news publishers make most of their online advertising revenue through programmatic display advertising – advertising banners that appear around news items once a user has clicked through to the news publisher's webpage. Information on the user currently "clicking through" is therefore key. Advertisers will care most about who the clicking user is and what that person does after seeing their advert. Unfortunately for news publishers, it is here that they lag far behind other online competitors.



Examples of digital advertising on news publishers' websites; the adverts have been highlighted with red boxes. Clockwise from top left: the *Evening Standard's* homepage, an article on *The Sun's* website (featuring a background/wallpaper advert surrounding the content), an article on *The Guardian's* website, and the *MailOnline* homepage. All websites accessed 14/01/19.

When it comes to user data, the online platforms know vastly more about their users than almost anyone else, including news publishers. They can therefore personalise advertising to an astonishing degree. The choices a Google or Facebook user makes while on the platform tell the company a tremendous amount about what that person does, likes and buys. Though platforms and news publishers acquire data on their users from the personal information that users willingly provide, people tend to enter much more personal data for a Facebook account, for instance, than for an account with a news publisher. This data, along with data about a user's browsing history (contained in a "cookie" in their internet browser), can be tailored for online advertising according to demographic, location, browsing and purchasing data. It can also be used to decide on the format and type of site that an advert appears – for example whether to use a video stream or a banner ad. A study by Digital Content Next, a trade body, of smartphones with Google Chrome running in the

background, showed that, even if the phone was not used at all, it still sent location information to Google 340 times over a 24-hour period.¹³¹ Dylan Curran, a journalist, researched a piece published on *The Guardian's* website, which details precisely how much data Google will collect on a user in a typical day. For example, Google stores all of a user's search history (including deleted searches), YouTube history and location history – an amount of data that the author quotes as being 5.5 gigabytes per person, or the size of 3 million Word documents.¹³²

Publishers will thus need to collect far more extensive information on their users, if they want to compete effectively for online advertising spend. Although many newsrooms have their own data teams and Search Engine Optimisation (SEO) analysts, the industry needs to get better at analysing data for advertising purposes specifically. At the moment, the main way newspapers are doing this is by charging subscriptions (eg

The Times of London and the *Financial Times*), and/or asking users to sign up in exchange for a few free articles. This will certainly help: indeed, the data gathered from a reader taking out a subscription may be more valuable than their actual payment. But publishers could still do more, and indeed the Reuters Institute reports that almost two-thirds of publishers said that improving data capacity was their most important initiative for the year ahead.¹³³ The more publishers can discover about their readers, the more compelling their offer to advertisers and their ability to compete with platforms such as Google and Facebook.

A related, but somewhat different, strategy pursued by news publishers is to try to sell their advertising space at a premium, based on the quality of their content. Larger, established ad-buyers care about the context in which their ad is served, as YouTube's travails illustrated in 2017. The company encountered problems with digital advertising as big brands like Coca-Cola, Walmart and General Motors withdrew their ads from the platform, concerned that these were shown alongside offensive content, such as videos by jihadist and neo-Nazi groups.¹³⁴ Research from Newsworks and GroupM shows that news publishers are still brands that carry more weight than other websites on the internet, with users nearly three times more likely to hover over an advert placed on a trusted news website than elsewhere.¹³⁵ A number of premium publishers have pursued this strategy with some success.

Recognising this opportunity, News UK, Telegraph Media Group, Reach plc and Guardian News & Media launched the Ozone project, an advertising platform which offers marketers access to publishers' audiences through a single buying point. The combined audiences of the Ozone project members equalled 41.1 million UK consumers per month in August 2018, on par with Facebook.¹³⁶ For advertisers who care strongly about the quality of the content against which their advertisement appears, this has the potential to be an attractive proposition.

The *Financial Times* has used its paywall as a means to acquire data on its readers in order to serve them more tailored advertising: to take advantage of eight free articles per month for free (in 2013), readers are required to declare their email, post code, industry, job responsibility and position level.¹³⁷ The *Financial Times* has traditionally been a newspaper which has enjoyed thorough reading by educated readers often working in influential positions. That makes it an ideal area to experiment with a new metric for measuring advertising engagement: Cost Per Hour (CPH), which measures the time spent viewing the advert to calculate its value,¹³⁸ rather than a Cost Per Mille (CPM) measure of advertising, which measures success either in terms of impressions or clicks on the ad.

Village Media, Canada – experimenting with local advertising on local news websites

At the other end of the spectrum, the review heard of one example of a local news model powered exclusively by advertising. Canada's Village Media group, launched in 2013, operates a number of local news and community websites throughout Ontario, all funded by advertising. The media group focuses on local communities and aims to attract advertising from local businesses. The group allows no pop-ups, and only standard banner ads, some email distribution sponsorship, sponsored content, a small business directory and other display advertising. "Because we're so locally focused and we do well with selling locally, the advertising content becomes part of the package for us," the chief executive Jeff Elgie said.¹³⁹ As reported to NiemanLab in 2017, the business was currently loss-making as it continued to invest in new markets. Its CEO argues that new ventures need two or three years to become profitable.

3.1.3 How far can digital advertising plug the publishers' revenue gap?

The evidence so far suggests that some news publishers have potential to increase their online advertising revenue. More well-known brands may copy publishers such as the *Financial Times* or *The Wall Street Journal* and successfully convince advertisers of the unique value of advertising space on their websites.

But the evidence also suggests this potential is limited. 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.

For most publishers, with smaller and less influential audiences, the potential to increase advertising is especially limited. Indeed, Professor Jesse Holcomb of Pew Research studied 2,072 local newsrooms in the United States, and found that only 1,814 even had a website. Local papers in the UK may not be much better.¹⁴⁰ Local news publishers often do not have the technical and financial resources necessary to market their space to advertisers effectively, to collect user data, or to navigate the online advertising market. Perhaps more fundamentally, it is local media, more than any other, that has lost its comparative advantage in the advertising market to new online players. Local news publishers have always relied more on classified advertising than any other news publishers, for the simple reason that geographical proximity is what most local news readers have in common. And unfortunately for them, online

competitors, first Gumtree and Autotrader,¹⁴¹ and now Google Search and Facebook, can target consumers by area just as effectively. Moreover, in the case of search, these platforms can also link advertising to the particular query. It is extremely difficult for local media publishers to compete with this level of targeting.

Overall then, this brief review suggests four key lessons:

- First, simply plumping for scale is unlikely to generate substantial advertising revenue for any but the largest publishers. Many have tried but, despite their success in attracting clicks, advertising revenue has been much more limited than they had expected or hoped for.
- Second, news publishers must get better at differentiating their advertising space from other online sites, and in particular, at collecting more granular information on their readers to offer advertisers better targeting opportunities.
- Third, the potential to increase advertising revenue is uneven across news publishers, and especially dim for smaller and local publishers.
- Fourth, as the next chapter will argue, the lack of transparency in the online advertising market makes it even harder for news publishers and advertisers alike to assess the effectiveness of different options.

In sum, digital advertising is not, and is not likely to be in the near future, sufficient to fund much journalism. For local-level democracy reporting in particular, advertising revenues are likely to be heavily constrained. To survive, news publishers will need additional sources of revenue.

3.2 Direct payment by consumers

As digital advertising revenues have failed to compensate for the loss of print revenue, publishers are increasingly looking to raise revenue directly from their readers. A few news publishers have raised sufficient revenue from their audiences to put their business on a sustainable footing. Still, it is still not clear whether subscriptions can provide sufficient revenue across the board, and for all types of public-interest journalism. While specialist publications or large brands may be able to attract substantial revenues, the popular press and local papers may struggle. It is also worth noting that subscription schemes pose a particular challenge in that they are likely to restrict access for people on low incomes (as Chapter 2 discussed). It is important in devising solutions to pay heed both to the provision itself, and its accessibility.

Since the early days of newspapers, the complement to advertising revenue has been direct payments from readers. In print, this was the cover price: unlike the US and most of Europe, roughly 75% of sales of newspapers and magazines in the UK have been on newsstands. Elsewhere, the majority of sales are through subscription.¹⁴² UK publishers thus have almost no experience of accruing data on households to drive sales and service. Persuading their readers to pay by subscription is a new skill.

3.2.1 A number of news publishers have launched successful subscription initiatives

Mainstream news publishers have approached digital subscriptions with caution. In August 2013 News UK introduced a £2 a week subscription for *The Sun* online: the sharp fall in readers led the company to abandon the paywall in November 2015.¹⁴³ Subscription rates vary widely: a year's digital subscription for *The Times* costs £312 (substantially more than its New York namesake –

see below), and for the *Financial Times* it is £278. For the premium edition of *The Telegraph* the cost is £104.¹⁴⁴ At the end of June 2018, News UK announced that it had 500,000 subscribers to *The Times* and *The Sunday Times* (part of the same package). In the previous year, revenue from digital-only subscriptions had overtaken print subscriptions for the first time. The group's managing director, Chris Duncan, attributes this success to the way it used its users' data to target them with relevant content, in turn reducing the rate at which subscribers cancelled their subscriptions. It also reduced the number of subscription offers from 15 to only three, which immediately reduced the number of people who navigated away from the subscription page of the website.¹⁴⁵

Many of the UK's news and current affairs magazines seem to be surviving the transition to online better than some of the leading newspapers. The satirical *Private Eye*, puts none of its content online, costs £2 per fortnightly issue, and has a circulation of 700,000 readers. *The Economist* reported a UK edition circulation (print and digital) of 267,264 from January to June 2018, out of a worldwide total of 1.4m,¹⁴⁶ but aims to double its circulation profits by 2020 with a special focus on retaining subscribers.¹⁴⁷ *The Spectator* has seen constant year-on-year subscriber growth in recent years.¹⁴⁸

Some US publishers have been even more successful. *The New York Times*, which charges £52¹⁴⁹ a year (increasing to £104 per year from the second year) for a basic digital subscription, made more than \$1 billion (£771 million) in overall subscription revenue in 2017. In August 2018 it reported more than 2.9m digital-only subscriptions out of 3.8m total subscribers.¹⁵⁰ Subscriptions accounted for 60% of the company's total revenue at the end of 2017.¹⁵¹ *The Washington Post*, bought by Jeff Bezos, founder of Amazon.com, in 2013, boasted a 145% increase in subscription rate in 2016,¹⁵² and finished 2017 with over 1m subscribers.¹⁵³

To boost subscriptions, the *Post* has vastly increased the size of its IT department, to work out which articles its readers are most likely to read and to cut the speed at which pages load by 85%.¹⁵⁴ *The Wall Street Journal* thinks it can analyse its users well enough to determine whether they will subscribe or not. The subtle addition of “you can cancel anytime” to their paywall pop up increased subscriptions by 10%, while doing no harm to retention. Similarly, the site offered a “text me a link” feature on the website, making it easier for readers to pursue the same content later in the smartphone app. Non-subscribed visitors to the website are given a propensity score based on 60 signals, such as what they choose to click on and whether they are a first-time reader. Machine learning is then used to work out if a user is likely to subscribe or not; if they are, they might hit a hard paywall straight away; if classed as less likely, then the website might allow them to browse the website for free one day, and then show them a paywall the next.¹⁵⁵

In both the US and continental Europe, subscribing to a newspaper has been fairly common. In Europe, there are several subscription success stories. *De Correspondent* in the Netherlands was launched in September 2013 with the help of \$1.7m (£1.3 million) of crowdfunding, with a pledge to its readers to focus on in depth reporting. *De Correspondent* quoted 60,000 subscribers in September 2018, and said that 94% of its \$4.5 million (£3.5 million) revenue in 2017 came from its readers.¹⁵⁶ *Mediapart* in France, founded in 2008 by two former *Le Monde* journalists, concentrates on hard-hitting investigatory work and opinionated journalism, all behind a hard paywall with no advertising at all.¹⁵⁷ It has been profitable since 2011, with 140,000 subscribers and a net profit of €2.5 million (£2.2 million) in 2017.¹⁵⁸ *Le Monde* has a low-price subscription model – subscriptions cost €8-10 (£7.03-8.79) a month – but its digital model would barely be sustainable without print revenue, with print still accounting for 80% of the group’s revenue and 70% of its advertising.¹⁵⁹

Readers seem particularly willing to pay for specialised content. One notable example from the US is *The Athletic*, which has taken advantage of the demand for unbundled content, presenting itself as the best sports reporting publisher available and investing heavily in staff who are already known for the quality of their journalism. Similarly, *The Telegraph* broke new ground among UK publishers by introducing a Telegraph Premium Sport subscription in May 2018, offering readers the choice to pay for just one section of a news publisher’s content.¹⁶⁰

Clearly subscription models can work for some publishers – but not necessarily for all. Mid-market publications and the local press may struggle, as the experience of *The Sun* suggests. Currently, no mid-market or tabloid UK newspaper charges for online content – not even the *Mail’s* globally successful online site – although *The Independent* launched its Independent Minds subscription in September 2018.¹⁶¹ It is too early to determine whether this has been successful. As for regional and local papers, *Mediatique* in its research for DCMS reported a very limited capacity for them to charge an online subscription, with the only notable exception being *The Herald* in Scotland.¹⁶²

3.2.2 Other payment options

Publishers are exploring other ways to persuade readers to pay. *The Guardian* asks readers for donations; a strategy that appears to be working: after years of losses, the paper announced in late 2018 that it should break even by April 2019. As of November 2018, more than 1m individuals have supported the publication through a one-off or on-going donation over a period of three years.¹⁶³

In the UK, the experience of the *Bristol Cable*, which reports on public-interest stories in the city, suggests that a donation-based cooperative model can also work on a small scale in some areas, if it is sufficiently well-targeted. The publisher has recruited over 2,000 members since launching in 2014, with one of the main attractions being

ownership of a stake in the cooperative, and consequently having the right to influence the publisher's editorial direction at meetings open to all members.¹⁶⁴ *The Ferret*, launched in Scotland in 2015 and focused on investigative journalism (not as localised as the *Bristol Cable*), operates on a similar membership model.¹⁶⁵ Their success has been attributed in large part to the relationship they develop with members, who are regularly consulted on what issues they would like to see reported.¹⁶⁶

According to a Reuters Institute study, the percentage of people donating to news organisations is still only 1% in the UK, and 3% in the US, where such donations attract tax relief. But this source of funds may increase. Nearly a quarter of respondents (22%) said they might be prepared to donate to a news organisation in the future,

many motivated by the need to support fact-based journalism in an era of fake news and to secure a greater variety of independent voices.¹⁶⁷ While the case should not be overstated, these examples suggest a donation-based model can in some cases work to fund public-interest news directly.

Another option is for news publishers to offer their content via “all you can eat” models, as offered by news aggregators such as Texture (acquired in March 2018 by Apple) and Blendle. For a fee, consumers enjoy access to content from multiple sources through the same portal. Apple's reported plans to relaunch Texture were greeted warily by media executives, concerned that the service could poach their existing subscribers, and that their participation would not provide sufficient revenue to make up for what they might lose.¹⁶⁸

How online platforms are collaborating with news publishers on subscriptions

Google, Facebook and Apple have supported the subscription policies of news publishers. In March 2018, **Google** launched “Subscribe with Google”, a system where readers can use their Google account to enter their details to sign in and pay securely (with a card the user has previously registered with Google) for a subscription offer to a certain publication. Bloomberg reports that publishers will keep 85-95% of revenue when readers first buy subscriptions via Google (Google keeps 5% of the fee if the subscription is taken out on a publisher's website, but this increases to 15% if the transaction takes place in the Google Play store).¹⁹⁵ If subscribers choose to renew their subscription year on year, Google will take the same cut every year. From then on, the reader can use “Sign In with Google” to sign in to the publication.

Apple also offers the option to subscribe to a news publication within the Apple News app. If a user subscribes to a publisher through Apple News, then the publisher gets 70% of the revenue in the first year, and 85% thereafter, with Apple handling the billing for the publisher. Apple gives readers the option to provide their email address for the publisher, but otherwise does not pass on any data to the publisher. *The New York Times* reported that Apple is considering introducing a bundled subscription deal that would include aggregated access to a number of news publishers, but these reports are not officially confirmed.¹⁹⁶

In February 2018, **Facebook** announced the Facebook Journalism Project: Local News Subscriptions Accelerator – a \$3 million (£2.3 million), three-month pilot programme in the US to help metro newspapers improve their digital subscription business. Participating publishers receive digital subscription and marketing training, including but not limited to the use of Facebook. Grant funding will then help publishers to develop projects to improve subscriptions. Thus far, the programme has helped 31 publishers. Facebook committed another \$20m (£15.4 million) to the programme in January 2019.¹⁹⁷

More significantly, these deals tend to work better for longer form content, rather than for day-to-day news. The founder of Blendle, Alexander Klöpping, explained, “We’ve seen that our users don’t like to spend money on the news. It’s everywhere.”¹⁶⁹ Indeed Texture offers a subscription specifically to a bundle of digital magazines, such as *Time*, *Esquire* and *National Geographic*, rather than to traditional news publishers.

Diversification of revenue streams

Beyond direct payments for content, publishers have also looked to wider revenue streams. *The Sun*’s competitions for holidays and voucher schemes to redeem shopping with brands is one example. The Times+ programme includes competitions and exclusive events available only to subscribers to *The Times*. Others, such as *The Guardian* and *The Spectator*, have also diversified into organising conferences and events. *The Telegraph* offers upmarket tour holidays with famous speakers and hotel recommendations.

Alternative revenue streams include becoming more of a local marketing agency, using social media channels to compete with the advertising function provided by Google and Facebook. For example, Reach PLC has diversified by using its prominent role in the community to help local businesses with their marketing.¹⁷⁰ However, although this may generate some additional revenues, it is less obvious that it offers a solution to the sustainability of quality journalism per se. Indeed, it may imply that marketing solutions for local businesses is a better business than producing local news.

New businesses have sprung up to offer novel approaches to reimbursing publishers for their content. One experiment involves micro-payments – payments for an individual news story or for

particular sections of a newspaper such as politics or sports. The idea is to reflect the tendency for readers online to explore subjects in isolation, rather than to look at a range of articles on many different subjects, as a traditional newspaper offers.¹⁷¹

Micropayment tools (Agate, Patreon, LaterPay, ApplePay, “Subscribe with Amazon”) enable more flexible payments with a universal one-click, frictionless payments system. Using an “e-wallet” with these tools is certainly more convenient for the consumer than having to set up individual micropayment accounts with a variety of different news websites. Agate also employs a “Free Point” feature: if a consumer reads several items on a single publisher’s website daily, weekly or monthly, then their micropayments will “cap out”, at a level set at the publisher’s discretion. Might people pay specifically for public-interest journalism? It is not clear, although consumers might think harder about which headlines to click on if they pay on an article-by-article basis.

Another novel approach is that of Medium, an online publishing platform containing both professional and amateur content which rewards publishers by asking readers to click a “clap” button at the end of an article. At the end of the month, the reader’s \$5 (£3.85) subscription is divided out to all the different articles they have read that month. Readers can click the “clap” button at the end of an article as many time as they like; the divided subscription revenue is weighted towards those articles which won most “claps”.¹⁷²

The financial rewards of such schemes to publishers are limited: the transience of news means that the price must indeed be micro – compared with an iTunes song purchase with more lasting value, for example – and therefore margins are modest. Publishers’ scepticism, as well as consumer apathy, could explain the lack of a successful widespread micropayment system for news articles. Such a system can succeed only if most publishers subscribe to it.

From all-you-can-eat subscriptions, through donations, to micropayments, news publishers clearly have options to increase direct payments online. But it will not be easy and each option has its drawbacks.

3.2.3 To what extent will online subscriptions plug the revenue gap?

When looking at the examples above, it is tempting to think that the problem is simply one of diffusion – all that struggling publishers need to do is to follow in the footsteps of some of their successful peers. While there is probably some truth to this, it is unclear to what extent any of the successful models can be widely replicated across the industry. The problems of regional and local news publishers are particularly intractable. The vast majority of UK news publishers have found it difficult to persuade people to pay for news online. Only 7% of UK adults claim to have paid for news online – compared to more than 15% of adults in most Nordic countries.¹⁷³ In a comparison of 33 countries, the UK is in 31st place for those who have paid for online news. Worse, 73% of UK adults say they are unlikely to pay for online news in the next 12 months, meaning this trend looks set to continue.¹⁷⁴

Why are people so reluctant? One explanation may be that in the past people in the UK have not bought newspapers directly from the publisher, whereas (suggests the Reuters Institute) many people in Nordic countries have been used to paying a subscription. Americans also have a tradition of philanthropic giving (and a tax system that rewards it), which may explain why they are generous donors to *The Guardian* online.¹⁷⁵

An alternative explanation came from responses to the Review's Call for Evidence: the strength of the BBC News brand. Because it is free at the point of use online, and does not require a reader to enter licence fee validation, it may dissuade people from paying for newspaper content online.¹⁷⁶

But popular and free public service news provision

does not necessarily mean fewer subscriptions for private providers. The Reuters Institute points out that, whilst the BBC's UK weekly reach is 64% offline and 43% online, this can be compared with other public broadcasters such as YLE (Finland), DR, (Denmark) and NRK (Norway), all of which have similar figures.¹⁷⁷ However, those countries have a much higher proportion of people who reported that they paid for online news compared to the UK's 7%.¹⁷⁸ Of course, other factors, particularly cultural ones, could well be at play in explaining why it is that more people in Scandinavian countries are prepared to pay for online news, but these figures suggest that the presence of a strong public service broadcaster is not incompatible with people paying for online news.

A study by Oliver & Ohlbaum for DCMS also suggests that the BBC does not diminish readers' willingness to pay for online news content. They write that "we expect publishers' ability or inability to charge visitors for mediated traffic to be largely unrelated to the BBC."¹⁷⁹ The BBC, therefore, does not seem to be undermining the ability of other publishers to charge for access to their content. The report implies that a lack of long term, loyal customers may be an issue.

Another possible explanation behind low willingness to pay relates to the way people consume news online, as described in Chapter 2. In the online world, it has become ever easier for people to flick rapidly between different websites and sources of content. It is far easier to be distracted by other content when reading news online than it is when sitting down with a newspaper. On social media, readers will look at articles one at a time, often for no other reason than that they appeared at the top of their feed. This context makes it difficult for publishers to build sufficient brand loyalty to convince readers to pay.

In sum then, making money from online content, whether through advertising or direct payments, is likely to continue to pose a significant challenge to news publishers. For many producing high-quality

journalism, online revenue will not be sufficient to compensate for the loss in print revenue or to sustain digital-native publications. As this chapter has made clear, publishers are still some way from financial security and the majority are nowhere near closing the gap left by the collapse of print revenue. There are a number of encouraging signs to indicate that, over time, news publishers may develop business models that would allow them to thrive in the digital age. But this potential is very uneven across different types of news publishers. As the evidence presented above suggests, national publishers stand a much better chance of plugging the gap than local providers do.

3.3 What could be done

This chapter has identified the significant revenue challenges faced by publishers online. On the advertising side, news publishers must get better at increasing the value of their advertising space if they are to increase their revenue. But the current structure of the online advertising market, and the powerful position of the main online platforms has limited publishers' ability to compete. This review returns to the issue and what could be done about it in the next chapter but the platforms' power is not the only problem: the limitless supply of advertising space will also restrict potential advertising revenues. Subscriptions are therefore likely to become an increasingly important part of publishers' revenues.

The Government may be able to help publishers to increase revenues from subscriptions. This Review discusses the options reviewed below, including the issue of the tax treatment of subscriptions, and ways to address the possible impact of the BBC's online news activities on the ability of commercial providers to pursue subscription models with success.

This Review considers that collaborations around

viable subscription models between news publishers and online platforms may go a long way to support high-quality journalism, particularly in reaching different audiences and giving easier access to professional content rather than fake news. However, such developments also pave the way for platforms to become global distributors for national and locally produced content, transforming them into worldwide news intermediaries, with broad implications for editorial decision-making and changes to the news publishing model. Recent examples of the blurring of the lines between content production and distribution include the purchase in 2013 of *The Washington Post* by Jeff Bezos, founder of Amazon, with his own fortune, and Netflix's 2018 announcement that it would spend \$8 billion (£6.2 billion) on original TV and movie content production¹⁸⁰. This point reinforces the need to formalise the responsibilities of the platforms in respect of their role as distributors of news, as discussed in Chapter 2.

3.3.1 The impact of the BBC on subscription business models

A number of publishers told the Review that the BBC is distorting the market, and that curtailing the BBC's offering would help to increase subscriptions. News UK, the only general newspaper group in the UK with a successful subscription scheme, argued that the BBC's online coverage should be severely reduced, because its wide range, and the fact that it appears to be free, make it a serious threat to the success of commercial providers.¹⁸¹ However, there are several studies that do not support this conclusion.¹⁸²

Several people said in evidence to the Review that the production of so called "soft content" (such as reporting about Love Island) on BBC Online News should not be within its remit, as it does not qualify as news in the public interest.¹⁸³ The BBC argues that a key aspect of its mission, as stated

in the Charter, is that it should endeavour to reach all demographics, and that stories of this sort are essential to appeal to an increasingly elusive younger audience.¹⁸⁴ The BBC also argues that “soft content” stories may attract users who might then click onwards to a public-interest news story.

From this Review’s perspective, curtailing the BBC’s news offering would be counter-productive. As described in Chapter 2, the BBC is the biggest single way that people in the UK have access to news. And the BBC offers the very thing that this Review aims to encourage: a source of reliable and high quality news, with a focus on objectivity and impartiality, and independent from government. As Patrick Barwise told the review, “If we are trying to preserve trustworthy news in the UK, potentially the most valuable thing we can do is to ensure the continuation of properly funded public service broadcasters and impartial news.”¹⁸⁵ It would thus make little sense to curtail the BBC without strong evidence that this would lead to something better. In addition, any significant intervention in the BBC’s activities would have to wait until the next government review of its BBC’s Royal Charter, which is not due until 2027.

However, this Review considers that the BBC could do more and think more carefully about how its news provision can act as a complement, rather than a substitute, for private news provision. Chapter 6 sets out the Review’s recommendations for how the BBC should do this, in more detail.

3.3.2 Create a more favourable tax environment for online subscriptions

Another frequently suggested option to help publishers increase online subscription revenue is to change the tax regime for subscriptions. A recurrent theme in responses to the Review’s Call for Evidence and during the course of the Review’s

discussions was a request that online publications be zero rated for VAT. Printed newspapers are currently zero rated for VAT purposes, the rationale being that they facilitate access to information and knowledge, which in turn leads to wider societal benefits such as education and improved literacy. A report by Frontier Economics estimates that a zero VAT rating for all digital publications (including e-books and e-magazines, as well as newspapers) would cost the Treasury £210m (a fraction of a percentage of all VAT tax receipts) in 2019-20.¹⁸⁶ It also states that readers would enjoy lower prices if a reduction of digital VAT rates were passed on from publishers to their consumers, which might encourage readers to take out another subscription with the money saved, or even attract with cheaper rates those who previously would not have subscribed. The report also suggests that the market would grow as a result of this change in VAT rates, therefore offsetting the cost to the Exchequer with increased corporation tax, income tax and national insurance contributions from publishers performing better.

In October 2018, EU finance ministers approved a proposal allowing member states to reduce VAT rates on electronic publications.¹⁸⁷ The News Media Association predicted in December 2018 that 13 EU member states would be changing their rate of digital VAT on the press as a result of this verdict.¹⁸⁸ The most substantial tax concession so far is the business-rate relief for local publishers, announced in March 2016 by the then Chancellor of the Exchequer (George Osborne) and renewed by the current Chancellor in the Budget of Autumn 2018. The relief applies to the first £1,500 of tax on property occupied by a local newspaper’s offices.¹⁸⁹

Chapter 6 sets out the Review’s recommendations for creating a more favourable tax environment for online subscription models.

3.3.3. Media mergers as a response to financial challenges

In the face of the economic challenges described in this chapter, news publishers may start to consider merging their or joining forces to pursue collective strategies. Like all mergers, news mergers may be reviewed by the Competition and Markets Authority (CMA) in certain circumstances. The CMA's duty is to promote competition for the benefit of consumers, to ensure they do not face higher prices or lower quality products. It will only investigate a merger if it believes there is a chance it will lead to a significant lessening of competition.

This Review has heard from a number of publishers that they believe the competition authorities have not sufficiently recognised the financial constraints imposed on them by the emergence of new online players, and that the merger review process is too technical and expensive for smaller publishers.

This Review has some sympathy with these criticisms. It notes that the decision of the CMA's predecessor, the Office of Fair Trading, to refer the Kent Messenger Group (KMG) planned acquisition of seven Northcliffe Media titles to an in-depth investigation in 2011 led KMG to abandon its plans. Partly as a result, two of the Northcliffe titles closed.

However, there is some evidence that the CMA has, in recent years, acknowledged the increasing competitive constraints placed on news publishers by online competitors. Notably, it made the active decision not to call in a number of local media mergers - including CN Group/Newsquest (2018), Local World/Trinity Mirror (2015), and Romanes Media/ Newsquest (2015).^{190 191 192} This decision will have been based on the CMA's assessment of the industry and market context.

In the cases it has reviewed, the CMA does appear to have recognised the constraints from online competitors. For example, in the 2016 Future/ Miura merger (which concerned magazines rather than newspapers), the CMA cleared the acquisition of a number of the titles, in part as a result of fierce online competition for readers and advertisers. Thus, the 2018 Trinity Mirror/ Northern & Shell merger (which concerned national rather than local newspapers), was cleared following a phase 1 investigation.¹⁹³ The CMA found evidence of significant competition from other forms of newspaper media for print advertising and from online competitors for digital advertising. The CMA also noted the structural decline in circulation of print newspapers and the growth of digital options.

Based on this survey of the evidence, the Review believes that the CMA is now increasingly aware that the structural challenges facing news publishers. This is encouraging. Still, the CMA does, and should, assess each case on its individual merits and this will inevitably place a significant burden on smaller publishers who may not have the resources or data to show how far online competition is constraining their actions.

This Review therefore considers there is a case to be made for a more specialist body to conduct research and collect information about the challenges faced by the newspaper industry and provide local publishers with informal guidance on the CMA process. Currently, the CMA requests Ofcom to produce a Local Media Assessment as part of its evidence gathering of markets and trends. However, there is scope for more systematic research to inform consideration of mergers, especially among local and regional publishers. This point is covered in Chapter 6.

Chapter 4

The role of the online platforms
in the markets for news and
advertising

Chapter 4 – The role of the online platforms in the markets for news and advertising

Key findings:

- Google and Facebook play an increasingly important role in the markets for both online advertising, and the distribution of news. Between them they capture the largest share of online advertising revenue.
- Although it appears to have recently improved, the online advertising market is difficult to understand for advertisers and publishers alike.
- The programmatic display advertising market is seen as particularly complex, and lacks transparency across the advertising supply chain.
- Both the scale and the data that the platforms possess on consumers make it hard for other players, including publishers, to compete.
- Google and Facebook also increasingly control the distribution of publishers' content online.
- Because of their position, these platforms can impose terms on publishers without needing to consult or negotiate with them. This could threaten the viability of news publishers' online businesses.
- The government must take steps to ensure the position of Google and Facebook does not do undue harm to publishers. Asking these platforms to draw up codes of conduct could ensure their decisions do not unnecessarily threaten publishers' long-term viability.

Introduction

The UK has a well developed and growing online advertising market. Globally, the UK sits behind only the US and China in digital advertising, spending £11.5 billion in 2017 (as described in Chapter 3).¹⁹⁸ This Review recognises that, in its entirety, the growth in digital advertising has been of net benefit to the UK economy. However, the dynamics of the market now favour the online platforms, and more critically for this Review, do harm to news publishers.

This chapter assesses the role of the main online platforms in two areas: the operation of the online advertising market, and the distribution of news online. Google and Facebook are central to both. The chapter's overall conclusion is that their position, relative to publishers, may be threatening competition in these markets. Moreover, the platforms' ability to impose terms on publishers threatens the ability of the latter to make money from their content, and hence to continue to provide trusted public-interest news. It is thus a cause for concern.

The first section of this chapter sets out the main reasons why the operation of the digital advertising market may be putting additional pressure on publishers' ability to generate revenue from their online content. The reasons lie in the complexity and opacity of the supply chain, and the powerful position of the main platforms across all points of the chain, and in terms of access to user data. The second section explores the impact of the key role of the big platforms in the distribution of news content. The way in which news stories are disseminated and ranked by online platforms not only affects the way people engage with

news content, as described in Chapter 2, but also affects the financial sustainability of news publishers. The bargaining power of the two sides is notably unequal. This imbalance may need to be addressed, but even with government intervention and support, the shift of power may turn out to be permanent.

4.1 The online advertising market

Prior to the digital revolution, the market for news included three main actors: newspapers, readers, and advertisers. Newspapers were at the centre of a two-sided market, with readers on one side and advertisers on the other. Readers would contribute to the cost of publication by paying for the paper, and advertisers would contribute by paying to place their adverts in it. The more readers publishers were able to attract, the more valuable their supply of advertising space. In the market for online news, the picture is much more complicated. Advertisers can buy advertising space in myriad ways online – usually through an indirect and automated process. The technical delivery mechanism for online advertising, originally developed by Google, gives it (and other technology companies like it) a great advantage, leaving publishers with diminished influence and choice.

4.1.1 The growth of programmatic advertising

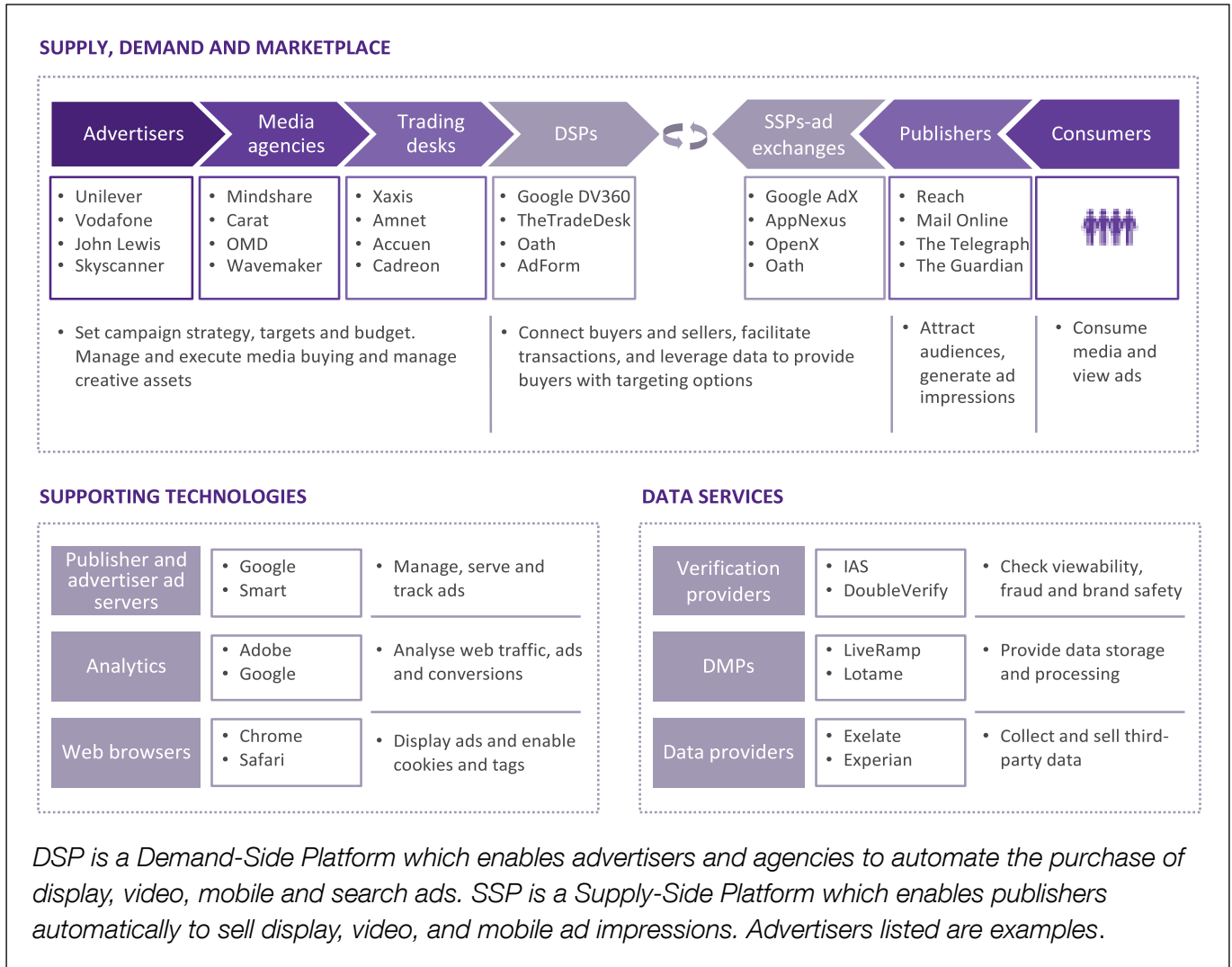
As the online advertising market has developed, technology has been created which now allows publishers to sell inventory (the space to show digital advertising) automatically, targeting users and creating an online auction in which advertisers and media agencies compete for ad space. This data-driven, automated system – known as “programmatic advertising” – can take many

forms, including banner adverts, “native” adverts embedded in the text or feed of a page, and video streams. The stated promise of this kind of system is to provide the most valuable ad that is appropriate to the viewer.

Programmatic advertising is the main way in which the press industry makes advertising revenue online, and it is rapidly evolving, and becoming increasingly complex.¹⁹⁹ The speed and scale of programmatic advertising is such that Plum Consulting – in a report on the online advertising market for DCMS in January 2019 – has estimated that each bidding process takes 150 milliseconds to complete, and that the multitude of ads, bidders, and clicks leads to over a billion bids being made each day.²⁰⁰ In many ways, the automated process of buying and selling advertising space has created scale, has saved time, and has also meant that users can be better targeted through the use of more sophisticated data providers and analytics. Indeed, although there are more players in the system than in the old print model of advertising, these intermediaries add value – they connect buyers and sellers quickly, they facilitate trading, and they generally optimise adverts and results to better meet the demands of advertisers and to ensure ads are shown to the most relevant audiences.

However, the system of programmatic advertising is complicated to understand and navigate, for advertisers and publishers alike. The multitude of players creates a complex and opaque set of transactions, many of which are not easily visible to those buying or selling the ad space on publishers’ sites. The report by Plum Consulting showed the complexity of programmatic display advertising, as summarised in the diagram below.

Programmatic online display advertising value chain – simplified and generalised²⁰¹



Further, in interviews with stakeholders across the online advertising supply chain (including many publishers)²⁰², Plum Consulting reported that some believed that this opacity in programmatic advertising allowed certain players to obscure high fees, although it was felt that this is becoming less common.²⁰³ In 2017, Procter & Gamble’s Chief Marketing Officer, Mark Pritchard, called the digital advertising market “murky at best, fraudulent at worst”.²⁰⁴ There is general agreement that the online advertising market is much harder to scrutinise than its offline equivalent.

Has the programmatic advertising system placed publishers in a worse position in terms of advertising revenue? The number of companies involved in a transaction means that revenue

that once went only to the publishers is now split with other parts of the supply chain. And yet the research by Plum Consulting, which involved consultation with stakeholders across the supply chain, estimates that publishers receive on average £0.62 of every pound an advertiser spends on programmatic display advertising. In the extreme case – with high fees across the value chain – a publisher could be left with as little as £0.43 in the pound. At the opposite end, a publisher could end up with as much as £0.72.²⁰⁵ The revenue share in the most common scenario for publishers – indirect programmatic – is shown on the following page.²⁰⁶ It should be noted that these figures are indicative only, and are based on feedback from a small number of industry experts – advertisers,

intermediaries, publishers and the platforms²⁰⁷.

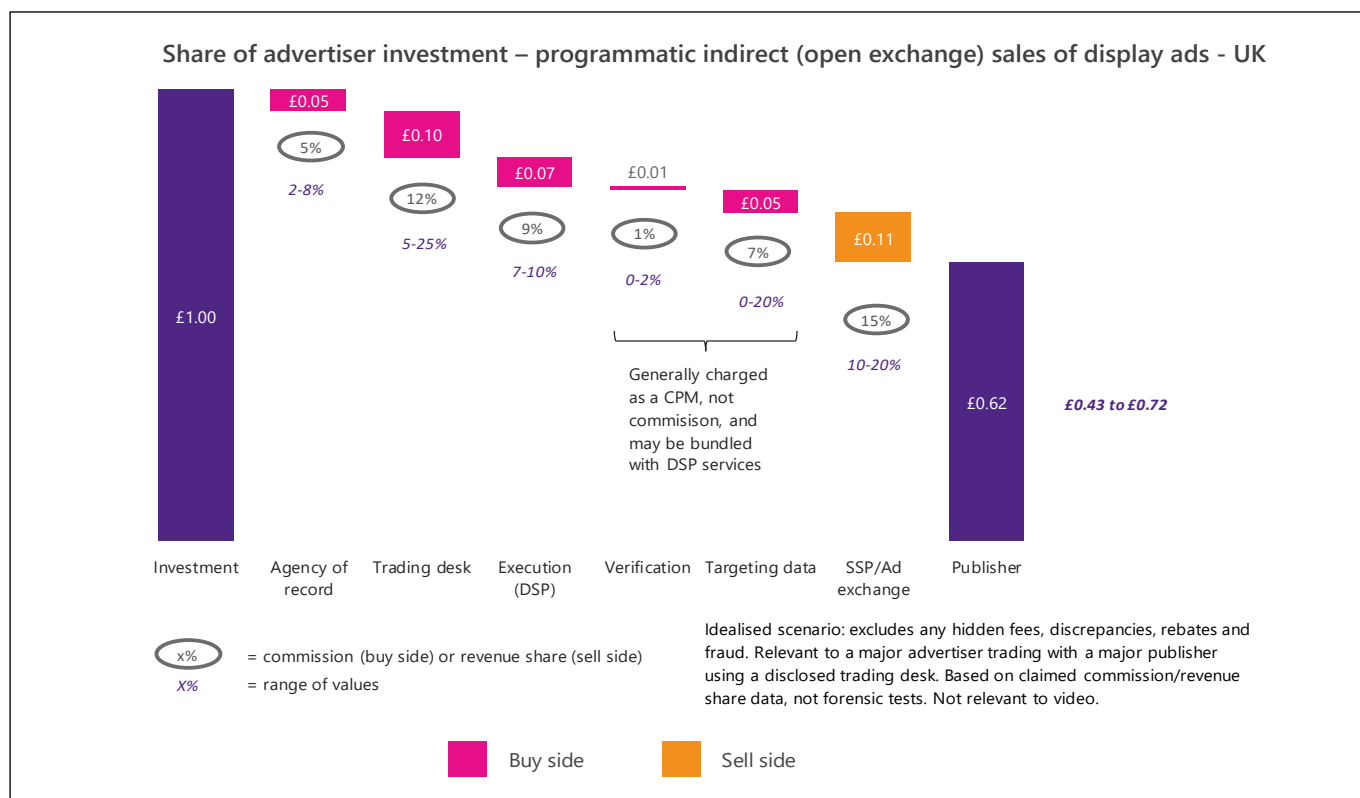
The diagram below shows an idealised scenario of how £1 of advertising spend would be shared across the programmatic supply chain.²⁰⁸ In this scenario, £0.62 would end up with the publisher, with the remaining £0.38 divided up between the agency, the trading desk, the display side provider (DSP), the verification process, the provider of targeting data, and the supply side provider (SSP).²⁰⁹

The share that a publisher sees varies depending on the different rates that display, and supply-side vendors offer, as well as on the size of the publisher and the type of advertising being sold. The amount going to publishers is lower than what publishers themselves have told the Review they receive in print advertising. The Daily Mail Group (DMG) told this Review that a direct advertising transaction would give them as much as £0.83 per £1 in both print and digital; however, an advertising transaction through the programmatic chain yields an estimated £0.30 per £1.²¹⁰ Studies in 2016 by

the World Federation of Advertisers also estimated that publishers generally received a lower amount than the shares shown in the above chart from programmatic advertising.²¹¹

Plum's estimates suggest publishers receive more for each advertising pound spent on a news publisher's website than what this Review had expected. Yet as Chapter 3 illustrated, it is the overall revenue to the newspaper industry through advertising – print and online – which has diminished with the growth of digital and the move of classified ads online. There is no doubt that the market for advertising through news publishers has shrunk considerably. Even if, for each pound spent, the proportions are similar to the print model, the absolute revenues are much lower.

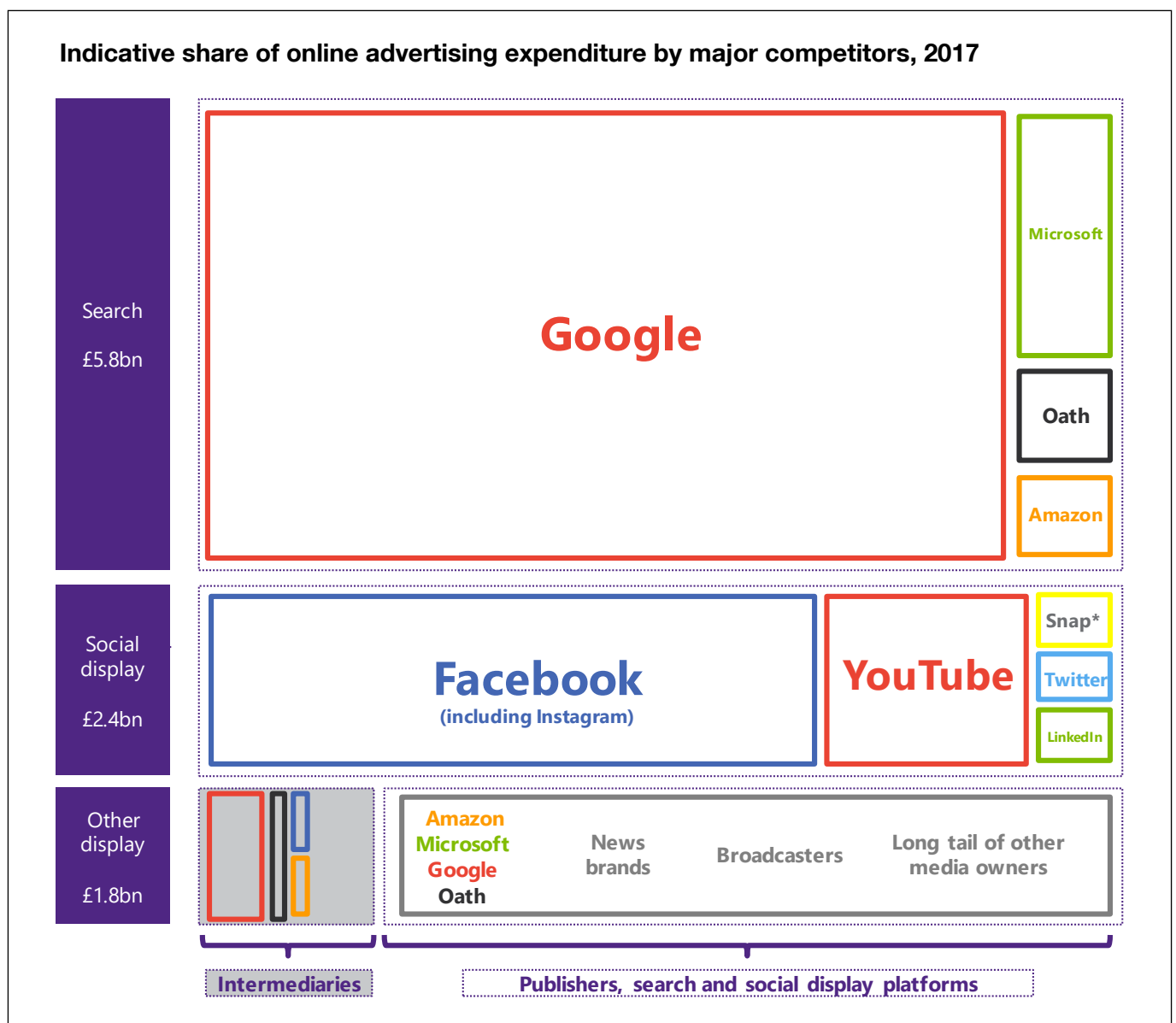
In addition, there is a more fundamental question about the functioning of this market: whether there are market distortions from the developments in programmatic advertising, which may be putting pressure on publishers' ability to generate revenue. Here, there is evidence to suggest that



the two main online platforms – namely Google and Facebook – have significant market shares and influence over the advertising system, with a potentially detrimental effect on competition, including from publishers.

Plum Consulting also tested indicative shares of the online advertising expenditure of major companies, using various available data and reports, as shown in the chart below.²¹² The vast majority of display advertising expenditure in the UK is generated by the large online platforms – with Google taking

the largest share of combined search and social expenditure (via Google search and its YouTube platform), and Facebook taking the largest share of expenditure on social display advertising. Amazon now receives the third largest share of digital advertising expenditure in the US. Amazon’s market share is still small in the UK, but it is growing. Again, exact market shares are not measurable, as there is no robust data on this. This in itself highlights one of the major challenges facing publishers within the online advertising ecosystem – market share is neither transparent nor published.



Oath owns Yahoo; YouTube is owned by Alphabet (which also owns Google).

More robust data on market shares, although from a different country, suggest Plum's estimates are likely to be in the right ballpark. The ACCC's *Digital Platforms Inquiry*, in its *Preliminary Report*, notes that the main internet platforms collect most digital advertising revenue in the Australian market: 46% of all display advertising in Australia was accounted for by Facebook (and Instagram, which is owned by Facebook), with no other player having more than a 5% market share.²¹³

4.1.2 Platforms' role in online advertising market

The platforms' grip of the online advertising market is built on two foundations: their presence over all points in the advertising supply chain, and their access to data.

The **first foundation is control of the advertising supply chain**. Google has ad inventory in the form of Google Search and YouTube videos, and it owns "demand side technologies" (used by advertisers to bid and buy inventory online), such as Display & Video 360 and Google Ads, and supply side intermediaries (that publishers will use to sell their ad space to advertisers), such as Ad Manager and AdSense. It also owns supplementary technologies such as Chrome browsers, Google Analytics (a "freemium" web analytics service that tracks and reports website traffic as a basic free service, with more advanced features that can be paid for), and the Android mobile operating system. Interviewees for Plum Consulting research agreed that Google was the market leader at every step of the online advertising chain.²¹⁴ Facebook has a smaller range of services, but it too wields influence at all stages, offering display and video ads on Facebook and Instagram, and Facebook Audience Network for targeting people on smartphones. A full list of the inventory of Google, Facebook and Amazon is available in Plum Consulting's report for DCMS.²¹⁵

The platforms can therefore operate entirely within their own systems, creating greater efficiency but

potentially hindering competition: they have created "walled gardens". For smaller publishers, this integration can help lower barriers to entry, allowing them to make use of self-service platforms and inexpensively gain access to a global audience. However, it also adds to the opaque nature of the display advertising market. It essentially means that a company operating on all sides of the supply chain has the ability to adjust the fees charged on one side, in order to benefit the other. Whilst there was no evidence to suggest this is happening in practice, several people interviewed by Plum Consulting worried that if Google were ever to manipulate advertising transactions in this way, there would be no easy way to prove it.

The lack of transparency in the programmatic process – who is competing in an auction, who makes the winning bid and why – is further exacerbated when the online platforms are able to offer a full suite of inventory with few checks or balances against them.²¹⁶ This places publishers – as well as advertisers – in a weaker position than they used to be in a traditional advertising market: they are now far less able to compete and negotiate at each step of the display advertising system.

The **second foundation of the platforms' superiority is data**. Publishers gather user data from their own sites, including login data for their subscribers, but this pales in comparison to the power of online platforms, which have a rich set of user data giving them significant advantage over others in the market.

Whether it is search data (Google), the social networks of users (Facebook) or generally the devices, locations, interests and behaviours of users online (both), these players have an unimaginable wealth of information – valuable to advertisers and publishers – about who is coming to which news sites, and who is seeing which adverts. Moreover, many of the respondents in Plum Consulting's research felt that the tightened rules around General Data Protection Regulation

had perversely strengthened the online platforms' ability to withhold such data from others in the market, and had reinforced their grip on the market.²¹⁷ The lack of clarity on data measurement online generally makes it hard to see how effective advertising is. The effect of legislation has been to reduce the ability of publishers to compete for advertising space in a transparent manner.

Despite efforts by bodies like the Interactive Advertising Bureau (IAB) to produce industry-wide guidelines on data standardisation (for example, the IAB Europe Transparency and Consent Framework in response to GDPR), the online platforms have not always been willing to participate and comply.²¹⁸ Encouragingly, the Review understands that Google is now planning to adopt the IAB guidelines early this year.

In January 2019 the IAB announced the launch of its Transparency FAQs. The initiative involves digital advertising companies making available answers to questions regarding price, place and data to help consumers understand what role the digital intermediaries fulfil and the value they add.²¹⁹ This forms the first part of a transparency initiative, and the industry deserves credit for initiating an attempt to make the marketplace more

transparent. This Review welcomes attempts across the industry to make the market for data more transparent.

This Review's analysis echoes that of the ACCC's *Preliminary Report* on its Digital Platforms Inquiry (see box), which states that Google and Facebook have "substantial market power", both because of their significant presence across the advertising supply chain and because of the opacity of key algorithms.²²⁰ Plum Consulting, during its research and consultation across the advertising supply chain, came up with similar results: Google is the overwhelmingly largest player at every stage. Moreover, the opacity of the market, and the considerable revenue shares of Facebook and Google, are justification enough for regulators to take a closer look at the workings of online advertising.²²¹

In conclusion, it seems clear that the position of the major platforms in online advertising – both through their fully integrated systems and through their vast repositories of data – is such that challengers are effectively unable to enter the market. On this basis there may be grounds for intervention, discussed further at the end of this chapter.

Australian Competition and Consumer Commission – Digital Platform Inquiry

The ACCC's *Preliminary Report* for its *Digital Platforms* Inquiry identified a number of concerns of relevance to this Review, including: the ability of and incentives to key digital platforms to favour their own business interests, through their significant market shares and presence across multiple markets; the lack of transparency in digital platforms' operations in relation to advertisers, media businesses and individual users; the digital platforms' impact on the ability of content creators to make money from their content; and the role of digital platforms in determining what news and information Australians view, and how this information is provided together with its range and reliability.²²² The inquiry uncovered some concerns that certain digital platforms have breached competition or consumer laws, and the ACCC is currently investigating five such allegations to determine if enforcement action is warranted. Particularly relevant to this Review, the ACCC noted a lack of transparency between publishers and platforms, especially when it comes to sharing the user data which helps contribute to more effective advertising.²²³ The report recommends that an Internet Regulator be established, with appropriate investigative powers to monitor, investigate and report on whether digital platforms are engaging in discriminatory business practices.²²⁴

Continued

A brief summary of the ACCC's preliminary recommendations is as follows:

1. Update merger law – to make it clearer when a merger will remove a competitor.
2. Prior notice of acquisitions – to force tech companies to make it clearer when they will be acquiring a new company.
3. Choice of search engine – to stop phones and laptops having a default browser and browsers having a default search engine.
4. Ad oversight – to monitor vertical integration (an arrangement in which the supply chain of a company is owned by that company).
5. News oversight – to monitor the ranking of news and referrals of consumers by digital platforms with over AU\$100 million revenue (around £55 million) a year in Australia. Review of media regulatory framework.
6. Takedown standard – to have measures in place for taking down evidence of copyright infringement.
7. External audits, strengthened consent and a right to erasure for Use and collection of personal data (this looks very much like GDPR).
8. Code of practice, to provide greater transparency and control over how personal information is collected, used and disclosed by digital platforms.
9. Statutory cause of action in cases of serious invasion of privacy.
10. Unfair contract terms to be made illegal.

The ACCC Report also recommended that further research should be done into the following areas:

1. Supporting choice and quality of news.
2. Improving news literacy.
3. Improving the funding and production of news – via tax offsets for publishers and making subscriptions tax deductible for consumers.
4. Creation of a digital platforms ombudsman to deal with complaints about platforms from publishers, advertisers and consumers.
5. Obligation on Regulator to monitor the pricing of intermediary services sold in digital advertising.
6. Third-party measurement of the delivery of ads to their intended audience.
7. Deletion of user data after a user has ceased to use the platforms or after a certain period of time.
8. Opt-in to targeted ads
9. Prohibition of unfair practices, to deter businesses from engaging in practices that contravene societal norms but which is not already captured under the Australian Consumer Law.

4.2 The distribution of news publishers' content online

As described in Chapter 2, readers increasingly reach news publishers' content indirectly, finding their websites through online platforms, especially Google and Facebook but also increasingly through Apple News. The way in which news stories are ranked on these platforms is a significant factor in the fortunes of news publishers and in the ways people arrive at and understand the importance of particular items of news. The more prominent content is, the more readers are likely to click through to the originating website, and the more advertising revenue (and potential subscribers) news publishers will acquire. This section takes a closer look at the relationship between platforms and publishers, and explains how the platforms' current treatment of news content could jeopardise the long-term sustainability of the press.

Publishers frequently complain that the relationship is excessively weighted in favour of the online platforms. In most cases, as discussed below, the latter do not directly remunerate news publishers for placing their content on their platforms, although there are some exceptions (see box in 4.2.1). Publishers also say the platforms share with them much less data than they could. Platforms are not subject to the same press rules of accuracy and fairness as news publishers are. In all these ways, argue publishers, the increasing grip of certain platforms over news distribution channels is threatening the future of high-quality news.

4.2.1 How Google and Facebook distribute news online

Platform and publisher relationships can vary substantially. Certain platforms, such as Yahoo and Microsoft News (MSN) will duplicate news publishers' articles in their entirety, while others, such as Google or Facebook, will use a combination of preview images, headlines and snippets (short extracts). While Google and Facebook don't, according to publishers, provide them with much information on how their content is

ranked, or warnings about changes to their ranking methodology, other platforms will engage with publishers more regularly. This section focuses on the approach of the largest platforms, Google and Facebook. As a significant proportion of UK adults get to their news through these two platforms (as described in Chapter 2), it is their decisions that affect publishers the most. A box at the end of this section also briefly summarises the approach of other large distributors of news.

Google displays a headline, a snippet of article text, and a thumbnail image of a news publisher's content in Google News (news.google.co.uk) or Google Search (google.co.uk). Google does not pay news publishers or consult them on how their content is treated within Google Search or Google News, and the algorithm which determines how news is ranked is a closely guarded secret. However, Google has, on some occasions, responded to public pressure from publishers. For example, Google told the Review that a recent algorithm change gives more weight to a piece of breaking news when the story is fact-based rather than opinion.

Google delivers content in different formats. On a laptop computer, a user who clicks through to a news website from Google News is redirected to the publisher's website. On a mobile device, the article is displayed in Google's fast loading Accelerated Mobile Pages (AMP) format by default, unless the publisher actively opts out and chooses to display the result as Rich Site Summary (RSS) instead.²²⁵ AMP loads faster than the publisher's own website would do if the reader were to click through to it. Publishers can advertise through Google Ads, or any other ad exchange, on the AMP page just as they would on the publisher's own website.²²⁶ Google has acknowledged that the goal of AMP is to improve user experience and page speed first, and work out monetisation second, and indeed publishers have complained that the content on some AMP pages loads so fast that the advertising has not loaded by the time the reader has scrolled past the point at which the advert is placed on the page.²²⁷

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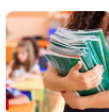


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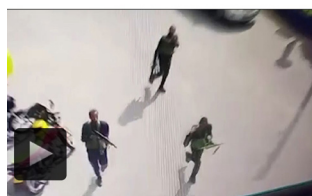
Results displayed in Google News (news.google.co.uk) on desktop;

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By Our Foreign Staff

16 JANUARY 2019 · 7:05 AM

Kenyan President Uhuru Kenyatta said that all Islamists who had

An article from The Telegraph displayed with Google's AMP format on smartphone.

In the case of **Facebook**, it shows a preview of a news article posted via hyperlink to the platform in the News Feed, which shows a headline, snippet of text and preview image of the article. Like Google, it guards its News Feed algorithm closely, giving few clues to how it ranks different content, both social and from pages that users have liked. In January 2018, Facebook unexpectedly changed the News Feed algorithm, with no prior public warning, so as to prioritise “meaningful social interactions” over “relevant” or “public”²²⁸ (ie content shared by news and media publishers). Facebook told the Review (using statistics compiled by Comscore) that currently around 4%²²⁹ of the News Feed is actually news posted by news publishers, and the rest is personal content shared by Facebook “friends”. Like Google, Facebook does not reimburse publishers for showing snippets of their content on the platform.

If a user clicks on a hyperlink from a news publisher in Facebook on a laptop computer, the reader is redirected to the publisher's website. If the reader clicks on a smartphone, the reader is shown the publisher's article within Facebook's Instant Articles platform. Again, the key attraction is superior page load speed: Facebook claims that, as a result of

the fast load time, people are over 70% less likely to abandon an Instant Article prematurely.²³⁰ Within Instant Articles, 100% of revenue from advertising put in place by the publisher goes back to the publisher, but publishers cannot enlist a third party ad server to make the ad sales on their behalf within the Instant Articles format; in other words, publishers cannot sell ads on Instant Articles through a programmatic auction, but must either sell the space directly themselves or use Facebook's Audience Network. If a publisher enlists Facebook to run the ads, then Facebook takes 30% of the revenue from that advert.²³¹ The advantage of this is that Facebook uses its Audience Network, which allows the advert displayed to be highly tailored according to the data Facebook has on its users.²³² However, using Instant Articles places restrictions on publishers: for example, they may place an advert only once every 350 words, and ads cannot exceed 15% of content. Some publishers, such as Bloomberg, *The Wall Street Journal* and *The Guardian*, do not use Instant Articles (instead, users are directed straight to their site), citing as the reason a disappointing financial return.²³³

The box following also briefly summarises the approach of other large online news distributors.

Distribution models of other large online platforms

Apple News also displays a headline, snippet and image of an article, and comes pre-installed on all Apple devices. A user who clicks on a news story on Apple News will read it within the Apple News app, rather than being redirected to a publisher's website. Publishers will take 100% of revenue from ads they put within Apple News, but Apple will take a 30% cut when publishers ask Apple to sell backfill ads for them ("catch all" ads shown when nothing else matches and you would otherwise have a blank ad space).²³⁴ Apple News comes pre-installed on all Apple devices. So it offers publishers significant potential audience reach, but disappointing advertising revenue.²³⁵ Apple told the Review that its human editors provide feedback on why they did or didn't lead with or feature a publisher's story. Like Google and Facebook, Apple News does not remunerate publishers directly for publishing their content on its platform.

When publishers send a link to an article in **Whatsapp**, Whatsapp displays a preview image, a snippet of text and the link to the article. For example, a user can add the phone number advertised on *The Financial Times* website,²³⁶ and message "Start", and from then on will receive a link to a (free) FT news article once a day from the *Financial Times* Whatsapp account. A user who clicks on the article is redirected to the publisher's website. Whatsapp charges nothing and takes nothing for news publishers to link their content through the app.

Yahoo News (uk.news.yahoo.com) shows a headline, snippet and image of an article. The platform negotiates advertising revenue-sharing contracts case by case with every third-party publisher whose content it displays. The most common agreements involve:

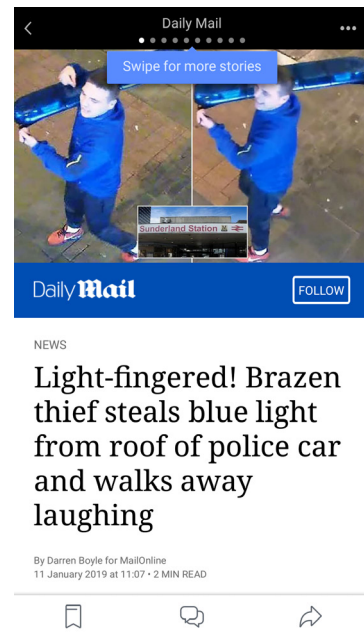
- Licensing news content, where the publisher receives an agreed (fixed) royalty and Yahoo is free to monetise the content through its online platforms
- Distribution and revenue share, where a publisher can share the advertising revenue that is generated by online distribution.²³⁷
- Yahoo displays all articles within its own digital environment (displaying third-party content within the design of its own website). However, it is a hybrid model, comprising not only content from third-party publishers, but also news produced by Yahoo News itself.

When an article is posted via hyperlink on **Twitter**, the reader is shown a preview, which includes an image, headline and snippet. Clicking on a computer redirects a reader to the publisher's website; clicking on a smartphone sends one to an AMP version of the publisher's page. Twitter does not directly reimburse publishers for displaying their content.

Snapchat, which was launched in 2011 as a social media platform exclusively to send pictures, added their Snapchat Discover feature in 2015. This feature enables users to discover new content. Publishers create "stories", by linking together photos to tell a story, and users can find these through the menu. As with other social media platforms, users can subscribe to their favourite publishers (allowing for easy access) and receive recommendations to other publishers, based on the content they have already viewed or subscribed to. Users always remain in the Snapchat environment (so the user is never directed to a publisher's website), but publishers are reimbursed through revenue-sharing advertising deals.²³⁸



A preview of a Daily Mail article posted to Facebook on desktop.



The article viewed in Facebook's Instant Articles on smartphone.

The approach of both Google and Facebook to distributing news, and the terms of trade they have offered publishers to do so, have been controversial. The next two sections examine these controversies in more detail, looking first at the thorny issue of payments, before discussing publishers' broader complaints about the way the online platforms treat them and their content.

4.2.2 Platforms' aggregation services and payments for news content

As this Review has explained, in cases where platforms aggregate content from a news publisher but show only snippets, with links to the publisher's website, none of the bigger platforms pay the publisher. Platforms contend that this is a mutually beneficial relationship. For them, the content provided by newspapers is a reason for people to visit their sites and then, potentially, to look at or use other content or services they offer. For publishers, the platforms are an additional distribution channel – a way to attract more clicks and readers to their own sites. According to the

platforms, this represents a fair exchange but many publishers disagree.

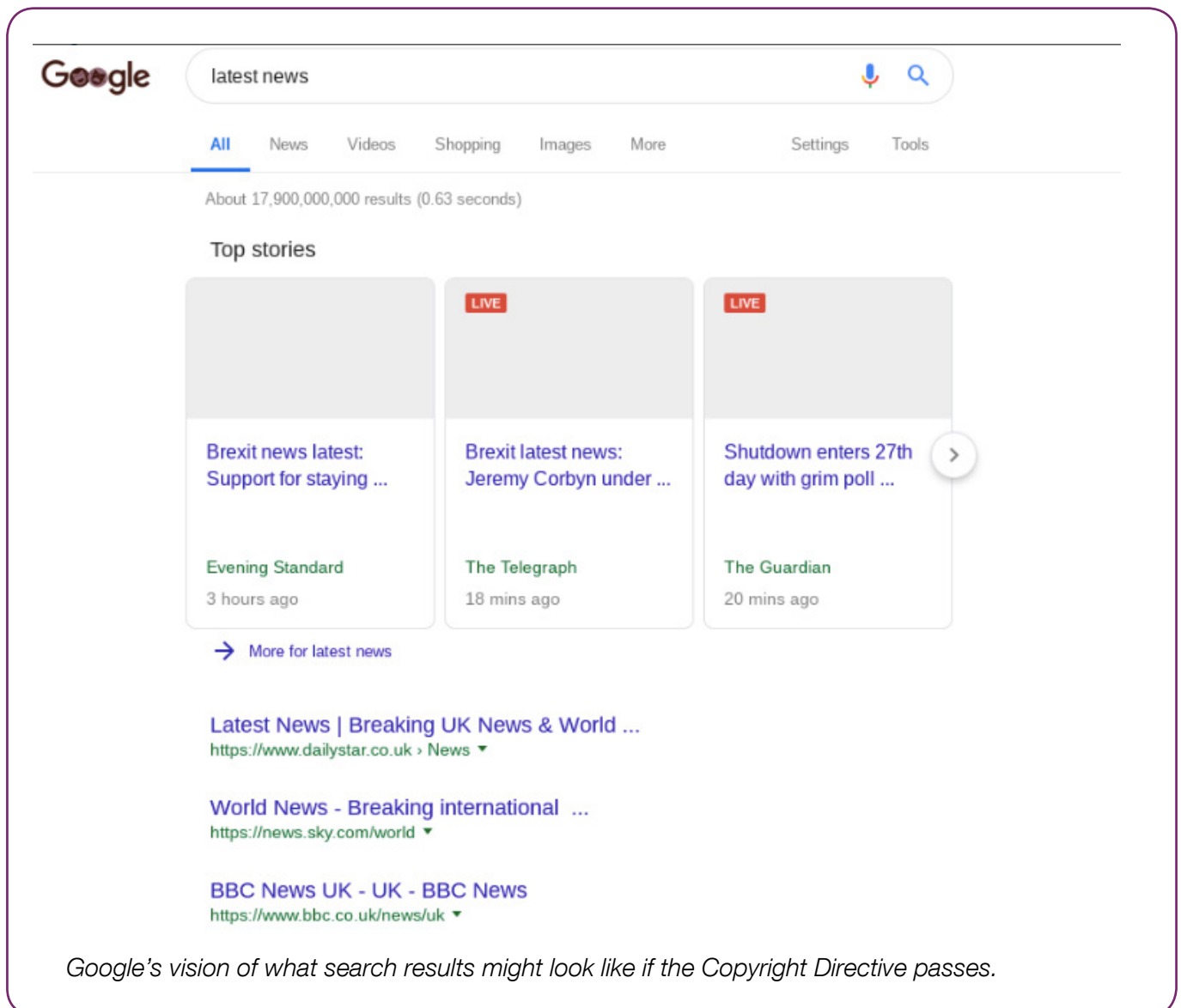
The EU's solution to this disagreement is its proposed Copyright Directive, which aims to reduce the "value gap" between publishers and platforms, by obliging platforms to acquire the right to use publishers' content, including (longer) snippets. Article 11, or the "publisher's right" of this Directive would extend the 2001 Copyright Directive and grant publishers direct copyright over "online use of their press publications by information society service providers",²³⁹ meaning that platforms would be obliged to seek publishers' permission for displaying extracts of their content.²⁴⁰ The Directive has engendered strong feeling on either side of the debate, as demonstrated by the following quotes from evidence submitted to the Review:

"...the introduction of the publishers' right – Article 11 of the EU copyright directive... could clarify the legal status of high-quality journalism, and deliver long-term benefits for the European news media by enabling

publishers to request payment for the value that high-quality journalism provides to the products and services of search and social platforms.” (The Guardian)

“There is a considerable weight of evidence that such proposals are deeply counterproductive, harming journalism and reducing access to news...An introduction of a “snippets tax” on aggregators has reduced the incentive for aggregators to provide their services and has had a knock-on damaging consequence for local publishers.” (Google)

There are grounds for worrying that the implementation of Article 11 in the EU may backfire and restrict access to news. In 2013 and 2014, in Germany and Spain respectively, similar rights to those the Article proposes were introduced. An addendum to the 2013 German copyright law granted news publishers the right to charge search engines and other online aggregators for reproducing their content. Although most publishers elected to waive the right, a consortium of about 200 publishers, led by Axel Springer, told Google News that the company could no longer publish snippets of text and images from their publications. Google complied and ran only



Google’s vision of what search results might look like if the Copyright Directive passes.

headlines of articles to limit its liability. Over the next two weeks, Axel Springer saw a 40% reduction in website traffic from Google and an 80% drop in traffic from Google News – and so agreed to be indexed once again by Google News.²⁴¹ In the Spanish case, the right could not be waived: publishers had to charge platforms for placing their content on platforms' websites. As a result, Google chose to shut down the access of Spanish news publishers to Google News, its news aggregation service. The net result was a fall in traffic to news publishers' websites, and especially to the sites of lesser known and smaller publishers.²⁴²

At the time of this Review's publication, negotiations (called trilogues) between the European Council, Parliament and member states were derailed by member states' disagreements about the wording of Articles 11 and 13, and the extent to which shorter "snippet" should be exempt. Google has signalled that it may pull its News service from Europe if the potential legislation passes.²⁴³ It claims that this decision would not be financially damaging, given that Google News itself does not make any money (though it does successfully refer users to Search, where it can make money from advertising displayed alongside search results). There are also disagreements among publishers: some smaller publishers side with the platforms in the debate, arguing that the traffic pushed towards their websites is actually more valuable to them than any kind of licence fee.²⁴⁴

The experiences in Germany and Spain suggest that, overall, the snippets of publishers' content included on platforms' websites encourage more readers to go to publishers' websites, rather than discourage them (because, for instance, the information they read on the platform is all they need). Put more succinctly, a platform's aggregation service is complementary to a news publisher's direct provision, rather than a substitute. But while this may be true in general, it may not always be. There is evidence that the longer a snippet is, the more likely it is to be a substitute

for the full article, and actually to discourage users from clicking through.²⁴⁵ Given these issues, EU legislators must take care to ensure that Article 11 does not lead to an outcome that would be worse than the status quo for both publishers and platforms.

In October 2012, the French president, François Hollande, discussed with Google's then executive chairman Eric Schmidt a plan for a new law that would require search engines to pay each time they displayed snippets of content from French news media. Google threatened to bar French websites from its search results if the government went ahead.

An agreement was eventually reached between Google and French news publishers in February 2013, under which Google agreed to set up a €60 million (£52 million) Digital Publishing Innovation Fund for the benefit of French publishers.²⁴⁶ This fund was the precursor to the Google Digital News Innovation Fund, which awarded €150 million of funding to innovative news gathering projects between 2015 and 2018. That Fund has now ended, but the project continues as the Google News Initiative, still funded by Google.

The problem, from the publishers' point of view, is that they have very little say in the way and the extent to which their content is replicated. Once they agree to be indexed, they have little choice but to accept the platforms' terms. As the German and Spanish cases illustrate, almost all publishers will accept, because virtually all of them depend on these platforms to reach a significant proportion of their readers. For each individual publisher then, the inclusion of their content on the biggest online platforms – in particular Google and Facebook – brings significant benefits which they can ill afford to forgo, whilst exclusion would mean losing access to a large pool of potential readers, even if

some more loyal readers may choose to continue to go to their site directly.

By contrast, although the major platforms undoubtedly benefit from carrying news content, which brings them significant volumes of traffic, data and thereby advertising revenues, they could likely afford to exclude any particular publisher from their website without seeing much negative impact. The evidence from Spain and Germany certainly suggests that publishers have a lot more to lose than the major platforms from the removal of their content.

From a policymaker's perspective, the question is then whether this imbalanced relationship is enabling platforms to extract far more from the exchange than is fair, and whether in doing so, they are putting publishers' entire business at risk.

The answer is likely to differ, depending on the relationship between each platform and each publisher. It would be hard, if not impossible, for policy-makers to establish what constitutes a fair value exchange. To do so would mean quantifying the value of news publishers' content to the platforms, and of the platforms' distribution service to news publishers, and would require access to commercially sensitive data on reader behaviour, advertising revenues and so on. However, what is clear is that it is increasingly difficult for publishers credibly to threaten to remove their content – and without that threat, they cannot easily negotiate terms for the distribution of their content.

4.2.3 The broader terms of trade between platforms and publishers

For now, the unbalanced relationship between parties has allowed the platforms to make decisions with a significant impact on publishers, with little need for consultation. This has further added to publishers' difficulties in building business strategies which will generate sustainable revenues online. It is particularly notable in two areas: in Google's and Facebook's foray into hosting articles through AMP and Instant Articles, and in the ways

in which platforms choose to rank publishers' content.

As described above, publishers have expressed concerns that the use of AMP and Instant Articles reduces the amount of advertising revenue they can generate. As a result, many publishers have refused to adopt these formats (or stopped using them). This situation harms everyone: readers miss out on faster loading articles, the platforms on the adoption of the format by publishers, and the publishers on those readers discouraged by slow loading times. If either of the platforms had engaged more deeply with publishers to build these models, it is possible this situation could have been avoided.

More significantly, if Facebook or Google choose to prioritise content that uses these formats in people's feeds or search results, publishers may eventually be forced to adopt them.²⁴⁷ In such a scenario – if it is true that, as publishers claim, formats like AMP and Instant Articles make it more difficult for them to generate revenue – publishers would be faced with a unpalatable choice. One option would be to use these formats and accept the associated revenue loss; another, to direct news readers to their own websites, and risk a higher bounce rate (users who click away from a webpage) as a result of slower loading times. That also equates to a loss in potential revenue. This further highlights the precarious situation in which publishers find themselves, vis-a-vis Google and Facebook.

Perhaps the biggest issue, and the one that publishers have complained about the most, is the impact of algorithm changes. It is an algorithm – a careful specification of how to perform a task or solve a problem – that determines how prominently a news story appears on a screen. But news publishers often feel left in the dark about how algorithms operate (i.e. what criteria are taken into account). News publishers frequently complain that they have to spend a great deal of money tailoring their content only for a disruptive change in the algorithm to make the effort worthless. One news

publisher criticised the opacity of social media platforms thus: “Facebook say one thing and then change their mind and they do something else and all the preparation and money you have spent is wasted. You don’t know where you are with them or what they will do next.” As mentioned earlier in this chapter, publishers felt especially bitter about the change made by Facebook early in 2018, for which there was no prior warning, to favour posts by friends and family and to reduce the prominence of news publishers.²⁴⁸

Platforms’ algorithms are a critical part of their infrastructure and a key source of their comparative advantage. So it would be unreasonable to expect them to share full specifications. But equally, some warning of upcoming changes, and further information on the underlying principles, could go a long way to help publishers build sustainable strategies for reaching readers online, to ensure that as many people as possible find their content.

Overall, the unbalanced nature of the relationship between platforms and news publishers is a cause for concern, especially when combined with their larger market shares in the online advertising market. The overall position online of Google and Facebook appears to be directly impeding the ability of news publishers to develop successful business strategies. Whether or not the current monetary exchange between platforms and publishers is fair, the platforms’ position allows them to take decisions with significant impact on publishers, but with little to no engagement with them.

4.3 What could be done?

This chapter has argued that the significant role of Google and Facebook in both digital advertising and news dissemination may jeopardise the long-term sustainability of the press. This Review is not the first to take this view. The ACCC’s *Preliminary Report* on its *Digital Platforms Inquiry* also acknowledges this imbalance: “There are important questions to be asked about the role the

global digital platforms play in the supply of news and journalism in Australia, what responsibility they should hold as gateways to information and business, and the extent to which they should be accountable for their influence.”²⁴⁹

On the platforms’ role as gateways to information, this Review has already discussed in Chapter 2 options to formalise the platforms’ responsibilities to news consumers. Here, the Review focuses on possible interventions that could help rebalance the relationship between the larger platforms and publishers.

4.3.1 To investigate the potential dominance of the larger platforms

It is ultimately beyond the scope of this Review to establish whether, legally speaking, platforms such as Google and Facebook are dominant. This is not a competition review, and does not have the necessary expertise. However, the question is increasingly urgent and requires policy-makers’ attention. As such, this Review welcomes efforts already going on in this area and recommends more, especially in relation to the online advertising market.

Last year, the Chancellor of the Exchequer commissioned an Expert Panel, chaired by Professor Jason Furman, to examine competition in the digital economy. This is directly focused on questions relating to dominance, and to “the impacts of the emergence of a small number of big players in digital markets such as social media, e-commerce, search, and online advertising” in particular.²⁵⁰ Looking forward, DCMS and Department for Business, Energy and Industrial Strategy are also exploring this issue through their Competition Law Review.

The EU is also seeking to minimise the potential ill effects of the platforms’ powerful position across a number of businesses, not just through the Copyright Directive, but also through its Fairness in Platform-to-Business Relations initiative, launched in October 2017. This initiative focuses on the fact

that many small and medium-sized enterprises, not just news publishers, increasingly depend on platforms to reach their markets, with the platforms controlling key routes to information, content and online trading.²⁵¹ New regulation, aimed at increasing the transparency of the platforms, was proposed in April 2018²⁵² in order to “establish a fair, predictable, sustainable and trusted online business environment”,²⁵³ and to oblige the platforms to institute dispute-resolution mechanisms.

Over the longer term, the strategies of both the EU and the UK will likely have implications for the relationship between online platforms and news publishers. But, it is not possible for this Review to predict either those strategies or their impact.

Even if the EU and the UK take action to limit the broader impact of the platforms, the online advertising market remains an area of particular concern. This market is complex, and Google and Facebook have large shares which are growing rapidly. It therefore warrants particular attention. Indeed, this chapter’s review of the evidence has principally highlighted how little about it is known: about the players involved in the advertising chain, about what they do, and about the cut they take.

A big issue is that it is currently difficult to compel the players involved to share information on a consistent basis. Before recommending any particular course of action then, the government’s first priority should be to collect more reliable and complete information in order to understand better the workings of the market. Encouragingly, in October 2018 Andrea Coscelli, the chief executive of the Competition and Markets Authority, told the House of Lords Communication Committee that he was “actively considering” launching an investigation into the digital advertising market.²⁵⁴ As is set out in Chapter 6, this is exactly what is needed.

4.3.2 To ensure the unbalanced relationship between platforms and publishers does not jeopardize the financial viability of news publishers

If the powerful position of Google and Facebook remains unchanged (or even grows), the government must ensure these companies do not abuse their position, and just as critically that their position does not threaten the viability of other industries. To ensure this, the Review has considered two options: industry-wide negotiations, and a code of conduct for the larger platforms.

To allow publishers to negotiate as an industry, the government would have to grant them an exemption from existing anti-cartel rules. This would allow them to develop a common front and agree among themselves what kind of terms of trade, including payments, would be satisfactory. The rationale for this approach is that it would rebalance the relationship between platforms and publishers, and allow for negotiations on a more even footing. There is some precedent for this approach internationally, but its impact is less clear.

In Germany, the press sector has an almost blanket exemption from The Act on Restraints of Competition (ARC). This law prevents two or more independent businesses from forming a cartel to build a stronger negotiating position against another sector. As the previous section noted, some German publishers attempted a form of collective bargaining in 2013, but their demands were met with strong resistance from Google and were ultimately unsuccessful.

In 2017, David Chavern (CEO of News Media Alliance, which represents over 2,000 publishers in the US) reported that a group of American publications were seeking a limited antitrust exemption from Congress so as to be able to negotiate as a group with platforms.²⁵⁵ In March 2017, the chair of the Antitrust Subcommittee in US Congress, David Cicilline, introduced the

Journalism Competition and Preservation Act, which proposed a temporary safe harbour from current antitrust laws in order to allow news publishers to negotiate collectively with technology platforms on factors that affect public access to news, such as the quality, accuracy and attribution of news sources²⁵⁶. There has been no update on the progress of the bill since it was introduced to the House of Representatives in July 2018.

There are, however, questions about how effective this approach might be, especially given the precedent in Germany. In general, allowing an industry to negotiate as a whole leads to higher prices. In this specific case, this may be justifiable, but such negotiations could also unduly benefit incumbent publishers at the expense of smaller ones and startups, which are likely to want quite different things from the platforms. Indeed, getting publishers to agree to a position may pose a significant challenge in itself. And, in agreeing a common position, the voice of smaller players are likely to be crowded out. Even more worryingly, an industry-wide agreement may make it more difficult for new players to enter the market, as they may have to be endorsed by the industry before being granted the same agreement as existing publishers.

A potentially preferable option, at least in the first instance, would be to require the largest platforms to develop codes of conduct. These codes would set out what should and should not be included in any individual negotiations with a publisher. These might cover commitments such as a pledge to share some information with a publisher on its readers' behaviour; or a commitment to give appropriate notice for significant changes to algorithms that may impact on the prominence of a publisher's content; or an assurance not to index more than a certain amount of a publisher's content or snippets, without an explicit agreement to do so.

This model has been applied successfully in both the grocery and the TV markets. In the former,

there is some sense that the code of conduct is weak, but it appears to have limited the big supermarkets' most egregious behaviour (e.g. changing how much they will buy at the last minute). The Public Service Broadcasters' codes of conduct (which underpin their terms of trade with TV content producers), appear to have been more successful. Since the codes were implemented in the mid-2000s, Ofcom has never had to intervene, and the UK's TV production sector has thrived.²⁵⁷

Finally, the platforms have already contributed to a relatively successful example: the piracy code of conduct. This was voluntary (although agreed to under a threat of legislation) and sets out how platforms and rights holders will work together to tackle known pirated content online.

While a code-of-conduct approach would not rebalance publishers' negotiating position as significantly as industry-wide negotiations might do, it is also less restrictive and allows each publisher to negotiate terms that most suit them, thereby ensuring some competition among publishers. Such a flexible approach may also be more likely to succeed with the platforms, and avoid a repeat of the German case. For these reasons, this is this Review's preferred approach and one described in more detail in Chapter 6.

Ultimately, platforms and the publishers will have to find ways to work together. And despite the frequent complaints from both sides, there has been, over the past few years, evidence of better engagement. Platforms have rolled out a number of initiatives designed to help publishers thrive online, some of which are described in more detail in the next chapter. But while it is clearly preferable for platforms and publishers to communicate well to reach mutually beneficial solutions, it is important for the government to ensure there are checks on the behaviour of platforms. The initiatives described above are intended to deliver that.

Chapter 5

A future for public
interest news

Chapter 5 – A future for public interest news

Key findings:

- As a result of falling revenues, publishers have cut costs dramatically.
- This has had negative consequences for the provision of all types of public-interest news, especially at the local level.
- Looking forward, there are promising examples of innovations to bolster the provision of public-interest news, but these are unlikely to be sufficient.
- While all types of public-interest journalism are in difficulty, the scale of the revenue gap for local publishers, combined with the public's limited appetite for local democracy reporting, create a unique challenge.
- As a result, the interventions described in previous chapters may not be sufficient to ensure the adequate supply of public-interest journalism and especially of local public-interest news.
- It will be necessary to develop more targeted interventions, focused on plugging the deficit in local democracy reporting, along with additional support for innovation.

This Review has described the disruptive impact of a period of extraordinary technological change on the provision of high-quality news. The change has brought enormous benefits, putting such news within the reach of vastly more people than ever before and creating myriad opportunities and

experiments, for new players and new business models. Many more people have the opportunity to be better informed than before: the technological revolution has widened the availability of high-quality news. However, the transformation of the market for advertising, and the easy availability of free online news have created a particular public-policy concern. Together, they have disrupted the streams of revenue that not only made publishing profitable, but also financed the collection and dissemination of what this Review has defined as public-interest news: news that helps to underpin democracy at national and local levels. This disruption threatens the provision of public-interest news. Yet it is essential to our democracy that such news is widely reported and has wide reach.

The fact that newspapers are struggling financially is not of itself a sufficient reason for government to intervene. They are not the only businesses threatened by the opportunities created by digital technologies. After all, department stores, black cab drivers, book and music publishers are all facing challenges too – or think of Kodak, or Blockbuster. Moreover, intervention is a risky business, which may backfire by getting in the way of innovation or a beneficial market-driven change. To justify, it requires evidence that the market is being distorted or thwarted in a harmful way, or that it is damaging the public interest. Previous chapters have discussed areas where that may be the case, and thus where intervention might be justified. This chapter looks more closely at areas where there may be a case for intervention on the grounds of protecting journalism that is specifically in the public interest. In Chapter 1, this Review defined the two most vulnerable areas as investigative journalism, because of its sheer expense and level of financial risk, and democracy reporting, defined as the

coverage of the institutions of public life, especially at a local and regional level. The goal of the Review has not been to protect news publishing companies themselves, but to advocate measures that will ensure the market in which they operate is efficient, and to defend their most democratically significant outputs. This chapter takes another look at the current provision of these two types of journalism, and at what additional interventions might be needed to ensure their continued supply over the long term.

5.1 The digital transition has undermined the provision of public-interest journalism

As print revenues have collapsed faster than online revenues have grown, many publishers have cut costs, with significant consequences for the provision of public-interest journalism. As Chapter 1 pointed out, it is perhaps surprising that most of the UK's major national papers have remained profitable.²⁵⁸ But they have achieved this only through significant cost-cutting. This has led to heavy reductions in staffing: the *Mediatique* report estimates that the number of frontline journalists in the industry fell from an estimated 23,000 full-time journalists in 2007, to 17,000 today.²⁵⁹ To judge by what the Review has been told by both publishers and journalists, these cuts have curtailed public-interest reporting.

Investigative journalism is expensive to produce, so cost-cutting is likely to have had a negative impact on this form of journalism, even if it is hard to measure precisely. Cuts have probably reduced the time journalists have to research stories, and to follow up leads. Investigative journalism requires skilled journalists with experience in the field, and the relevant contacts to help them unearth a story. To the extent that, in recent years, newspapers (particularly local and regional titles) have replaced “senior, experienced reporters” with “less expensive, young reporters”,²⁶⁰ *Mediatique*'s figures might mask a greater problem: there may be 6,000 fewer journalists, but an even greater loss

of experienced journalists. A Reuters Institute study in 2018 into increased collaboration among news publishers on investigative journalism projects cited the severe economic pressures on newsrooms as one of several reasons for pooling resources.²⁶¹

For democracy reporting, the impact of the digital revolution has been uneven. At the national level, coverage of significant political, economic and social events does not appear to have diminished,²⁶² (if anything, some people may feel they have read too much news about Brexit). Even if they have cut costs, all the national publishers still provide extensive coverage of national politics. This type of reporting is at the core of what they do, and central to their identity and reputation. But although quality is hard to measure, it may have been affected: one impact of online news is the potential tension between quality and the business imperative to chase clicks, as described in Chapter 3.

Ultimately, it is at the local and regional level that the provision of public-interest news is most threatened. Collapsing revenue hasn't just led to cut-backs; it has cut a swathe through the local press. As noted in Chapter 2, falling revenues have helped to drive 321 closures in the local press over the last ten years. In the local publications that still survive, cost-cutting has often meant that reporters are less able to leave the newsroom to meet local officials or to attend council meetings or court appearances, activities which are essential for democracy reporting. During the brief lifetime of this Review, the country's biggest local news group, Johnston Press, went into administration before restructuring and Gannett, the American owner of the second largest local group, Newsquest, faced a takeover bid.²⁶³

In sum, as the digital transition has led most publishers to cut costs, the provision of public-interest news has been weakened. But while investigative and national level reporting have suffered, it is local provision that is most under threat. Looking forward, it is also the area that requires the most attention, as the next section explains.

5.2 What are publishers already doing to sustain the provision of public-interest news?

Over time, new models, or even new institutions, may emerge which can fund public-interest journalism and reduce, or even negate, any need for financial support from government. Before discussing the potential for intervention, it is necessary to review what publishers are already doing to reduce the costs and improve the quality of public-interest news. In Chapter 3, we described a number of new successful business models. In this section, we review some of publishers' most promising initiatives directly linked to public-interest journalism.

A recent project from the Press Association, in collaboration with Urbs Media, holds particular promise. The project, called RADAR, or Reporters and Data and Robots, uses Natural Language Generation (NLG) software to create stories from public data sets, which are then made available to local news organisations around the country. Crucially, the software automatically customises the story to each local area. For instance, when new data on local council spending come out, the software is able to tease out the relevant information for each locality and, to some degree at least, interpret it.²⁶⁴

Another example of technological innovation that helps lower the cost of local journalism is the recent partnership between Reach Plc and Krzana (an AI news gathering machine). Krzana monitors 60,000 sources of news and will replicate the work of journalists scanning several social media sites for stories. This will help reporters to find potential stories faster and more easily on social media.²⁶⁵

On the investigative side, Reuters News Agency is also building an AI-driven tool that can help reporters make better use of data. Lynx Insight can analyse data, suggest story ideas, and even write some sentences, aiming not to replace reporters but instead to give them a digital data scientist-

cum-copywriting assistant. The system will churn through massive datasets, looking for anything interesting: a fast-moving stock price, changes in a market, or subtler patterns. Journalists are handed that information however they choose — in an email, messenger service, or via their data terminals — alongside context and background to assist further research if necessary.²⁶⁶ A similar programme called Cyborg is used by Bloomberg: journalists use it to better understand a company's earnings.²⁶⁷

It may even be possible to integrate data journalism with court reporting. HM Courts & Tribunals Service (HMCTS) has already updated its media guidance to staff working in courts and tribunals, to help promote more reporting of proceedings. HMCTS is undertaking a significant reform programme, jointly led by the Ministry of Justice and the judiciary, which will improve court infrastructure (including better Wi-Fi availability) and introduce new digital services, such as online indications of pleas. As the reform programme develops, it is intended that more “enabling” digital services will be introduced, such as online court listings and “fully video” hearings. A working group including representatives of the local, national and digital media is ensuring that these initiatives are developed with the input of media professionals. The Ministry of Justice is also working with the judiciary and stakeholders on wider issues relating to open justice, including the provision of data and broadcasting from courts.

All of these innovations are designed to help make the process of journalism faster and easier and have the potential to reduce greatly the cost of public-interest journalism. More efficient data trawling has obvious benefits for investigations, while innovations that scan social media could also be put to use in democracy reporting.

In addition, new players are entering the market for both investigative journalism and local news. The Bureau of Investigative Journalism, founded in 2015, and its spin-off, *Bureau Local*, have covered issues as diverse as standards in abattoirs and the

deaths of homeless people. *The Ferret* in Scotland has done online investigative reporting on issues such as election funding and fracking, and *The Bristol Cable* runs as a membership organisation specialising in public-interest journalism. All of these examples are financed by a mix of crowd-funding and donations, including from Google's Digital News Innovation Fund. On a visit to Cardiff, the Review heard about the success of the *Caerphilly Observer*, a hyperlocal established in 2009, which has succeeded in attracting both online and print advertising. The publication's expansion into a fortnightly print version was aided by a European Union funded business grant in 2013.²⁶⁸

A survey of 183 UK hyperlocal sites conducted in 2014 found that 75% had covered local businesses in the previous two years, 79% had covered local government planning issues, and 81% had covered local council meetings.²⁶⁹ "Seven out of ten producers", the same survey discovered, "see what they do as a form of active community participation, over half see it as local journalism, and over half as an expression of active citizenship."²⁷⁰ However, as Gordon Ramsay and Martin Moore point out,²⁷¹ it is not clear how far hyperlocals can fulfil the role that many local newspapers used to play. Apart from anything else, their staff may not be trained journalists and their resources may be too slender.

There is promise in the existence of over 200 not-for-profit news providers in the US, where in many cases communities have taken public-interest news provision into their own hands. These organisations maximise interaction with residents through subscriptions, newsletters, events and comments sections on their websites. Still, they are heavily reliant on philanthropic funding: it provides on average 90% of their total revenue.²⁷²

These examples are proof of a widespread desire on the part of many publishers to adapt to the online world, and to create new ways to fund and otherwise support the production of investigative stories and local news. But, as the next section

explains, the challenges are so significant that it is unlikely that these initiatives will be sufficient to ensure the future supply of public-interest news, especially with respect to local democracy reporting.

5.3 The challenges to public-interest journalism are most acute at the local level

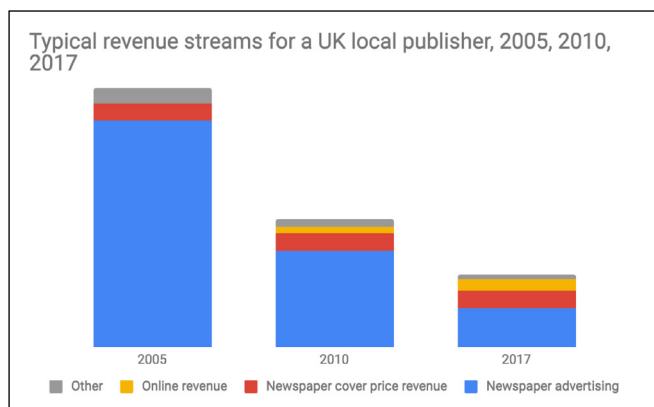
Based on all the evidence this Review has seen, it will be a challenge for many news publishers to generate sufficient revenue to develop sustainable businesses online, but it will be particularly difficult at the local level. And, even if local news publishers meet this challenge successfully, the link between sustainable business models and the provision of public-interest news is much less strong at the local level than it is nationally.

5.3.1 Local publishers face a tougher financial challenge than nationals

At the national level, there are sufficient examples of successful revenue models to believe that many publishers can find sustainable models, especially if the issues identified in previous chapters are addressed. But it is not at all clear that the same is true at the local level. As the digital transition has affected local publishers much more severely than national ones, they have a much larger hole to fill. And, their options to generate revenues are far more limited. The collapse of classified advertising revenue, described in Chapter 3, has hurt local publishers much more than nationals, since they were much more dependent on it and classifieds provided the largest share of their revenue. Enders Analysis, for example, records that revenues from advertising placed by small and medium-sized businesses in the publications of the three biggest regional publishers (i.e. Newsquest, Johnston Press (now JPI Media) and Trinity Mirror (now Reach Plc)) fell from £2,797 million to £832 million in the decade to 2016 - with 77% of the losses coming

from classified advertising.²⁷³ Generally speaking, advertising in local papers is simply less attractive than other online options, where advertisers can target more people more precisely, and more cheaply. Likewise, search engines, such as Google, offer a more efficient way for people to find what they are looking for, and for the advertiser to reach the right customer. Although the example of the *Caerphilly Observer* may suggest that it is still possible for local publishers to build their business on advertising revenue, such examples are few and far between.

Similarly, on the subscriptions side, a few successful national publishers have built strong brands to generate subscription revenues. Even then, most still rely heavily on advertising. The smaller reach of local publishers makes this strategy much harder to execute. The difficulty local publishers have had in growing online revenues (subscriptions and advertising) is illustrated below in figures provided by a local news publisher - who told us that over twelve years from 2005 to 2017, total revenues for the publisher had declined by nearly three quarters. Newspaper advertising revenue saw the biggest decline, with online advertising growing far more slowly and not making up for the losses. This example gives an indication of how revenues have evolved since 2005 - online revenues have been nowhere near sufficient to compensate for the collapse in print advertising revenues.



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The transition online has also made local news publishers less essential to community life. Facebook now frequently acts as a hub for local groups, and one which offers speed, versatility and local involvement that newspapers cannot emulate. When, in January 2018, Facebook reduced the prominence of external content (i.e. news) within its news feed (to the dismay of many news publishers), it did so partly to make room for the growth of private groups of Facebook users, which act as hubs for local residents to share information, something that its users said they wanted. Publishers had already noted the drop off in traffic from content posted on their public Facebook pages, and at the time of the algorithm change Facebook pointed to private groups of Facebook users as a new emphasis for the platform.²⁷⁴ Facebook is not alone: web sites such as Nextdoor and Mumsnet also serve as local hubs, creating geographical online communities as well as communities of interest.

As described in Chapter 3, local publishers need both resources and digital expertise to explore potential business models online. But, the majority of local journalists are not technology experts and do not necessarily have the knowledge to create news websites, let alone to develop tracking technology to understand their readers better. Larger publishers can afford to employ product managers, Search Engine Optimisation (SEO) specialists, data analysts and social media experts, all to help them compete online. Smaller publishers cannot match that sophistication. For all these reasons, creating and sustaining a viable local news publishing business online is an immense challenge, and it is unlikely to become significantly easier in the near future.

For local publishers in low income areas, the financial constraints may be especially severe. Evidence from the United States suggests that local news start-ups are more likely to survive in relatively wealthy areas, where they can draw not just on local advertising but also on reader

revenues, such as subscriptions or donations. Research by Tara George and Sarah Stonbely of the Center for Cooperative Media at Montclair State University supports this: “The economics of digital local journalism are in danger of reproducing economic (and as a result social and political) divides in a way that purely advertising-supported local and regional news outlets may not have,” said the authors; “that is, online local news outlets are finding ways forward with a mix of old and new revenue streams, but this new model is working best in affluent communities. Poorer communities are in danger of being left behind even more than they were in the legacy era.”²⁷⁵

Not only are local publishers inherently ill-suited to a revenue model that rewards scale; much of what local papers were previously uniquely placed to do is now being done better by others, whether that is providing a focal point for community life, or targeting individuals with advertisements based on location. This creates a severe challenge for publishers seeking to develop successful business models at the local level.

5.3.2 The link between financial success and public-interest journalism is weaker at the local level

In order to succeed in the market, publishers must first find sustainable revenues; this report has already set out the extent of that challenge. Public interest journalism involves a further challenge - if the demand for public-interest stories is low, the potential benefit to producing them is unlikely to be commensurate with the cost.

Generally speaking, investigative and national level democracy reporting appear to generate a substantial amount of interest from readers. So it is reasonable to assume that if national publishers become more financially sustainable, so will coverage of national democracy. Similarly, investigative journalism can bring publishers significant benefits, even if demand for any particular story may not be sufficient to cover

the cost of producing it. One online journalist told the Review that people spent longer reading investigative news. So good investigative stories may encourage readers to linger longer on online pages, making them more valuable to advertisers and building a publisher’s reputation and brand. As such, it is reasonable to assume that the supply of investigative news will increase if publishers can put their businesses on a more stable footing.

Still, the likely discrepancy between the cost of producing these stories and readers’ interest suggests that more intervention might be necessary to guarantee the health of investigative journalism, at least relative to democracy reporting at the national level.

This conclusion is supported by Emily Bell, professor of professional practice and director of the Tow Center at the Columbia Journalism School, New York, who wrote in a recent article that the commercial internet makes profitable journalism much harder, and in many cases impossible, and that this particularly applies in the case of in-depth investigative reporting, because it is neither cheap to produce nor generally something that attracts massive scale.²⁷⁶

But it is at the local level that the gap between cost and reader interest is the largest. This is not a challenge solely for local publishers: the BBC told this Review that, although there is public-interest and engagement around local democracy events, it is not as strong as for moments of national democracy. For example, the local elections in 2018 had much lower reach across the BBC’s TV news coverage, and a lower online reach, than did BBC coverage of the General Election in 2017.²⁷⁷ But it is the financial burden that local democracy reporting imposes on local publishers which is most problematic. A story on local politics may cost roughly as much to create as a story on national politics, but the potential revenues are generally much less. Hard-pressed local publishers understandably may decide not to cover meetings that few readers seem to care about. One of the

larger local news publishing groups provided a useful illustration of this point. Revenue per page, the publisher claimed, was approximately £5 per 1,000 views. The cost of deploying a local journalist to cover the meeting of a local council might be as much as £100, which meant that the story would need to generate at least 20,000 online views - an unimaginable number - before the publisher broke even.²⁷⁸

Even more worryingly, younger audiences seem less interested in local news stories. Only 59% of 16-24s agree that local news is important to them, compared with 75% of all adults. And although people ranked local news in second place for the news topics most important to them, it ranked in sixth place for 16-24 year-olds.²⁷⁹ In other words, the link between a local publisher's financial success and the provision of local democracy reporting is much weaker than the corresponding one at the national level, and this will probably not change in the near future.

In sum, it seems unlikely that commercial efforts will be sufficient to guarantee the future provision of public-interest news, especially at the local level. So in the short term at least, intervention will be necessary, until the market reaches a point where a clear and self-sustaining alternative pattern of supply has emerged.

5.4 What could be done?

The interventions proposed in the previous chapters (and described in more detail in Chapter 6) should make it easier for publishers to find sustainable revenue models. But none of them is designed to plug the gap between the amount of public-interest news a well-functioning market can be expected to provide and the amount that is needed in a well-functioning democracy. While the proposed interventions may be sufficient to ensure a sustainable future for national news publishers, they are unlikely to be sufficient to ensure the supply of all types of public-interest news, and

local level democracy reporting in particular, for the reasons set out in the previous section. Local publishers' dwindling resources, combined with the public's apparently limited appetite for local democracy reporting, have created a unique challenge at the local level. Without direct intervention to address that challenge and plug the resulting gap in provision, local democracy could be undermined.

Any intervention providing direct financial support for an industry must be carefully delineated, to ensure funding does not simply substitute for private provision. Intervention must not create a permanent dependency between the industry and government. In his submission to the Review, George Brock, Professor of Journalism at City University London, argued that subsidies should be resisted because they would legitimize the behaviour that has led to the problem now facing news publishers, and disincentivise them from finding a long-term solution.²⁸⁰ Furthermore, if one of the principal societal benefits of public-interest news is its ability to hold public institutions to account - as has been argued throughout this Review - the providers of this news cannot be dependent on those very same institutions. So, the need for delineation of any direct financial support is particularly critical in the case of the news industry. Both publishers and the public accept this - indeed, a significant number of submissions from the general public demanded that this Review should not provide publishers with direct subsidies.²⁸¹

In practice, this Review has sought to give priority to interventions aimed at helping the industry to help itself. And to the extent that direct funding is needed, its focus is on interventions directly targeted at the supply of public-interest news, and only insofar as they are necessary to ensure a minimum level of provision. This section explores examples, from the UK and abroad, of such interventions, focusing on public support for innovation and on direct subsidies.

5.4.1. To support innovation in business models and the use of technology

The future of the local press is a complex and demanding issue. It involves change on three fronts: in the skills and instincts of journalists, in the ability of local publishers to deploy digital technology frugally but effectively, and in the business models that publishers now adopt. That last may involve local publishers in creating community events and soliciting donations, as well as charging in more conventional ways. Given the scale of the challenge, there is a strong case for public intervention to support publishers to develop solutions fit for the digital age.

Other governments support innovation in news-gathering methods. The Dutch Journalism Fund, launched in 2010, awards grants amounting to up to 50% of a project's cost, and has, to date, spent €10.3 million (around £9 million) supporting 93 different projects.²⁸² In 2015, six companies²⁸³ received funding from the programme, including for a project incorporating virtual reality into news consumption, a web application to facilitate data journalism, and *Journalism - a publisher* which allows readers to choose and fund a thoroughly researched article in a certain

subject area. Similarly, the Regional and Small Publishers Innovation Fund in Australia supports regional and public-interest journalism, and is financed and administered by the Department of Communications and the Arts. Over a three-year programme, the Fund has committed AU\$50 million (around £27.3 million) to support public-interest journalism, with a further AU\$10 million (£5.5 million) financing a cadetship (apprenticeship) programme and 60 regional journalism scholarships.²⁸⁴ In another example, France's *Aides du fonds stratégique pour le développement de la presse* offers grants to news publishers for innovation projects and to help them make the transition to a digital way of working.²⁸⁵

The main online platforms have also funded innovation and novel uses of technology. Google's Digital News Innovation Fund (part of the Google News Initiative) has funded a number of interesting and ground-breaking initiatives across Europe. For example, Google's Digital News Innovation Fund granted €706,000 (around £618,000) to the RADAR project described above,²⁸⁶ and Facebook recently announced a \$300 million (around £229 million) global investment in local news over three years (see box).²⁸⁷

Facebook's support for local news

Facebook announced in January 2019 that it will invest \$300 million (around £229 million) in local news globally, over three years. As part of this fund, Facebook has launched a Local News Partnership in the UK, between Facebook, the National Council for Training Journalists (NCTJ), Archant and Reach Plc, in which Facebook will invest £4.5 million to train journalists and "widen the talent pool" for journalism. This two-year pilot scheme, starting in January 2019, will make available around 80 places, and will be overseen by a newly established charitable organisation called the "Community News Project". Facebook will fund the scheme, but the NCTJ will be responsible for finding and training the journalists - Facebook will have no further input aside from the provision of some training around the use of digital tools. There will be no obligation upon journalists to put their work on Facebook, nor will Facebook "up rank" or favour their articles above other content in its News Feed.

In the US, the first round of investment will provide finance to improve resources for local reporting, to help research on uses of technology to improve news gathering and create new products, to recruit "trainee community journalists" and place them in local newsrooms and also to help fund a programme which will place 1,000 journalists in US local newsrooms over five years.

Oath - which owns Yahoo, HuffPost and MSN - has also negotiated many partnership agreements with news providers, with which it has worked on projects such as the first National Football League Global Stream and the Official Fantasy Game of the National Basketball Association, Major League Baseball and National Hockey League. Twitter has been in partnership with Bloomberg since December 2017 when they launched TicToc, a news network built for the social media platform, which provides short videos and snippets of news.

But while initiatives such as these have undoubtedly benefited the news industry in many ways, this Review also heard criticism that they have sometimes been shaped too much by the interests of the online platforms, rather than by the needs of news publishers.

To conclude, this Review has argued that a large part of the blame for the problems faced by news publishers is the disruption caused by the rapid and accelerating transition from print to digital and mobile. The industry is still in transition and it is impossible to know what will eventually emerge. The solutions to the future sustainability of high quality journalism, particularly at local level, may not yet be apparent. However, it is certain that investment in, and encouragement of, innovation is vital to ensure that local journalism survives the transition. Government can, and should, play a role in supporting innovation, as the benefits arising from particular innovations often spread far beyond the initial developer - the societal benefit will often far exceed that accruing to the original innovator. The UK Government has long accepted it has a vital role to play in supporting technological innovation, most recently through its Industrial Strategy Challenge Fund.²⁸⁸ Given the wider societal benefits of public-interest journalism, government support for innovation in this area is thus doubly justified. This Review discusses the form support for innovation should take in more detail in Chapter 6.

5.4.2 To guarantee a minimum supply of local democracy reporting in the near term

With luck, investment in innovation should help publishers, and local ones in particular, to begin to develop viable business models online. But this will take time. In the short term, there is an immediate need to plug gaps at the local level, to ensure public institutions are sufficiently held to account.

Such subsidies have been used in other European countries for a variety of reasons. France has probably the most complex system in the EU, aimed at increasing access to information, supporting media pluralism, and modernising news media. Norway awards production grants to the industry, in proportion to a newspaper's circulation and market position: every newspaper with a circulation of less than 6,000 copies receives aid from the government. An obligation to support the press is enshrined in the Portuguese Constitution: granting money to local and regional press, but not to national press. In Denmark, newspapers and digital publications that publish political and cultural content and employ at least three journalists are entitled to an editorial production subsidy based on the amount they spend producing journalism. In Austria, the Austrian Communications Authority awards subsidies, and in 2017 these amounted to €8.5 million (around £7.4 million).²⁸⁹

Other forms of direct press subsidy also take the form of aid for distribution (e.g., Austria and Sweden), export aid (France, Italy) or support for training journalists.²⁹⁰ Sweden's joint distribution subsidy (introduced in 1969) pays a small subsidy to a publisher per copy of newspaper distributed, amounting to about 3-5% of distribution costs, and was introduced in order to lower the entry barrier to home delivery subscriptions.²⁹¹ The Welsh government has created a fund of £200,000 over two years (2018-20) to support hyperlocal startups with funding directed towards "socially essential public-interest reporting". In the UK, local

authorities are required to publish statutory notices in the relevant local (print) newspaper. Although this requirement is not intended to subsidise the press but to ensure statutory notices are brought to the attention of a wide audience, it is in practice a direct subsidy, and it remains an important strand of revenue for many local newspapers - though it is not clear whether it remains the most effective means of advertising public notices. A recent Inquiry into News Journalism in Wales by the Culture, Welsh Language and Communications Committee of the National Assembly of Wales, recommended that the Welsh government should carry out an audit of public spending on advertising statutory notices, assess whether there are more cost effective ways of publicising statutory notices, and consider how any savings released could be reinvested in support of public interest news journalism, potentially through the creation of a similar body to the Knight Foundation in the US, which offers seed-corn funding for small start-up news organisations.²⁹²

In the UK, direct support for the local provision of public-interest news is provided through the Local Democracy Reporting Service, which forms part of the Local News Partnership set up by the BBC in collaboration with the News Media Association. The aim of the scheme is to provide local publishers with dedicated reporters to increase the reporting on the activities of local councils, directly fulfilling the journalist “scarecrow” function described in Chapter 1. The scheme has so far recruited 144 reporters out of an intended 150 posts. These posts are funded by the BBC to the tune of £8 million a year, paid for from the TV licence fee but based in the offices of local papers.²⁹³

Although the aim of the scheme is commendable, its operation has not been without criticism. The Review heard concerns that the scheme had in some cases acted at a *substitute* for private provision, rather than providing additional resource. A requirement to treat all parts of the country fairly means funding has not been concentrated in those local areas which are most in need. And of the 144 contracts awarded so far, 93% have gone to the three largest regional publishers.²⁹⁴ Although this might be expected, given that the larger publishers are more likely to meet the eligibility criteria, this Review considers that more should be done to ensure that smaller local publishers can benefit from the scheme. Smaller publishers, including hyperlocals, are likely to be amongst those most at risk, and may also demonstrate the most commitment to locally specific, public-interest journalism, which should be supported.

The Review received calls in a joint submission from Newsquest, JPI media (formerly Johnston Press), Reach, Archant and MNA Media to expand the scheme. The authors claimed that an additional 1,737 reporters were needed across the country, in order adequately to cover local councils, and to broaden the scope of reporting to include the full range of local public institutions, including courts, health trusts, fire authorities and Police and Crime Commissioners.²⁹⁵

There is clearly a continuing need for the Local Democracy Reporting Service, or something much like it. The Review’s preferred option is an expansion of the scheme - though not necessarily to the extent suggested above - along with an evaluation of its operation to date, to identify how best to address the concerns. In the medium term, management of the scheme should move away from the BBC. This recommendation is set out in more detail in Chapter 6.

5.4.3 To ensure the continued, and long-term, supply of investigative and local journalism

While direct subsidies may be necessary in the short term, it may also be necessary to support the long term provision of certain types of journalism, not through direct subsidy but by tweaking the incentives of private providers to ensure the financial rewards for producing public-interest news reflect more clearly its wider societal benefits. One option is for the government to provide tax relief for such activities.

As discussed in Chapter 3, the UK already allows sales of physical news publications to be zero-rated for VAT. Local newspaper publishers also enjoy Business Rates Relief. Beyond these measures, the UK has so far been cautious about the use of tax reliefs or exemptions to support newspapers.

Other countries have applied a variety of different forms of tax relief. For example, in 2017, the Public Policy Forum, a Canadian think tank, published *The Shattered Mirror*,²⁹⁶ a report which found that one third of Canadian jobs in journalism had disappeared since 2010.²⁹⁷ In response, in November 2018, the government announced a CAN\$ 595 million (around £348 million) tax package over five years, which includes a “qualified donee” status (effectively charitable status) for news publishers, tax credits for publishers who “produce a wide variety of news and information of interest to Canadians”, and a tax credit enabling subscribers to claim back 15% of their digital subscriptions.²⁹⁸ These measures are too recent to have had measurable effects, but their impact will be worth watching, since this is a model which could potentially be used to support public-interest journalism in the UK.

In the UK, the organisations that receive the most significant tax reliefs are those with charitable status. Therefore, the best way for government to affirm the wider societal benefit of public-interest news might be by granting charitable status to its

providers. Such a development would not only serve to incentivise those producing journalism by lowering their costs; it would also open the doors to philanthropic giving - providing publishers with a potential new (and much needed) revenue stream. However, the constraints that UK charity law applies to charitable organisations, preventing them from undertaking certain political activities such as securing or opposing a change in law, policy or decisions affecting the country, have excluded any type of journalism, public-interest or not, from tax exemption.

This approach is not replicated in the US, where many new journalistic start-ups are not-for-profits, which reduces their tax burden and attracts support from generous foundations. US non-profit news publishers can gain tax exemption through charity status under the tax code 501(c)(3), which provides an exemption from federal income tax and access to tax-deductible financial contributions. Any organisation with 501(c)(3) status, whether a publisher or otherwise, is not allowed to engage in political activity and may perform only limited lobbying.²⁹⁹ Examples of publishers with this status in the US include *ProPublica*, *The Texas Tribune*, *The Nevada Independent*, *The Guardian.org*, and the Centre for Investigative Reporting (publishing as *RevealNews.org*).

In the UK, hardly any news organisations have succeeded in registering as charities. By contrast, many think tanks enjoy charitable status, qualifying as educational institutions. Guidance issued by the Charity Commission to think tank trustees in December 2018 argued that, “Education does not have to be entirely neutral; it can start from a generally accepted position that something is beneficial. A charity can therefore promote uncontroversial views and perspectives.”³⁰⁰ Under charity law, charitable organisations are allowed to advocate or oppose any policy in line with their charitable objectives, but cannot endorse a political party.³⁰¹

One might think that the value of investigative journalism makes it a good candidate for charitable tax relief. This case has indeed been made on numerous occasions in the past (including by The House of Lords Communications Committee, in its 2012 inquiry into investigative journalism), and is still the subject of discussion. Many responses to the Review's Call for Evidence argued that some areas of journalism should qualify for charitable status. The inclusion of journalism to sit alongside the 12 existing charitable purposes (which include the advancement of education, the advancement of arts, culture, heritage or science, and the advancement of animal welfare) would not benefit national news publishers, nor many of the larger regional publishers. Most of them are commercial endeavours whose owners would be highly unlikely to sacrifice commercial benefits to secure charitable status.

The inclusion of journalism as a charitable endeavour might go a long way to attract funding for those enterprises (such as *The Ferret* and *Bristol Cable*) which specialise in supplying public-interest journalism. There have been various unsuccessful attempts to expand the boundaries of charities law to include journalism. The Review was told that one route might be to amend the Charities Act 2011 so that the advancement of journalism sits in law alongside other charitable purposes. The Review believes the government should give this proper consideration.

Alternatively, and if charitable status is an unattainable goal, an option could be tax relief focused specifically on investigative and/or local democracy reporting. Tax reliefs have been used in other UK sectors to encourage development. One example this Review has considered is that of the creative industry tax reliefs introduced to encourage the development of the British film and video games industries: these are a group of Corporation Tax reliefs that allow qualifying companies to claim a larger deduction, or in some circumstances claim a payable tax credit when

calculating their taxable profits. To qualify for the relief, all films, television programmes, animations or video games must pass a cultural test or qualify through an internationally agreed co-production treaty - certifying that the production is a British film, British programme or British video game. It is conceivable that a scheme analogous to this for public interest-type journalism could be developed and might provide an alternative, if less generous, model to charitable status.

5.4.4 To ensure that interventions to support public-interest news are coordinated and complementary

The BBC, Google and Facebook each have a role to play in securing the sustainability of high quality journalism, particularly at the local level. Google and Facebook have shown themselves willing to help build new models of local journalism, including through investment in innovation.

That should be welcomed. Facebook's pledge of £4.5m over two years to fund training for 80 new community journalists across the UK has already been mentioned. Between 2015 and 2018, Google's Digital News Innovation Fund (now the Google News Initiative) awarded £10.5 million to UK publishers across 66 different innovative news-gathering projects, some of which have also been mentioned. Most of them were either run by small local publishers, or involved new technologies or applications to streamline news-gathering.

The sums Google and Facebook are investing are modest by comparison with the £8 million annual cost to the licence fee of the Local Democracy Reporting Service. Yet both platforms have the potential, if well directed, to play a considerable and positive role in creating a sustainable future for local journalism.

Welcome though these various initiatives are, this Review believes that they would benefit from coordination and oversight by an independent body,

whose primary objective is to ensure a sustainable future for the provision of public-interest news. Organisations such as this already exist in a number of other countries.

In the US, the American Press Institute shares best practice and, for a price, offers tailored programmes to help local publishers improve their data journalism through its Metrics for News programme. The organisation qualifies for 501(c)(3) charitable status in the US as an educational institution, affiliated with the News Media Alliance. Also in the US, the Institute for Non-Profit News provides education and business support services to its member organizations and promotes the value and benefit of public-service and investigative journalism. In November 2018 Judith Neilson, an Australian billionaire, announced that she would fund a AU\$100 million (around £55 million) Institute for Journalism & Ideas, which would provide education and grants to the Australian press sector.³⁰²

This Review considers that there is a strong case for the government to establish an independent Institute for Public Interest News, charged with fulfilling a range of functions in support of a more sustainable future for public-interest journalism. Its role could include managing an expanded Local Democracy Reporting Service and innovation fund, building partnerships with key organisations including Google, Facebook and the BBC as well as with philanthropic foundations and donors, commissioning research into best practice, and working closely with universities and schools of journalism. The recommendation for a Public Interest News Institute is set out in more detail in Chapter 6.

Conclusion

Government has several roles in supporting the future of journalism. One is to ensure that markets work fairly, and are not distorted by large companies. Another is to help publishers adapt to the online world, by encouraging the development and distribution of new technologies and business models. These apply to all high-quality journalism. But in the case of public-interest journalism, there are wider responsibilities.

Of all the areas where intervention to support high-quality journalism is justified, local democracy reporting is the most urgent and important. The loss of coverage by professional reporters of the machinery of local and regional government is a serious issue for a democracy. Simply preserving the status quo will not be sufficient - or possible: the combination of more efficient online rivals for advertising with the potential of social media to provide a sense of local activities and events means that a traditional local paper has a limited future. This makes the search for sustainable new business models for local news all the more urgent. No area of journalism is so important for the health of local democracy.

Chapter 6

What should be done?

Chapter 6 – What should be done?

Recommendations:

1. New codes of conduct to rebalance the relationship between online platforms and publishers: Those online platforms upon which publishers increasingly depend for traffic should be required to set out codes of conduct to govern their commercial arrangements with news publishers, with oversight from a regulator.
2. Investigate the workings on the online advertising market to ensure fair competition: The Competition and Markets Authority should use its information-gathering powers to conduct a market study of the online advertising industry.
3. News Quality Obligation: Online platforms' efforts to improve users' news experience should be placed under regulatory supervision. Platforms have already developed initiatives to help users identify reliability and the trustworthiness of sources.
4. Media Literacy: The government should develop a media literacy strategy, working with Ofcom, the online platforms, news publishers, broadcasters, voluntary organisations and academics, to identify gaps in provision and opportunities for more collaborative working.
5. The BBC's market impact and role: 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.
6. Innovation funding: The government should launch a new fund focussed on innovations aimed at improving the supply of public-interest news, to be run by Nesta in the first instance, and in due course by the proposed Institute for Public Interest News.
7. New forms of tax relief: The government should introduce new tax reliefs aimed at (i) improving how the online news market works and (ii) ensuring an adequate supply of public-interest journalism.
8. Direct funding for local public-interest news: The Local Democracy Reporting Service should be evaluated and expanded, and responsibility for its management passed to, or shared with, the proposed Institute for Public Interest News.
9. Establish an Institute for Public Interest News: A dedicated body could amplify existing and future efforts to ensure the sustainability of public-interest news, working in partnership with news publishers and the online platforms as well as bodies such as Nesta, Ofcom, the BBC and academic institutions.

The dramatic changes to the structure and fortunes of news publishing have brought many benefits. As this Review has repeatedly pointed out, more people are now able to read more news in more ways than ever before. There have been extraordinarily rapid changes in two important areas: in the ways in which people now find news - mainly online, on a smartphone, on an online platform - and in the market for advertising, transformed by almost limitless space and a wealth of useful data.

But the ways in which these changes have occurred, with a rapid shift of advertising revenue from publishers to the online platforms, have undermined the finances of news publishers, and especially smaller ones. That brings risks to society at large: publishers have generally responded by shedding staff and often cutting back on the reporting that is so important for the effective working of a democracy.

For a society to have ready access to high quality news is essential not just for the moment, but for the long-term sustainability of democracy. The type of news most under threat is that reported by regional and local publishers, undertaking the humdrum task of covering the machinery of regional and local government in the broadest sense. The Review is particularly concerned to protect the supply of this “public-interest news”. But it has not sought to turn back the clock, or to protect the status quo. Rather, it has looked for realistic ways to manage the uneven balance of power between news publishers and the main platforms that disseminate their output; and for institutions that will mitigate the growing risks to the future provision of high quality news, and particularly of public-interest news.

In light of its analysis and consultation, the Review considers that the package of recommendations it is making offers the best hope of ensuring a sustainable future for public-interest news. But it is now for the government to carry out the more detailed policy and impact assessments necessary to determine precisely whether, and how, it takes

forward each recommendation. The government will want to consider these recommendations in the context of its parallel work on online harms, disinformation and digital competition, to determine whether the recommendations set out here should be pursued separately or as part of broader packages of measures.

In particular, it is for government to determine how best to design and execute policy relating to the activities of the online platforms, including any regulatory oversight. This Review is neutral as to the most appropriate body to take on the regulatory tasks identified in the recommendations.

1: New codes of conduct to rebalance the relationship between online platforms and publishers:

Those online platforms upon which publishers increasingly depend for traffic should be required to set out codes of conduct to govern their commercial arrangements with news publishers, with oversight from a regulator.

Chapter 4 describes the unbalanced relationship between certain online platforms (certainly Google and Facebook, possibly Apple), and news publishers, in regard to both the operation of the online advertising market and the distribution of news online. Publishers are not alone in their unbalanced relationship with the online platforms. The growing influence of the platforms raises a number of broader questions on competition in digital markets. The government has commissioned an Expert Panel, chaired by Professor Jason Furman and due to report soon, to review whether the UK’s competition regime remains robust to this challenge. This Review’s focus is, however, solely focused on the unbalanced relationship between platforms and publishers, and it is up to government to consider the interactions with wider competition issues.

The Review considered two main options to address this imbalance. The first option reflected the fact that publishers are keen to demand payment for the news that appears in the online platforms' news feeds. So this option proposed an exemption from cartel rules to allow industry-wide negotiations. Publishers would be able to form a common front, and to agree between themselves what they want from the platforms, which might include a common payments mechanism. A regulator would have to be involved throughout and a deadline for reaching an agreement set. If no agreement was reached, the regulator would formulate one.

The Review rejected this option. One problem was that a disagreement over payments would ultimately require government to step in and determine the value of a commercial exchange. This would be especially difficult here, because value is likely to vary wildly from one exchange to another, depending on the extent to which publishers' content is replicated on the platform, the extent of the platform's reach, the extent to which advertising revenue is shared, and so on. A second difficulty was that publishers could find it hard to reach an agreed position, or if the larger ones succeeded in improving their own position, they might benefit at the expense of smaller ones whose interests are likely to be different. A third risk would be a repetition of events in Germany and Spain (see section 4.2.2): negotiations might break down and the platforms - Google News in particular - might refuse to show any publisher's content. Even if the platforms were merely to scale back their aggregation, this could cause significant harm to people who want to see news, and (as in Spain) to smaller publications. The general public seems to appreciate news aggregation services, and might resent their removal.

The Review therefore **recommends** instead an approach that would constrain the behaviour of the largest online platforms, while still allowing for individual negotiations to take place. Those platforms on which publishers increasingly depend

should be required to each set out codes of conduct to govern their actions towards news publishers. These codes should be subject to the oversight of a regulator (which must have access to economic and digital expertise). In the first instance, the relevant platforms should develop their own codes, but with guidance from the regulator on what should (and should not) be included. If the regulator believes the codes are not sufficient, or do not conform to its guidance, it should be empowered to develop a statutory code that applies to all of the relevant platforms.

Similar codes of conduct have already been implemented successfully in other industries facing similar issues. Their most notable uses have been in respect to supermarkets, and public service broadcasters (PSBs), as a way of constraining the behaviour of large buyers, ensuring they treat smaller suppliers fairly. In the grocery industry, following a Competition Commission market investigation in 2008, a rather weak code of conduct nevertheless seems to have limited the most egregious behaviour of the big supermarkets. The PSB codes of conduct also appear to have been successful. Ofcom has never had to get involved in negotiations between the PSBs and producers, and the UK's television production sector has thrived.

In this context, the regulator should, as soon as possible, provide the relevant platforms with guidance on what the codes should include. These platforms should then - by an appropriate deadline of, say, six months - draw up these codes for review. Publishers would feed their views to the regulator, but they should not be directly involved in drafting. Once approved by the regulator, these codes can form the basis for individual negotiations between publishers and platforms. Publishers who felt that the platforms were not respecting their codes of conduct would be able to ask the regulator to adjudicate. The regulator would therefore need a full set of legally backed powers to command information and ensure compliance.

Pledges by the platforms might include:

- A commitment not to index more than a certain amount of a publisher's content without an explicit agreement to do so (i.e. how much of a publisher's article should be included in search results, on Google News or on Facebook's news feed). While Chapter 4 suggests indexing has, to date, increased traffic to publishers' websites, there is a risk that platforms could include "too much" of publishers' content on their websites, and thereby reduce click-through rates.
- A commitment from platforms not to impose their own advertising software on news publishers when they use platforms' publishing software (e.g. AMP and Instant Articles). In other words, a platform should not use its position in one market to strengthen its position in another.
- A pledge to give publishers early warning of changes to algorithms that may significantly affect the way in which their content is ranked.
- A commitment to provide transparent terms in relation to shares of online advertising revenues, and for these to be verified by third parties.
- A pledge to work collaboratively with publishers in determining how news content is presented on their platforms (for instance, design and branding).
- A promise to help publishers better understand a platform's rules for ranking content.
- An offer to share with the publisher some information on the behaviour of its readers on the platform to enable the publisher to understand their behaviour - within the limits of data protection law.

The platforms are already taking some of these steps, but the codes would aim to formalise, and in some cases strengthen, these commitments, and to ensure that the platforms continue to abide by them. These codes should ensure platforms treat publishers fairly, and do not take decisions that have a significant impact on publishers without due warning. The Code approach is also likely to be less vexatious to the platforms than industry-wide negotiations, as it will allow more flexibility in individual negotiations, and the platforms ought therefore to engage constructively. If they do not, or this approach does not sufficiently constrain their behaviour, government should implement stronger measures.

2. Investigate the workings of the online advertising market to ensure fair competition:

The Competition and Markets Authority should use its information-gathering powers to conduct a market study of the online advertising industry.

The advertising supply chain in the printed newspaper market is short and transparent, with no more than one intermediary in the transaction: an advertiser places an ad with a suitable newspaper, either directly or through an agency. In comparison, the online advertising market is hugely complicated: not only are there many more intermediaries, but it is hard for advertisers and publishers to see the actions (and the margins) of other players.

As Chapter 3 describes, publishers receive a much smaller share of total advertising revenue online than they do offline. And as Chapter 4 explained, the complexity of automated advertising results in an opaque supply chain for its participants. From the evidence this Review has seen, Google and Facebook capture the lion's share of online advertising revenue. Any market in which a small number of companies capture the bulk of the revenues is potentially a cause for concern. The

position of the large online platforms could be restricting competition, and stifling innovation, with consequences for publishers as well as users.

This Review has highlighted how difficult it is to gather reliable information on the functioning of this market. This Review therefore **recommends** that the Competition and Markets Authority use its information-gathering powers to conduct a market study of the online advertising market. By looking more closely at the position of different players, their roles, costs and profitability, the CMA will be able to identify how efficiently the online advertising market is working, and what, if anything, should be done about it.

3. News Quality Obligation: The efforts of online platforms to improve their users' news experience should be under regulatory supervision. Platforms have already developed initiatives to help users identify reliability, and the trustworthiness of sources. They must continue, and expand these efforts but do so with appropriate oversight.

Chapter 2 examined a number of problems relating to what, and how, news is presented online. Chapter 4 examined the extent to which Google and Facebook now control the distribution of news content. Online platforms are not simply newsagents, offering a selection of publications, without regard to their reliability or merits. The choices they make, with respect to which stories or publishers are given prominence above others, have an immediate and significant effect on readers' choices. They present information to help users differentiate among types of news content and reliability of source. As described in Chapter 2, Facebook has taken steps to help users understand this better. Google also told the Review that it weighs what it considers to be the authority of a source when ranking news content. Apple explained that it employs a growing team of editors

to choose stories for its news feed. To this extent, the platforms are actively curating the content available on their sites.

This Review considers that the processes that determine what, and how, news is displayed on the online platforms should be made more transparent. The online platforms have a responsibility, as increasingly important channels of news distribution, to monitor the availability of unreliable news online, to increase users' understanding of the origins and trustworthiness of different news sources, and to nudge people towards reading news of high quality.

As described in Chapter 2, the Review explored a number of options for addressing these concerns about what, and how, news is presented online, and readers' ability to assess the quality of online news. In particular, the Review considered whether the online platforms should be encouraged not only to downgrade or remove disinformation, but also to prioritise or give prominence to high quality news. There is a precedent in the daily quota of news and current affairs to which public service broadcasters are bound. However, to make this a binding constraint on the platforms would be difficult, given how hard it is to define high-quality news, and the extent to which the content that users see is a reflection of the choices they make themselves.

The Review was urged in evidence to oblige the online platforms to accept the same legal responsibilities as news publishers, including legal liability for publishing false stories. But this proposal does not recognise the fundamental difference between distributors of news content, such as the platforms, and creators of content. If platforms were liable for all content on their services, they would be forced to vet everything they, or users, uploaded, placing strict constraints on what could be shared or surfaced. The overall effect might well be to reduce the online availability of news, and to harm users (who clearly value the online platforms' aggregation services). In other words, this proposal goes too far.

This Review **recommends** that government should place an obligation on the larger online platforms to improve how their users understand the origin of an article of news and the trustworthiness of its source, thereby helping readers identify what “good” or “quality” news looks like. As the platforms understand best how their users engage with news content on their websites, they are uniquely well-placed to help improve their users’ ability to discern accurately the quality and type of information they see. But while each platform should devise solutions which best fit the needs of their particular users, their efforts should be placed under regulatory scrutiny - this task is too important to leave entirely to the judgment of commercial entities. This is a role that the platforms are already starting to accept as a public responsibility - and indeed as a business interest. Now, with the involvement of a regulator, they need to be asked to define objectives and measure improvements.

Initially, the only requirement on platforms would be a reporting one. The sole responsibility of the regulator would be to gather information on the steps the platforms are taking to improve people’s awareness of the origins and quality of the news they are reading. The regulator’s information-gathering powers should, over time, allow a better understanding of what platforms can and cannot do to improve on the status quo. If it becomes clear that efforts have not increased the reach of high quality news, or had a measurable impact on the quality of people’s engagement with online news, (as measured for instance by Ofcom’s News Consumption Survey), it may be necessary to impose stricter provisions.

In the longer term, armed with a better understanding of what is possible, the regulator should seek to develop, in collaboration with platforms and with input from publishers, a set of best practice guidelines for how news content should be presented on online news distribution platforms. This should include consistent indicators or measures, which can be used to judge

improvements in the public’s understanding of what constitutes quality news, and what is disinformation. Government will need to undertake further work to develop and test effective mechanisms to do this.

Ultimately, there is a much broader debate to be had about the level of responsibility that ought to be accorded to online platforms in relation to the content they host. It will be important to ensure that this Review’s proposals, which relate specifically to the treatment of news content, fit within the wider policy context.

4. Media Literacy: The government should develop a media literacy strategy, working with Ofcom, the online platforms, news publishers and broadcasters, voluntary organisations and academics, to identify gaps in provision and opportunities for more collaborative working.

Adults, as well as children and young people, need critical literacy skills to navigate the volume of information online, evaluate it, and decide what it means to them. As described in Chapter 2, many online readers struggle to assess the reliability of the news they see online.

For democracy to function, it is essential that adults as well as children have an understanding of content origination, facts and opinions; of how to distinguish disinformation from accurate reports; and of the reasons why reports of the same story may come with different facts and a different slant.

This is an important part of the wider need for people to understand the implications of being online. People need to be more aware of the vast amount of information that online businesses hold on them, how it is acquired and how it is used. Everyone needs to understand the steps they can take to stay safe online and how to protect their privacy.

The Review **recommends** that the government should develop a media literacy strategy, working with Ofcom (which has a statutory duty to promote media literacy), the online platforms, news publishers and broadcasters, voluntary organisations and academics, to identify gaps in provision and opportunities for more collaborative working.

Because the online platforms understand more than anyone what their users know and don't know, it will be essential to work with and through them if the government's strategy is to reach the vast majority of internet users who have long since left school.

5. The BBC's market impact: 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 was not asked to comment on the BBC. However, it heard arguments that the BBC's provision of online news, bolstered by "soft" and magazine-style content, was crowding out other news providers, and causing particular harm to publishers which wanted to build subscription businesses. In addition, some of those who submitted evidence maintained that the BBC does too little to drive traffic from its online site to commercial publishers and especially to local papers, particularly when these were the original source of a story.

The BBC is the biggest public intervention in the UK media market. It 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.

This Review finds merit in these arguments. Given its unique role and unparalleled reach, the BBC's continued ability to attract and retain engagement from all ages and groups in society, at this time of rapid change in media consumption, is extremely important. However, it is in the BBC's interests, as well as that of licence-fee payers and commercial news publishers, that the BBC's role in the market is clearly defined.

Ofcom announced in December, in its draft annual plan, that it will "publish a review of how the BBC is adapting to the changing news and current affairs environment to ensure it remains a trusted destination for audiences. Our review", said Ofcom, "will look at how the BBC provides a range of content and depth of analysis across TV, radio and online." This Review believes that Ofcom's review would be an appropriate vehicle to examine the BBC's relationship with the press. This should include assessing whether BBC News Online is striking the right balance between aiming for the widest reach for its own content and driving traffic from its online site to those of other news publishers.

The Review **recommends** that Ofcom should review to what extent BBC online content acts as a substitute for, rather than a complement to, the offerings of commercial news providers, and what measures might reasonably be required of the BBC to reduce substitution. Ofcom should ask whether, in its pursuit of younger audiences, BBC News Online goes beyond the BBC's core

public purposes, and inappropriately steps into areas better served by commercial partners. In the light of its conclusions, it should clarify and confirm appropriate boundaries for the future direction of BBC online content. This should address the arguments put forward to this Review that, if the BBC moves too far into “softer” news, it jeopardises the wider market’s ability to make money from news. In addition, Ofcom should consider how far the BBC can create links with local news publishers in ways that do not conflict with its Charter obligations, and how far it supports the wider news sector, by attributing content and linking to other news sources.

To support local news publishers in particular, the Review considers that the BBC could do more to share its technical and digital expertise. The Review was told by the BBC that it is currently developing, for its own purposes, ways to improve the tagging of its content. The main purpose behind this is to make it easier for readers to find BBC content online. A similar scheme has the potential to bring significant benefits to local publishers, who might otherwise lack the digital and technical expertise to improve the reach of their own online content. The Review recommends that the BBC look at the benefits of expanding the scheme to encompass local news publishers. The BBC invests heavily in technology, and stronger partnerships should ensure its continued investments bring wider benefits to the local news industry.

6. Innovation funding: 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.

The revenues of many publishers, and especially local publishers, have shrunk dramatically in the past few years and will be hard to replace. It is still not possible to see with certainty the shape of a viable future for news publishing. Undoubtedly

news will need fresh business models to fit the online world, and more effective ways to generate revenues. Even then, the news business will also need ways to reduce the cost of researching and producing stories. While Chapter 5 pointed to a number of promising initiatives, these are still limited to a few companies. More are needed.

Through targeted public support, the government can help to accelerate the development and diffusion of innovations. As much as possible, public support should focus on innovations that do not solely benefit the recipient, but rather have the potential to make industry-wide differences. As far as possible, support should be focused on innovations aimed at aiding the provision of public-interest news directly.

This Review therefore **recommends** that the government launches a new innovation fund. This fund would need to be run by an independent body with specific expertise in journalism, and access to sector-specific research. That body should be the Institute for Public Interest News (discussed below), once established. To avoid any delay in the benefits innovation can bring, the fund should initially be managed by Nesta, which has previous experience of awarding innovation grants, and of evaluating projects. In time, though, responsibility should be handed to the new Institute.

Public support should be generous enough to make a difference. In 2015 Nesta managed a fund of around £2m to encourage innovation in news-gathering: it was too small to have much impact.³⁰⁴ The allocation to the new fund should be at least £10m a year for each of the next four years. The fund should work closely with Google and Facebook, both of which have during the period of this Review made offers to invest in innovation in the sector, as well as with others who might contribute finance or expertise.

Government innovation programmes are more likely to succeed if they begin with clear objectives. So it will be important to focus on a limited number of wisely selected key areas. These should include

projects such as business solutions particular to local journalism (research by the Institute for Non-Profit News³⁰⁵ in the US has highlighted the importance of this); support for uses of data analytics to improve a publisher's understanding of readers and when they are likely to pay (something *The Wall Street Journal* has done well); the development of innovation (such as that described in Chapter 5) to use artificial intelligence to improve the quality of reporting and reduce the costs; and approaches designed to bring new audiences to public-interest news, including young people and other groups who have traditionally engaged less with investigative and democracy reporting.

7. Tax Relief: 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.

In the longer term, innovation, especially if supported by the government, may bring news publishers closer to sustainability. But the limited potential of online advertising revenue means it is unlikely publishers will be able to fund public-interest news with the same reliance on advertising revenue as they do today. Through changes in the tax system, the government can help reduce publishers' dependence on advertising revenue, and more permanently reduce the cost of producing public-interest news.

Two tax changes were advocated particularly widely in the evidence that the Review received: zero-rating VAT on subscriptions or micropayments for publications, and granting charitable status (which allows a body to benefit from a range of tax reliefs) to particular types of journalism. The latter was one of the most frequently raised proposals in response to the Call for Evidence.

Initially, the types of news publishers, and the types of news, which would benefit from these two suggestions may differ, as set out below. But in both cases, the purpose of introducing new tax reliefs would be to reduce costs and improve revenues, for the benefit of both existing publishers and new entrants. Publishers could use the gains to develop new products, such as more attractive subscription offers; or to build a news business from scratch; and perhaps to maintain the provision of public-interest journalism.

VAT exemption for online news publications

As online advertising revenue is unlikely to compensate for the collapse in print advertising revenue, publishers must seek to increase payments from readers for online content. Printed newspapers (as well as periodicals and books) are currently zero rated for VAT purposes, the rationale being that they offer access to information and knowledge, which in turn leads to wider societal benefits such as education and improved literacy. Digital publications do not currently enjoy the equivalent tax exemption, since they are viewed as services rather than physical goods. The present arrangements therefore effectively favour the less successful form of news publishing over the one the public clearly prefers, actively discouraging a promising ways to finance online publishing - schemes involving direct payments such as subscriptions. An EC Directive agreed in autumn 2018 permits member states to apply reduced or zero VAT rates to electronic publications, thereby allowing VAT rules to be aligned for electronic and physical publications. A number of other EU countries, including France and Ireland, are now either removing VAT on digital publications altogether or significantly reducing it.

Extending zero-rating to digital publications would initially benefit mainly those with successful subscription schemes: in particular, *The Financial*

Times, *The Times* and *Sunday Times* and *The Economist*. The ambition would be that the concession would encourage others to innovate and experiment, developing a stream of subscription revenue. The application of VAT currently forces publishers which offer subscriptions to both a digital and a physical product with the same content to apportion value between the two. Removing it might make digital subscriptions cheaper, or might increase their profitability to publishers. It might also encourage innovation in content or business models. In order to achieve the maximum benefit to society and to readers, it may be worth looking at how other European countries have treated definitions as a starting point, and inviting the industry to help develop an appropriate definition.

The Review **recommends** extending the zero-rating of VAT to digital newspapers and magazines, including digital-only news publications. The current arrangement is not easily defensible, given the importance to the industry of developing digital sales.

Tax relief to support public-interest journalism

Charities benefit from various tax breaks as a result of their special status, but news organisations are finding it almost impossible to acquire charitable status under the current framework. This holds true even for hyperlocal startups such as the *Bristol Cable*, and bodies set up with the particular goal of pursuing investigative journalism, such as *The Ferret* and the Bureau of Investigative Journalism. Some of these organisations told the Review that they would have access to a wider group of funding bodies and attract philanthropic donations if they enjoyed charitable status. The extra income generated as a result of the tax benefits of charitable status could thus contribute to sustaining and increasing the availability of public benefit journalism. In the US, philanthropic donations provide on average 90% of the total revenues of non-profit news publishers; there is clear merit in seeking to incentivise this form of financing in the UK.³⁰⁶

Although in principle it is possible that an organisation pursuing journalism could be registered as a charity under the existing framework, much depends on what the organisation does and how it does it. In practice, and as explained in Chapter 5, charity law as it currently stands is probably incompatible with the role of newspapers since most are commercial endeavours with political standpoints. One option would be to add the advancement of public-interest journalism to the list of charitable purposes in the Charities Act 2011, and the Review believes the government should give this proper consideration.

However, the complexities of charity law mean this may not be straightforward. Were it to be tried and found impossible, a second-best option would be to build on the example of the Creative Sector Tax Relief, a programme of corporation tax reliefs designed to support various creative industries, including the animation and video games industries, orchestra and film production. These are typically reliefs against production expenditure, for purposes carefully defined. The effect would be less generous than charitable status, but could provide a way to direct some tax relief towards investigative journalism and specific areas of reporting, especially by the local press.

The Review therefore **recommends** that the government gives priority to exploring the development of a form of tax relief, ideally under the Charities Act but if necessary along the lines of the Creative Sector reliefs, to support public-interest journalism.

8. Direct funding for local public-

interest news: The Local Democracy Reporting Service should be expanded, and responsibility for its management passed to, or shared with, the proposed Institute for Public Interest News.

If the press is to act as an effective watchdog on government, it must not directly depend on it, at least in the long term. The tax changes described above are attractive because they maintain a degree of separation between the state and publishers. It is this Review's hope that these, along with innovation funding and the other proposals described above can, in time, help local publishers become self-sufficient. In the short term, though, the revenue squeeze on local publishers directly threatens the provision of public-interest news.

The government is also increasingly likely to come under pressure to allow local authorities greater flexibility in how and where statutory notices are placed. Such a change would deprive local papers of what is frequently one of their largest sources of income. According to the Local Government Information Unit, in 2015 the publication of statutory notices cost local authorities approximately £26 million a year.³⁰⁷ It is not clear that statutory notices are still an effective means of alerting local people to public information. However, their sudden withdrawal could do serious damage to fragile local publishers.

At least in the short term, direct funding will be needed to ensure a continued supply of local public-interest news. This funding should, as much as possible, be *additional*, and focused on local areas with the largest need. It should ensure at least a minimal provision of local public-interest news across the country. But it should be only a stopgap, until alternative ways to distribute local public-interest news are found.

At present, the largest single source of funding for local public-interest journalism is provided by the BBC, which invests £8m a year in the current Local Democracy Reporting Service, paid for from the licence fee. The Review **recommends** that the government should build on this scheme. In the short term the BBC is probably best placed to continue to manage it, but as soon as possible that responsibility should be passed to, or shared with, the new Institute described below. The BBC is, in a sense, a competitor, and the rules that

constrain it as a public broadcaster sometimes cause difficulties with the local reporters and their host papers. However, the BBC should continue to contribute to the scheme's operation, including considering further contributions financially or in kind, in recognition of the gap in its own local level reporting.³⁰⁸

The scheme should also be provided with additional funding, sufficient at least to double its scale. This is likely to require a government contribution but it would be beneficial if other funders would contribute. Facebook could be one of those funders. Facebook has recently provided £4.5 million to train 80 local journalists through a recent platform-publisher Local News Partnership. This suggests that the company is increasingly prepared to help to sustain and develop high quality local journalism.³⁰⁹

There should be a careful independent review of the scheme. The evaluation the BBC itself conducted at the end of the first year was fairly light touch. It did not reflect certain criticisms that the Review heard of the distribution of posts and the need for training of smaller and online publications to take advantage of it. In the longer term, the Institute would be free to remove or reduce some of the constraints on the current scheme. For example, the need to treat all parts of the country fairly has meant that funding has gone to some areas where established publishers already exist, rather than to those parts of the country that particularly need it.

9. Establish an Institute for Public Interest News:

A dedicated body could amplify efforts to ensure the future sustainability of public-interest news, working in partnership with news publishers and the online platforms as well as bodies such as Nesta, Ofcom, the BBC and academic institutions.

The recommendations of this Review will have more impact on the future provision of high quality news, and particularly of public-interest news, if they are taken forward as a coherent package, rather than on an ad hoc basis. Furthermore, the Review considers that some recommendations – especially those on funding for innovation and local democracy reporting – would benefit from being brought together under the auspices of a single body with relevant expertise. The alternative is a risk that these initiatives do not complement each other, or even worse, duplicate their efforts.

A great many organisations and individuals have an interest in the future of news publishing. They include news publishers themselves, the online platforms, Ofcom, the BBC, and academics in the field of journalism. A single body could bring together these different parties, fostering partnerships and collaboration, commissioning and carrying out research, and sharing evidence and best practice.

The Review **recommends** the creation of a new Institute for Public Interest News. Its governance should be carefully designed to ensure complete freedom from any obligations, political or commercial. Its strategic objective would be to ensure the future provision of public-interest news. It should build strong partnerships with the BBC, with Facebook, and indeed with Google, which has been one of the bigger contributors to innovation in local news and told the Review it was keen to see such a body coordinate and guide interventions and experiments.

Among other things, the Institute would:

- Evaluate the Local Democracy Reporting Service, and then take over administration of the scheme, including monitoring and assessing its impact, ideally in partnership with the BBC.
- Collaborate with partners on funding proposals, and provide a central focal point for the many institutions seeking to

contribute funds, organisation or ideas: not just the BBC but also the platforms, industry bodies, and philanthropists. The Institute, constituted to be independent of government interference and commercial interests, should act as a channel for funding to the sector.

- Provide direction to, and in time manage, the new innovation fund once it has been established by NESTA, as set out above.
- Become 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.
- Use its convening power to encourage the adoption of proven good practice across the industry. For example, all publishers, including those producing local and popular or tabloid news, should understand and consider the value of having registered users who log on to their product. Acquiring this data has the potential to bring substantial benefits both for developing reader services and for selling advertising.
- Work with relevant partners in developing ways to increase media literacy and trust in journalism among the adult population in particular.
- Conduct research and collect information about the challenges faced by the newspaper industry to inform consideration of mergers, especially among local and regional publishers, by the Competition and Markets Authority.
- Liaise with public bodies, to help them present information in ways that are more accessible to public-interest journalists. This might include reforms to the way courts and inquests report their work and their decisions.

The chair of the new Institute should be appointed in a manner that was indubitably free from government influence. One model for the process might be the approach taken for appointments to the Press Recognition Panel.³¹⁰ By the same token, government funding in the form of an endowment may be preferable to grant-in-aid, in light of the need for the Institute to be as independent as possible.

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.

Conclusion

Together, the proposals put forward by this Review have the potential to improve the outlook for high-quality journalism. They are designed to encourage new models to emerge, with the help of innovation not just in technology, but in business systems, and journalistic techniques.

However, the fact remains that we are likely to see a further decline in the size of the UK's news publishing sector – in journalists and in titles. Ultimately, the biggest challenge facing the sustainability of high-quality journalism and the press may be the same as that which is affecting every area of life: the digital revolution means that people have more claims on their attention than ever before. Moreover, the stories people want to read may not always be the ones that they ought to

read in order to ensure that a democracy can hold its public servants properly to account. This Review has therefore dwelt most on what it considers to be the most significant functions of journalism – ensuring public accountability and investigating possible wrongdoing. And whereas new business models may continue to support good journalism in many different forms, they may not always support this public-interest news.

So, as well as seeking to deliver improvements to the market for news, and encouraging innovation, this Review proposes that most energy be given to measures which incentivise the provision and consumption of public-interest news. This will require new sources of funding, removed from direct government control. It will need institutional and financial structures that combine a guarantee of independence with adequate support. That will be a difficult combination to secure, but the future of a healthy democracy depends upon it.

Endnotes

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- 313 A template for a response was made available on social media platform Reddit, which was submitted to the review by 65 different respondents.
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Appendices

Appendix A: Terms of Reference

The Government's manifesto re-affirmed its support for a free and independent press.

The review's proposed Terms of Reference are:

1. To examine the current and future market environment facing the press and high quality journalism in the UK, including:
 - 1.1. **the overall state of the market**, in terms of profitability and the numbers of news publishers and individual titles, frequency and means of publication, circulation and reader numbers, assessed at local, regional and national levels;
 - 1.2. **the threats to financial sustainability and the business models being developed in response**, including opportunities for further innovation for the news publishing industry and any relevant lessons from overseas markets;
 - 1.3. **content and data flows** – examination of how content and data flows operate and are managed, in particular regarding content created by news publications and distribution through platforms, including questions around the ownership of data;
 - 1.4. **the particular role of the digital advertising supply chain**, and whether it incentivises the proliferation of inaccurate and/or misleading news, whether it is operating fairly and transparently, and whether it is funnelling advertising revenues away from content producers;
 - 1.5. **the particular role and impact of digital search engines, social media platforms and other digital content aggregation platforms with regards to press sustainability**, including an assessment of the effectiveness of initiatives which have been put in place by these platforms to support the provision of a wide range of high quality, pluralistic news journalism and identification of where further action may be needed whether in the form of regulation or further collaboration between the platforms and publishers.

and

2. To report its findings and make recommendations on whether industry and/or government action might be taken to ensure a financially sustainable future for high quality journalism

Key considerations

In examining the above terms of reference, the review will consider the following:

1. The likely impact on consumers of a reduction in high quality news provision, particularly in local areas and the regions, in terms of democratic and social engagement, and the role of other information sources, such as local authority newsletters in the provision of local news;

2. The options for increasing the ability of publishers to monetise high quality news content in order to support high quality journalism as a public good. The feasibility of doing this may differ for national, regional and local news publishers;
3. The operation of the digital advertising supply chain, including funding flows and its role in creating or reducing value for publishers;
4. Whether changes in the selling and placing of advertising have encouraged the growth of “click-bait”, and/or fake news by making it profitable to use one or both to attract more hits to websites, and thus more income from advertisers; and if so, what should and can be done to make this type of content less profitable;
5. The extent to which news publishers are able to use consumer data to learn more about their readers and attract advertising revenues, and how this may be affected by the General Data Protection Regulation (GDPR);
6. The different ways in which the press is adapting to the new digital market – both in the UK and from relevant international markets – to identify a wide range of possible solutions, including industry-led, to the challenges identified.
7. The extent to which consumers understand the digital marketplace, and how digital critical literacy can be enhanced and the impacts this could have.
8. The impact of the wider news media market on the press sector.
9. Where the problems identified are likely to be resolved as the digital news market evolves and matures, and where there are underlying and persistent structural market failures which might require Government intervention.

Process and structure

The review will be informed by a group of experts and will be led, overall, by a panel Chair. The expert panel will be made up of individuals with understanding or experience in some of the core sectors under review, including; the press, the digital advertising supply chain, online news, and consumer behaviour and awareness. The expert panel will support the Chair in bringing a range of voices and expertise to the process. The precise nature of the governance of the panel will be developed once the chosen Chair has been approached and is in place. The Chair will not be aligned to one of the particular sectors being examined to ensure the review forms a balanced view of the various competing interests and perspectives. The expert panel and Chair will be supported by a small secretariat from DCMS, and a 9 – 12 month time frame from commission to publication of the report is envisaged.

Output

The review’s report, to be published by DCMS.

Definitions

For the purposes of this review, the press industry is defined as both:

- 1) Members of press self-regulators (i.e. IPSO/IMPRESS)
- 2) News publishers who have their own internal standards code and means of readers making complaints.

Appendix B: Advisory Panel

During the Review, Dame Frances Cairncross was supported by an 11 member advisory panel, drawn from the fields of journalism, academia, advertising and technology. The aim of the panel was for members to bring their experience to the review by providing constructive challenge and offering advice, guidance and expertise.

Lead Reviewer



Dame Frances Cairncross

Dame Frances Cairncross DBE, FRSE, FAcSS is a former economic journalist, author and academic administrator. She is currently Chair of the Court of Heriot-Watt University and a Trustee at the Natural History Museum. Dame Frances was Rector of Exeter College, Oxford University; a senior editor on *The Economist*; and principal economic columnist for *The Guardian*. In 2014 she was made a Dame of the British Empire for services to education. She is the author of a number of books, including *The Death of Distance: How the Communications Revolution is Changing our Lives* and *Costing the Earth: The Challenge for Governments, the Opportunities for Business*. Dame Frances is married to financial journalist Hamish McRae.

Advisory Panel Members



Jo Adetunji

Jo Adetunji is a journalist and Deputy Editor at *The Conversation* UK, a comment and analysis website that delivers evidence-based, accessible journalism by experts from universities across the UK and Europe. *The Conversation* aims to bridge the gap between academic knowledge and the public via a newsroom of editors. Jo has worked in more traditional media as a reporter for *The Guardian*, covering stories from UK knife crime to live blogging the Arab Spring, and has also written for the *Independent*. She recently contributed to Philanthropic Journalism Funding in the UK, a report commissioned by the European Journalism Centre, and was an interviewer for the latest round of the Journalism Diversity Fund. She holds a degree in the History of Art from The Courtauld Institute of Art in London.



Geraldine Allinson

Geraldine is the Chairman of the KM Media Group, part of Iliffe Media. KM is a Local Multimedia business that serves the people and organisations of Kent through newspapers, radio, online and more recently local TV. The company employs award winning journalists and has highly trusted brands within its stable of products. Through online, print and broadcast KM reaches over 1 million people each week. Geraldine has been with KM Media Group since 1993 and became its Chairman in 2006. Prior to this she worked for Northcliffe Newspapers and the Midland News Association. She is currently a Non-executive Director at the PA Group (parent company of the Press Association), Director of the Radiocentre and a Director of the News Media Association (NMA). Previous industry positions include: President of the Newspaper Society, Chairman of the Independent Publishers Forum and the Weekly Independent Newspaper Association.



Azeem Azhar

Azeem runs Exponential View, a newsletter looking at how our world is changing in the face of the accelerating pace of technology. This is built on the back of 20 years as an entrepreneur, corporate innovator and journalist. He is currently senior adviser to the Chief Technology & Innovation Officer at Accenture, focusing on frontier technologies. Azeem advises Harvard Business Review, the Huxley Summit and several founders of disruptive technology firms. He lives in London with his wife and three children.



Polly Curtis

Polly Curtis is a journalist with 18 years experience. She was Editor-in-Chief at *HuffPost* UK, where she built an editorial team and implemented a new strategy to navigate a post-Facebook age. Immediately prior to joining *HuffPost*, Polly was director of media for British Red Cross during a time that included the organisation's largest emergency response in decades, as they operationalised after the Manchester bombing, London Bridge and Finsbury Park attacks and at Grenfell. For most of her career she was at *The Guardian*, as digital editor, where she led digital plans for the Scottish referendum, the EU referendum and the 2015 election as well as the live coverage of some of the biggest breaking stories in recent times. She has a background as a news editor and reporter, having served as *The Guardian's* deputy national editor, Whitehall correspondent, education editor and health correspondent. She is currently a visiting fellow at the Reuters Institute, researching the democratic gap in news audiences and what publishers are doing to fill it.



Ashley Highfield

Ashley Highfield was until May 2018, CEO of Johnston Press plc, one of the largest local media groups in the UK, and owner of the i national newspaper. He has worked at high levels in companies including Microsoft – where he was UK Managing Director (Consumer & Online) – and the BBC, where as executive board director for New Media & Technology, he was responsible for the development and launch of BBC iPlayer. During his tenure there he oversaw a growth in the BBC’s online presence from 3.5m to 17m users. In June 2015 Culture Secretary John Whittingdale named Ashley as one the advisory board members tasked with working on the renewal of the BBC’s Royal Charter, which led to the local democracy reporter initiative. In October 2015 he was appointed Chairman of the News Media Association for a two year period. He has previously served on the boards of William Hill plc and the British Film Institute in non-executive roles.



Douglas McCabe

Douglas is a leading expert in tech and publishing media. He analyses supplier strategies and forecasts consumption, revenue and marketing expenditure. He is a former director of Fish4, the online advertising portal, and was director of sales development and market insights at Waterstones. Douglas holds a degree from Stirling University.



Akshat Rathi

Akshat Rathi is London-based a reporter for Quartz, a global business publication, where he writes about science, energy, and the environment. He has worked for both an established publication, *The Economist*, and a new media startup, *The Conversation*. In 2018, he won the Drum’s “Journalist of the Year” award, was a finalist for the John B. Oakes award for distinguished environmental journalism, and was shortlisted for the British Science Writer of the Year award. His work has also been published in *The Guardian*, *The Hindu*, and *Nature*. Akshat has won fellowships from Columbia University and City University of New York to enhance his reporting work. He holds a doctorate in chemistry from the University of Oxford.



Matt Rogerson

Matthew Rogerson is the Head of Public Policy at Guardian Media Group (GMG). Matthew joined GMG in 2013 following 5 years at Virgin Media, where he worked on a range of issues, including responses to the Digital Britain report, the Government’s Communications Review, and broadband policy. Matthew’s work at GMG covers areas such as press freedom, media plurality, digital advertising and brand safety, and the changing nature of digital news. Before working in the private sector, Matthew worked as a parliamentary researcher.



Mimi Turner

Mimi Turner is Founder of brand strategy consultancy Mimi Turner Associates and has more than twenty years experience in print and digital publishing. Currently consulting as Chief Marketing Officer for talkSPORT, talkRADIO and Virgin Media, Mimi was formerly head of strategy at Vice Media, Marketing Director of the *Lad Bible*, and Sales & Marketing director of the Health Lottery. Mimi spent over a decade in journalism with the *Hollywood Reporter* and began her career in journalism as a science and technology writer for *The Sunday Times* and *The Times*.



Stephen Woodford

Stephen was appointed CEO of the Advertising Association in September 2016. Having held management roles in three agencies (Leo Burnett, WCRS/Engine and DDB/adam&eveDDB), Stephen currently chairs youth marketing agency Livity, a social purpose-driven business that seeks to transform young people's lives, especially from BAME backgrounds. He was recently Chairman of Lexis PR and a founder and director of U, a challenger to conventional banks. Stephen is a past President of NABS and serves on the board of the History of Advertising Trust. He was IPA President (2003-05) where he led both their first ethnic diversity initiative and transformed its professional qualifications for new industry entrants, which over 15,000 people have now sat and passed.



Peter Wright

Peter Wright has been Editor Emeritus of Associated Newspapers, publishers of the *Daily Mail*, *Mail on Sunday*, *MailOnline* and *Metro*, since 2012. He was Editor of *Mail on Sunday* 1998-2012. He is a member of the Independent Press Standards Organisation (IPSO) Complaints Committee, and the News Media Association Legal, Policy and Regulatory Affairs Committee. He is also a member of the Thomson Reuters Founders Share Company Nominations Committee. Previously he was a commissioner and later director of the Press Complaints Commission (2008-14) and a member of the Editors' Code of Practice Committee (2004-8). He sat on the Defence, Press and Broadcasting Advisory Committee Review (2014-15).

Appendix C: Review Methodology

This appendix sets out how the Review has been administered and the approach taken by Dame Frances and the Review Secretariat to gathering information and evidence to inform the report's content and recommendations.

Secretariat

Dame Frances Cairncross was supported by a small team of civil servants employed by the Department for Digital, Culture, Media and Sport, and one employee on secondment from the consultancy Frontier Economics.

Advisory Panel

Dame Frances was supported by an eleven member advisory panel. A total of five meetings with the advisory panel took place over the course of the Review. These meetings were held as private and confidential discussions.

The Panel are not responsible for the recommendations. The review's final report and its recommendations have been determined by, and are issued in the name of, the Chair.

Evidence gathering

The Review gathered evidence in three ways:

1. Meetings with stakeholders

Meetings were held between Dame Frances and a variety of publishers, advertisers, tech platforms and companies, and academics (amongst others) in order to gather information on the issues raised by the Review's terms of reference. Dame Frances, supported by members of the Secretariat and Panel, also undertook regional and international visits to meet industry representatives. All meetings were held in confidence.

A full list of organisations met can be found at appendix D.

2. Call for Evidence

A public Call for Evidence was opened on 28th June 2018, and closed on 14th September 2018.

A summary of the responses is appended to the report and can be found at appendix F. At the outset of the Call for Evidence, this Review stated that responses would be published in full or summary form unless explicitly flagged "not for publication". Therefore all submissions (where respondents are content for it to be made public) have been published alongside the report. Responses marked as confidential, or which contained parts marked confidential, have not been published.

3. Commissioned research

Two pieces of research were commissioned in order to inform the Review:

1. Overview of recent dynamics in the UK press market. Submitted in April 2018 by Mediatique Ltd, a strategic advisory firm specialising in the media and communications industries. The Mediatique report analysed:

- a. The current market structure
- b. Current dynamics in the regional and national press market
- c. Challenges faced by the local, regional and national press
- d. Strategic responses available

2. Online Advertising in the UK. Submitted in December 2018, by Plum Consulting, a consulting firm, focused on the telecommunications, media, technology, and adjacent sectors. The report from Plum Consulting analysed the digital advertising market in the UK, covering:

- a. Different advertising formats online
- b. Current UK market size and growth
- c. Value chains and roles
- d. Market dynamics
- e. Supply chain analysis
- f. Assessment of potential harms

Appendix D: List of organisations met during the Review

News Publishers

Baylis Media
Belfast Newsletter
Bloomberg
Bristol Cable
Buzzfeed
Daily Mail and General Trust plc (Daily Mail, Mailonline, Metro)
Financial Times
Guardian Media Group
Johnston Press
Kentishtowner
News UK
Newsquest
openDemocracy
Press Association
Reach plc
South West News Service
Sunderland Echo
The Economist
The Independent
The Shetland Times
The Sun
The Telegraph
The Times

Advertisers

Incorporated Society of British Advertisers (ISBA)
Independent Advertising Bureau (IAB)
OpenX
Ozone
Rezonnance

Online platforms & tech companies

Agate
Apple
Facebook
Google
Oath
RADAR

Academics

Paddy Barwise (London Business School)
Richard Kramer (Arete)
Neil MacFarlane (Sunderland University)
Martin Moore (King's College London)
Angela Phillips (Goldsmith's)
Reuters Institute
Richard Sandbrook (Cardiff University)
Justin Schlosberg (Birkbeck College)

Public Bodies

BBC
Charity Commission
Competition and Markets Authority (CMA)
Ofcom

Industry Bodies

Bureau of Investigative Journalism (BUJ)
IMPRESS
Independent Press Standards Organisation (IPSO)
Professional Publishers Association (PPA)
Publisher's Association (PA)
National Union of Journalists (NUJ)
News Media Association (NMA)
Press Recognition Panel (PRP)
News Media Europe (NME)

Politicians

Lord Blunkett

Damian Collins MP (Chair of the House of Commons Digital, Culture, Media and Sport Select Committee)

John Whittingdale MP

The House of Lords

Miscellaneous

Jason Furman (as Chair of HMT Digital Competition Panel)

David Montgomery (Made TV)

NESTA

Omidyar

Sir Martin Sorrell

Mike Lynch

Summary of regional and international visits

During the course of the Review, Dame Frances also undertook several regional and international visits, listed below with organisations or individuals met in each location.

Glasgow

BBC Scotland

Julian Calvert (Assistant Head of Department of Social Sciences at Media and Journalism at Glasgow Caledonian University)

DNG Media

News Scotland (part of News UK)

Newsquest Scotland

Scottish Newspaper Society

The Ferret

Cardiff

Caerphilly Observer

Ian Hargreaves, Professor of Digital Economy, Cardiff University

Rachel Howells (academic researcher into press and hyperlocals and founder of a hyperlocal news cooperative in Port Talbot, The Magnet)

Emma Meese (Cardiff University's Centre for Community Journalism)

Bethan Sayed (member of the Welsh National Assembly for South Wales West, representing Plaid Cymru)

WalesOnline

Western Mail

Andy Williams (School of Journalism at Cardiff University)

East Anglia

Archant

Bury Free Press

Iiffe Media

Brussels

Lora Borissova (Digital Economy and Society – Head of Cabinet of Commissioner Gabriel, European Commission)

European Digital Rights

European Publishers' Council

Juhan Lapassar (Digital Single Market – Head of Cabinet to the Vice-President, European Commission)

Roberto Viola (Director General, European Commission)

US

Bloomberg

CNN

Molly de Aguiar (Craig Newmark Graduate School of Journalism, City University of New York)

Digital Content Next

Dow Jones

Facebook

Gannett

Google

Chris Horne (Stanford University)

HuffPost

Institute for Non-Profit News

New York Times

News Corp

News Media Alliance

Politico

ProPublica

Alex Skatell (Founder, Independent Journal Review)

The Athletic

Tow Center for Digital Journalism

Twitter

USA Today

Wall Street Journal

Washington Post

Appendix E: Review Glossary

This section explains many of the terms used in the Review. The Review discusses the world of digital advertising, where several technical terms are used. Different parts of relevant European Union (EU) legislation concerning data and copyright are also discussed in the Review; these are explained below. Some economic terms used in the Review's arguments are also clarified.

501(c)(3) status in US – A legal charitable status in the US: a non-profit organisation in the US, which is exempt from federal income tax. It can be a corporation, trust or unincorporated organisation, and cannot benefit any private interests. A 501(c)(3) is not allowed to engage in political activity and only limited lobbying. It may not take political sides, but it may spend up to 20% of its operating budget on so-called lobbying efforts if it follows the rules of “nonpartisanship.” They are prohibited from “directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for public office”. A 501(c)(3) is administered by the US department of Treasury through the Inland Revenue Service.

Accelerated Mobile Pages (AMP) – The AMP Project is an open-source initiative from Google, to create fast loading webpages. AMP is now the default display method for all publishers using Google News on mobile, unless a publisher actively opts out. If a user is to search a news story on Google on their smartphone, then almost all webpage results when clicked on will be displayed using the AMP format.

Ad Exchange (marketplace) – Ad exchanges are digital marketplaces that enable multiple parties including advertisers, publishers, ad networks, demand-side platforms, and sell-side platforms to buy and sell display, video and mobile inventory.

AdSense – Google AdSense is a program run by Google that enables the boxes of advertising that an internet user will see on a webpage. The software allows publishers in the Google Network of content sites to serve automatic text, image, video, or interactive media advertisements, that are targeted to site content and audience.

Adserver – A platform that stores and delivers digital ads to web browsers or mobile apps and reports on the performance of those ads.

Algorithm – A process or set of rules to be followed in calculations or other problem-solving operations, especially by a computer. Both Google and Facebook have closely guarded algorithms, which determine the popularity and visibility of content on their platforms.

Article 11 – A part of the EU Copyright Directive (not yet in place), which would give publishers the right to ask for paid licenses when their news stories are shared by online platforms. There are still unresolved issues about how much quoted content would be governed by this article, i.e. a headline, a snippet of the article's text. The national governments of Spain and Germany have enacted legislation in this area, with a questionable degree of success. Sometimes also called an ancillary or neighbouring right.

Article 13 – A part of the EU Copyright Directive which would require that online platforms filter or remove copyrighted material from their websites.

Australian Competition & Consumer Competition (ACCC) – The ACCC is an independent authority of the Australian government. It promotes competition and fair trade in markets to benefit consumers, businesses, and the community in Australia. It also regulates national infrastructure services. Its primary

responsibility is to ensure that individuals and businesses comply with Australian competition, fair trading, and consumer protection laws – in particular the Competition and Consumer Act 2010.

Backfill advertising – Backfill ads are “catch all” ads shown when nothing else matches and you would otherwise have a blank ad space. These are impressions that none of a website’s partners are buying, or that occur as the result of a misconfiguration in the ad server.

Banner advertising – An advert that is embedded on a web page with static or animated content, usually in the form of a box alongside a news article, or a thin horizontal strip of advertising at the very top of a webpage.

Bot – An Internet bot, in its most generic sense, is software that performs an automated task over the Internet. There can be good bots and malicious bots on the internet. One of the best examples of a good bot is a search engine spider, which trolls the web and indexes new pages for a search engine. An example of a malicious bot is one that harvests email addresses for spam, or that manipulates comments/votes on sites that allow user feedback. As referenced in the report with regard to digital advertising, a bot’s presence on a webpage can inaccurately skew human viewing figures for the advert in question.

Bounce rate – The percentage of visitors to a particular website who navigate away from the site after viewing only one page.

Browser (web) – A computer program used to navigate the World Wide Web, eg Google Chrome, Mozilla Firefox, Apple Safari.

Churn rate – The annual percentage rate at which customers stop subscribing to a service.

Cookie – An HTTP cookie (also called web cookie, Internet cookie, browser cookie, or simply cookie) is a small piece of data sent from a website and stored on the user’s computer by the user’s web

browser while the user is browsing. The longer an internet user retains their cookie (before accessing the browsing history in the settings of their browser in order to clear it), the easier it is for advertising software to target users whose browsing history and habits it can see.

Cooperative – A business or organisation which is owned and run jointly by its members, who share the profits or benefits. A cooperative is still obliged to pay standard corporation tax in the UK. As referenced in the report, examples of news publisher cooperatives include The Bristol Cable and The Ferret.

Cost Per Hour (CPH) – A digital advertising term: Most digital advertising has historically been measured by number of impressions (Cost Per Mille – CPM), i.e. whether it has been seen by a consumer. CPH, however, measures an advert’s impression in terms of how long it has been seen by a consumer. This tactic was adopted by the Financial Times in 2015.

Cost Per Mille (CPM) – A digital advertising term: Cost Per Thousand, also called Cost Per Mille, is a marketing term used to denote the price of 1,000 advertisement impressions on one webpage. An impression is generally considered to be a view of an advert (or at least its appearance on screen, visible to the consumer). This metric does not generally distinguish between different amounts of time spent viewing an advert, rather just measuring it simply as seen.

(EU) Copyright Directive, or Directive on Copyright in the Digital Single Market – A piece of European Union legislation aims to ensure “a well-functioning marketplace for the exploitation of works and other subject-matter... taking into account in particular digital and cross-border uses of protected content”.³¹¹

DCMS – The Department for Digital, Culture, Media and Sport, of the UK government.

Demand Side Platform (DSP) – A demand-side platform enables advertisers and agencies to automate the purchase of display, video, mobile and search ads. A DSP assesses the attributes of every single ad impression and can assign a bid based on those attributes.

Disinformation – False, incorrect, intentionally spun or biased reporting spread deliberately to deceive.

Duopoly – A market situation in which two suppliers dominate the market for a commodity or service.

E-wallet – For use within a micropayment system: a user can pay into a virtual wallet, and pay for individual products on the internet using credit that they have paid into the wallet.

ePrivacy – The ePrivacy Directive was adopted in 2002. It aimed to build on the 1995 Data Protection Directive by providing more specific privacy rules for the electronic communications sector, such as restrictions on unsolicited marketing calls and emails. In 2009, it was updated to include a requirement that websites must ask for the user's consent before storing all non-essential "cookies" on their computer. The Directive was transposed into UK law through the Privacy and Electronic Communications Regulations (PECR), which were last amended in 2016. New proposals for a Regulation repealing the Directive were published on 10 January 2017. The draft ePrivacy Regulation's scope is extraterritorial. This means that after Brexit, it will still apply to i) all UK companies who are providing an electronic communications service to users in the EU and ii) those who gather information from an EU user's device, e.g. a UK website placing and reading a cookie.

"Fake News" – The term "fake news" is used in this Review as shorthand for both 'disinformation' and 'misinformation'. Disinformation is the deliberate creation or dissemination of false and/or manipulated information that is intended to deceive and mislead audiences, either for the purposes of causing harm, or for political, personal or financial

gain. Misinformation is the inadvertent spread of false information.

The "fold" – a term that was originally used to describe the upper half of a broadsheet newspaper, above where the sheet is folded in half. Nowadays it is more commonly used to refer to the top of a webpage that occupies the user's full computer screen, before they start scrolling downwards (beyond the fold).

Game (an algorithm) – [verb] Used with the meaning of manipulating, typically in a way that is unfair or unscrupulous, with regard to an algorithm.

General Data Protection Regulation (GDPR)

– This EU law is a replacement for the 1995 Data Protection Directive 95/46/EC, which had previously set the minimum standards for processing data in the EU.

Hyperlocal – a news service that typically pertains to a specific geographic area such as a town, neighbourhood, village, county or even postcode.

Identified Impression – This is when the buyer of the advertising impression can identify the customer who is viewing the advert. Because of this the buyer can personalise the advert to the consumer.

Impression – In digital advertising, an impression is when an advert is served to a reader: one impression means the advert has been seen by one person. When advertisers pay for 1,000 impressions, this means they are paying for the advert to be served 1,000 times.

Instant Articles – Similar to Google's Accelerated Mobile Pages (AMP), Instant Articles is Facebook's own fast loading webpage format. Clicking on a hyperlink from a news publisher on Facebook, will take the user to an Instant Articles version of the publisher's website, unless the publisher has chosen to not use Instant Articles and have the click directed instead towards their standard website (this will load more slowly).

Market failure – Market failure is the economic situation defined by an inefficient distribution of goods and services in the free market. Even if each individual makes the correct decision for him/herself, those decisions could prove to be the wrong decisions for the group. In traditional microeconomics, this is shown as a steady state disequilibrium in which the quantity supplied does not equal the quantity demanded.

Micropayment – A micropayment is a financial transaction involving a very small sum of money and usually one that occurs online.

Misinformation – false or incorrect information that is spread intentionally or unintentionally (i.e. without realising it is untrue), i.e. poor journalism.

Monopoly – A market situation in which there is only one seller.

Monopsony – A market situation in which there is only one buyer.

National Union of Journalists (NUJ) – A trade union for journalists in the UK and the Republic of Ireland, founded in 1907.

Native (digital) – To describe a news story or advertising as “native” to a website means that it appears on that website, with no redirection to a third party site. To view a news story natively, or in a native environment, means to view it on the site where the story’s link appears, without being redirected to a third party website upon clicking on the link.

Native advertising – Where adverts on a webpage appear with the same aesthetic and in the same format as link to the next news article might appear. Unlike display ads or banner ads, native ads don’t really look like ads. They look like part of the editorial flow of the page; therefore the main advantage to native advertising is that it is non-disruptive – it exposes the reader to advertising without itself looking overtly like advertising content.

Negative externality – A negative externality is a cost that is suffered by a third party as a result of an economic transaction. The pollution created as a result of burning fossil fuels is a classic example of a negative externality.

News aggregator – A website or program that collects related items of news content and displays them or links to them. Various news aggregators use an algorithm or a combination of algorithm and editors, to rank certain news content for the consumer depending on many factors, such as location, freshness of content, and the user’s personal interests.

Open Exchange – The term “open exchange” refers to the fact that the programmatic marketplace allows for any buyer to bid for advertising space, with the impression having a known price – making it more transparent and “open” to any bidder.

Online platforms – The terms ‘online platforms’ and ‘platforms’ are used interchangeably in this Review to refer to a range of technology companies and online and mobile services, including application platforms (e.g. Apple), search providers (e.g. Google), social media services (e.g. Facebook, Snapchat) and streaming platforms (e.g. YouTube). Specific services have been named where relevant.

Pay Per Click (PPC) – (Also known as Cost Per Click, or CPC), This is a type of advertising where the advertiser pays the publisher according to how many times viewers of an ad have clicked on the ad, thereby securing a result from the advertiser’s perspective.

Positive externality – A positive externality is a benefit that is infeasible to charge to provide: when one person’s well-being is improved by another person’s actions, but the relevant costs and benefits are not reflected in market prices.

Programmatic advertising – Is essentially the buying and selling of display advertising by machines. It refers to the use of software to purchase digital advertising, based on data to decide which ads to buy and how much to pay for them. This often happens in real time. This form of advertising is opposed to the traditional process that involves Requests for Proposals (RFPs), human negotiations and manual insertion orders.

Rich Site Summary (RSS) – A standardised format for delivering regularly changing web content from an online publisher to Internet users.

Search Engine Optimisation (SEO) – Search engine optimisation is a methodology of strategies and techniques used to increase the number of visitors to a website by obtaining a high-ranking placement in the search results page of a search engine, such as Google, Bing, Yahoo and others. It is desirable for news publishers to operate an SEO strategy to some extent, so as to ensure their content is surfaced towards the top of search results in a search engine, thereby increasing traffic to the publishers website.

Supply Side Platform (SSP) – A supply-side platform is an online software platform that enables publishers to automatically sell display, video, and mobile ad impressions, maximising the price they can charge for these. An SSP allows publishers to access a large pool of potential buyers including ad exchanges, networks and Demand Side Platforms (DSPs) in real time, and set a minimum price known as a floor price.

Vertical Integration – An arrangement in which the supply chain of a company is owned by that company.

Waivable right – Used in reference to attempts to introduce copyright legislation in Spain and Germany regarding internet platforms using headlines and snippets of a news publisher's content. In Spain, legislation meant that publishers were unable to waive the right that the legislation granted their content. As a result, Google withdrew its Google News operation from Spain entirely, rather than have to abide by copyright agreements with publishers. In Germany, however, similar legislation was waivable for publishers, resulting in the vast majority waiving the right for copyright legislation to apply to their content quoted on a internet platforms.

Appendix F: Summary of the Call for Evidence

Introduction

The Call for Evidence opened on 28th June 2018 and closed on 14th September 2018. In total, 757 responses were received, from the following groups: academics, advertising, journalists, industry bodies, platforms, politicians, publishers and general/public responses.

Academics	23
Advertising	6
Industry Bodies	33
Journalists	11
Non-Media Bodies/Charities	5
Other	2
Platforms	6
Publishers	18
Public	588
Public (Reddit duplicate) ³¹³	65
TOTAL	757

Of those responses, 51 directly addressed the questions that were set out in the Call for Evidence.

Question 1	44
Question 2	43
Question 3	35
Question 4	32
Question 5	30
Question 6	48

The remaining majority of responses offered more general responses, exploring a variety of themes and issues related to the sustainability of high-quality journalism, some of which were covered by the set questions and some of which went beyond that scope.

This summary of the responses to the Call for Evidence and their recommendations and ideas for how to deal with the problems facing the news industry will be broadly split into two sections: responses to the specific questions asked by the Call for Evidence, and more general responses that are delineated along thematic lines. Responses from such prominent stakeholders as Google and BBC didn't answer the questions set by the review and fall into this category. Their absence from the first section, therefore, does not reflect their silence on the issues, rather, their responses will be dealt with in the second section.

PART 1: Responses to Call for Evidence Questions

Question 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?

In terms of success for publishers, the most common response was financial stability. Most simply commented that financial stability must be present before the review could be considered successful. However, a number of respondents also commented on the need for a diversification of revenue streams. One industry body noted the increasing importance of e-commerce and events as a source of income (**Professional Publishers Association**). Another industry body suggested that another revenue stream should be the consumer themselves, with success meaning that more people are willing to pay for news (**Ethical Journalism Network**). It was suggested that investment in journalism should also increase,

particularly the training of new journalists and the upskilling of current journalists, which “is crucial for competitiveness and growth, and for producing the high-quality products expected by audiences in an increasingly challenging market” (**Professional Publishers Association**). Some argued that the relationship between publishers and tech companies was also important for securing financial sustainability. DMG Media wrote that:

The review will have achieved its objectives if by 2028 news publishers in the UK and the global tech companies are able to work together in a business relationship that is transparent, competitive, and ensures digital news publication is an enterprise that generates enough revenue to deliver investment in high-quality journalism
(**DMG Media**)

Financial considerations were not the only measures of success that were suggested. An increase in the number of journalists employed (**Scottish Newspaper Society**) and an increase in the diversity of newsrooms (**member of the public**) were also suggested by a number of respondents. Furthermore, those journalists would have better working conditions, for example, “newsroom journalists should be on secure contracts” (**Liz Leonard, journalist & broadcaster**).

The content of news was also seen as a proxy for success. One public respondent argued that success would mean that the news industry represented a full range of diverse views and opinions (**member of the public**), with many others commenting that there should be a diversity of titles available (**member of the public**). One journalist suggested that the number of complaints should be monitored (**Jennie Kermode, journalist**), the inference being that success would look like fewer complaints made about the press.

b. Consumers?

The number of news titles available and the diversity of their viewpoints was also suggested as a mark of success from the consumer’s perspective. It was claimed that a greater diversity of sources should also lead to greater engagement in community life and the democratic process. Academics Rachel Matthews and David Baines suggested that if the review is successful then there will be an increase in the number of people voting and participating in civic forums:

Any evidence that might be accessed to assess the success of this venture in 2028 should indicate that there has occurred an increased level of engagement in civic life and that this has been stimulated, at least in part, by greater access to and engagement with high-quality local journalism...We would hope to see the outcomes for audiences and communities manifested alongside an overall increased number, diversity and plurality of titles serving regional and local audiences... This might be assessed by polling, but other indicators might include the numbers of original local/regional reports being published on local journalism platforms and the numbers of people taking part in events and forums organised by an active and engaged local news media for their communities of use
(**Matthews & Baines, academics**)

However, the most common response from the point of view of the consumer concerned trust of the news industry. A number of respondents noted that trust in the UK news industry as a whole was very poor relative to other European countries and that the news industry in general consistently performed poorly in trust surveys. For example, the Media Reform Coalition wrote that:

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

(Media Reform Coalition)

It was suggested that moving up in trust surveys and rankings like this would be a proxy for success **(member of the public)**.

A number of respondents shared their view that trust in news publishers was not an *effect* of an increased sustainability of high-quality journalism, but was a *cause* of such sustainability. In other words, an increase in trust needs to occur in order for media sustainability to improve. One journalist wrote that “there should be appropriate resources to fact check any third party copy” **(Liz Leonard, journalist & broadcaster)**.

At least one response to this question argued that, as the review is concerned with the sustainability of *high-quality* journalism, it is impossible to know if there has been any success without a definition of what constitutes *high-quality*:

Unless the Cairncross Review is clear in advance about what constitutes quality journalism, and that this is a definition that most people would agree with, then we cannot know whether there has been any kind of success at all

(member of the public)

Question 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?

Largely, responses to this question provided evidence that supported the public narrative about what has been happening to the news industry over the past 20 years that has been

presented in the report. Responses referenced declining circulations (**St. Ives Times & Echo**) and advertising revenues (**The Ferret**), falling numbers of staff (**Chartered Institute of Journalists**), and a rise in “fake” news (**member of the public**), with some directly referencing the Mediatique research that was commissioned by DCMS (**News UK**). Others pointed to the impact of search and social media platforms for that decline (**The Guardian**) and the monopoly of ownership of news brands (**member of the public**), whilst others noted that the news industry itself was slow to recognize the opportunities presented by the internet (**Iliffe Media**).

Many of the responses to this question also noted the disruptive effect of emerging technology on the news industry. However, these responses concentrated on the threats posed by digital advertising and search and social media algorithms, and so will be dealt with below in response to the relevant question.

A perceived lack of regulation was noted as being a central threat to the sustainability of high-quality journalism. One public respondent wrote that:

I believe that an historic lack of regulation is largely to blame. Public mistrust and obvious failures in (at the very least) fact-checking across the board (due to a lack of repercussions). Public smear campaigns left unchecked, “clickbait” articles and fear-mongering headlines have (it seems) never been worse

(member of the public)

Trust was a theme that was consistently raised in many Call for Evidence responses, particularly among the public respondents. Lack of regulation, it was argued, allowed publishers to act as they wanted, skewering their reporting in whichever way they wanted with very little, if any, repercussions.

Also in relation to trust, Open Democracy expressed concern at the increasing influence of commercial partners on publishers, especially

concerning editorial decisions. They presented evidence of instances in newsrooms where reporters were instructed to change a report so as not to be critical of a commercial partner or where reporters were offered “money or other benefits” by a third party simply to cover a story (**Open Democracy**). As another respondent commented, “native advertising and branded content...may call into question the overall trustworthiness of the publisher” (**Communications Chambers**).

The treatment of journalists was also offered as a possible threat to the sustainability of high-quality journalism. An example of such treatment given was the misuse of national security laws to hamper legitimate investigations. The Index on Censorship wrote that:

Journalists are increasingly targeted by governments through laws meant to tackle terror threats...[e.g. The Terrorism Act 2000] has been used to seek to pursue journalists who have published legitimate stories or to require them to give up their sources (**Index on Censorship**)

Other respondents also mentioned the use of Strategic Lawsuits Against Public Participation (SLAPPs) (**Guardian**) and the “increasingly draconian state surveillance laws” (**The Ferret**) to dissuade journalists from performing their duties.

b. what are the main sources of evidence which support an alternative perspective?

A number of different examples were cited to demonstrate an alternative perspective to the problems that news publishers were facing. Some questioned the idea that the national publishers were having a difficult time. *NewsNow* wrote that some nationals, such as the *Financial Times* and *The Times*, “appear to have successfully harnessed online subscription revenues”, with *The Guardian* also appearing to harness voluntary contributions. They pointed to the fact that *The Telegraph* still made £14m in 2017, despite a “major fall in profits,” which made it difficult to claim that they

were struggling (**NewsNow**). One academic also questioned the claim that national newspapers were in financial trouble, writing that “the simple fact was that, despite widespread misconceptions of their economic viability, most newspapers continued to make money while most digital news media outlets struggled for profitability” (**Marc Edge, academic**).

Other respondents pointed to non-British markets where evidence could be found to support a different narrative on the fortunes of high quality journalism. Many respondents noted the relative success of American publishers over the past few years. The Index on Censorship wrote that:

Increased readership of “quality” titles in the United States (such as *The Washington Post* and *The New York Times*) suggests that there remains an appetite for quality journalism, for which readers are willing to pay. However, we would also note that this uptick has not been replicated at local level for the most part. (**Index on Censorship**)

A number of respondents noted that a number of digital-native publishers that focus on investigative reporting were enjoying relative success. Open Democracy wrote that:

There is more investigative journalism being done by small, philanthropically and/or member funded start-ups. *The Ferret*, the *Bristol Cable* and *SourceMaterial* are all useful examples (**Open Democracy**)

Although they caveat this with the observation that this cannot replace the big investigative units at some of the national papers, it is an example where the trend is being bucked, if not reversed. Other respondents also noted that crowdfunding and philanthropic investment for investigative journalism, of which *The Ferret* and *Bristol Cable* are examples, were encouraging (**Index on Censorship**).

Other examples of continued success can also be found in the magazine industry. The Chartered Institute of Journalism noted that:

[There are] models that have bucked the overall trend e.g. *Financial Times*, *Economist*, *Spectator* and *Private Eye*, and signs of digital sustenance through membership subscription...It is significant that *Private Eye* and the *Spectator*, both periodicals, can sustain and increase print circulation. In the case of *Private Eye*, they can achieve this without developing any online presence and certainly without giving away free content on the Internet (**Chartered Institute of Journalism**)

However, despite the fact that the magazine industry has shown “resilience and strength”, profitability is “often maintained through cautious cost cutting”, which indicates that there is still an issue that requires attention (**Professional Publishers Association**).

Another reason for optimism suggested was that more readers seem to be willing to pay for news. Agate pointed to the growth of subscriptions to other content providers such as Spotify or Netflix, with “news content likely to follow suit” (**Agate**). They claimed that Spotify and Netflix “prove that if the offer is right, payment is not a barrier to millions of people. There is a nascent market of consumer revenue, which if unlocked, has huge potential” (**Agate**).

Other respondents noted that despite the apparent downturn in fortunes for news publishers, there is still a demand for high quality journalism (**Iliffe**). The News Media Association wrote that the problem is about supply and distribution, not demand:

The problems facing the newspaper industry are fundamentally about revenue decline rather than audience decline. There has been a gradual reduction in print circulation as reading habits shift online but this has been more than compensated by huge growth in digital audiences (**News Media Association**)

Question 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?**

This question was primarily about the relative success of alternative business models that could be used to support the sustainability of the news industry. *NewsNow* helpfully summarized the wide variety of business models possible:

1. Patronage by wealthy individuals
2. Reader/Audience philanthropy, patronage, membership and/or contributions/donations (where content remains publicly available)
3. Online digital advertising
4. Print display advertising, promotions and sponsorship

5. Brand extensions, e.g. reader events, conferences
6. Subscription (where content is accessible only to paying readers)
7. Cross-subsidy by profitable subsidiaries, parent companies, or side-businesses
8. Micropayment platforms, such as Google Funding Choices
9. Government funding
10. Syndication

They clarify that many publishers exploit multiple models at the same time, for example, *The Guardian*, which is subsidised by the Scott Trust, by reader donations and by advertising, and *The Telegraph* (among others), which is funded by both subscriptions and advertising. They also claimed that the most successful models “are those that allow direct funding by readers without restricting the availability of content” (**NewsNow**).

This exploitation of multiple models is also employed by a number of startups, with some measure of success. The Media Reform Coalition wrote that:

The *Bristol Cable* [was] set up as a Media Co-operative and runs via a local monthly membership fee, crowdfunding 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
(**Media Reform Coalition**)

These publishers were also seen as examples of relative success.

One model noted in responses to this question, particularly in relation to international models, was direct Government funding. In several countries, Government subsidies have been administered,

particularly at local level, to help ensure a sustainable press. The News Media Association wrote that:

Some interventions, such as Denmark’s editorial production subsidy and innovation pool, are fundamental to the viability and structure of news provision. The Dutch have a state fund for innovation in journalism. There is state aid in Portugal for regional and local newspapers. France has developed a complex system of press subsidies covering distribution, innovation, research and development and local media. Sweden’s Press Subsidies Council has responsibility for awarding grants for paid-for daily or weekly publications and distributed SEK 487 million (£42 million) in 2015...The Australian government has recently launched a \$48 million (£27 million) fund for regional publishers. The Regional and Small Publishers Innovation Fund will reportedly allow incorporated companies with an annual turnover of less than \$30 million to apply for grants of up to \$1 million. The total funds for the scheme will be made available over three years. The Canadian government has pledged to create a \$50 million (£30 million) fund to support local journalism
(**News Media Association**)

Other respondents also noted the various international examples of Government support. The Media Reform Coalition noted that these interventions had different objectives and criteria, writing that:

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)
(**Media Reform Coalition**)

They also noted that “safeguards such as statutory eligibility criteria” were needed to ensure that media independence was not compromised (**Media Reform Coalition**).

Whilst there was little comment on the success of these initiatives, the news industry in Scandinavia was often lauded as an example of success.

The importance of getting readers to pay for digital content, including subscriptions, was also noted as an important model for news publishers. Some respondents claimed that publishers should “provide an affordable subscription service”, rather than use reader data to sell advertising (**member of the public**). Others noted that subscription models - or paywalls - offer a “promising opportunity” for publishers, and claimed that “publishers are reporting that their subscription revenues (boosted by digital growth) are replacing advertising as their most significant revenue stream” (**Professional Publishers Association**). They add that although news brands have struggled with paywalls, specialist publications have enjoyed some success with them. Others also noted that uptake of subscriptions could only work for a limited number of publications. The Scottish Newspaper Society said that:

Paywalls are effective when the material is of sufficient quality or has a specific commercial value or purpose, but general news content is much harder to monetise... [therefore] charging for content...only works where the material is unique, quality is high or has a specific commercial value (**Scottish Newspaper Society**)

Others also noted that subscription models could only work “where an audience trusts and appreciates the publishing” (**member of the public**).

Subscription models are not the only “paid-for” models that publishers can implement: a number of respondents also discussed micropayments in their

evidence. Just as other content providers, such as Spotify or Netflix, may provide reasons for optimism about subscription models, micropayments have also become “accepted procedure” for consumers, who will already make single payments for songs and movies on iTunes (**Professional Publishers Association**). Some respondents argued that micropayments were a better prospect for publishers than subscriptions. Agate suggested that the digitisation of the news industry will change consumer behaviour:

In particular, if the requirement for subscription - which is an advance promise to keep buying a product - is removed, then casual payment will become an increasingly prevalent habit. It will also align better with the real behaviour of consumers in the news sector, who typically consume many news sources, forming habits (but not making formal commitments) around their favourite few (**Agate**)

They also suggested that consumers are now more likely to read multiple brands, and that setting out a payments system that complements this behaviour is more likely to achieve success:

Studies show that publishers using subscription models only tend to be limited to converting between 5 and 10% of their readers...By giving a payment mechanism which works in the casual way that users behave, Agate opens up a much greater opportunity for all publishers (**Agate**)

The benefit of micropayments is that publishers might be able to monetize their content from a much wider pool of potential readers.

Other respondents disagreed with the idea that readers should have to pay for news. One public respondent wrote that:

Consumers rarely want to pay for much, including access to good journalism; and they shouldn't have to. There is little perceived value in paying for a news-stream, especially as subscription models are inherently restrictive; and when the alternative channels of information are freely available

(member of the public)

Other respondents noted the imbalance that subscription models create. The Media Reform Coalition suggested that if high-quality journalism is placed behind a paywall, only those who can afford to, or who are interested in it, may have access to it:

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

(Media Reform Coalition)

Some respondents argued that there were no viable business models (**Chartered Institute of Journalism**), and that there were more important issues that needed to be confronted before any of these models could work. One of these issues was trust and media literacy. Iliffe Media wrote that:

These revenue streams will only occur through the publishers educating readers and advertisers about the benefits of well-researched, accurate, unbiased content. The promotion of minimum-registered journalism standards and inclusion of knowing how to source information should be a life skill incorporated into the national curriculum

(Iliffe Media)

A number of respondents also commented on the relationship between the publishers and digital search and social media platforms. Some respondents claimed that levies or licensing could help publishers. The Chartered Institute of Journalists wrote that:

We do believe that new and viable business models could develop if links and content generated online by traditional print media received a proportionately supportive income and share of the global online giants advertising bonanza...This could be achieved by direct levies or licensing of Google, Facebook, and Twitter and their equivalents that was then distributed to professional news publishers in the same way that PPL, PRS, and ALCS distributed royalties to music publishers, composers, performers and authors

(Chartered Institute of Journalists)

Others also argued for a licensing scheme, writing that:

A copyright and licensing scheme could be used to raise the revenue needed to secure high-quality journalism. The barrier may be that existing UK copyright law is not strong enough, but it could be strengthened, possibly by working with the European Publishers' Right

(DMG Media)

Others disagreed with the idea of licensing, claiming that it would have a negative impact. One platform claimed that, whilst the desire for this approach was understandable (given that digital search and social media platforms enjoy a large share of the advertising market), it would disadvantage small publishers (as larger publishers would be able to negotiate more favourable deals), which would be "likely to reduce media plurality, placing more power in the hands of a few giant media corporations". They also claimed that "any credible measure of "digital use" (such as clicks on linked news articles, or views of linked news article

headlines) will create perverse incentives (for clickbait on the one hand, and churnalism on the other)” (**NewsNow**).

Agate also noted that the relationship between the platforms and the publishers was complex:

Nobody pays a search engine to access news. So the idea of “revenues for their content” doesn’t really apply. The revenue a search engine earns isn’t for content, it’s for users viewing and responding to ads. The content is merely the bait. The relationship between the content and the search engine’s revenues is much more complex and indirect than the simple value exchange that the question implies.

(Agate)

Other digital platforms noted that they already had licensing agreements in place. For example, with Yahoo, either the publisher receives an agreed licence fee or takes a share of the advertising revenue made through digital distribution (**Yahoo**).

The question of the charitable status of journalism was also dealt with in response to this question. However, this was dealt in much greater detail by respondents who did not answer the specific questions set and so will be dealt with below.

Question 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?**

The majority of respondents to this question noted that the digital search and social media platforms have assumed an increasingly dominant position in the digital advertising market. The News Media Association wrote that the “global tech giants” are earning significantly greater revenue from digital advertising than the content creators:

The digital advertising supply chain does not recognise the growth in audiences for news media content. It supports the aggregators of that content rather than its creators. The dominance of the digital eco-system by the global tech giants means that Google and Facebook have been able to extract over 60 per cent of UK digital advertising expenditure and nearly 100 per cent of growth. Those two companies alone are estimated to take over £6 billion a year in digital ad revenues, while the news media companies producing the content from which the duopoly benefits earn just £487 million in digital ad revenues

(News Media Association)

However, it is not just the “global tech giants” against which the publishers are competing for advertising revenue. Some respondents argued that other, more specialised websites were also now competing with the publishers for advertising revenue. *The Ferret* wrote that:

Publishers do not have the same monopoly over their readers’ attention that they traditionally had - whilst insurgent services have “unbundled” the advertising revenue streams publishers once benefited from. For example, publishers compete against a multitude of specialist sites for jobs, cars, property and classified advertising revenue...There are many other firms such as Gumtree, TripAdvisor, or Rightmove, that spotted the opportunities to develop digital products that would go on to compete successfully for advertising revenue - they just do not publish journalism

(The Ferret)

Other respondents noted that whilst news publishers' revenue is in decline, "advertising revenue is not owed to commercial news publishers" (**The Guardian**).

The number of intermediaries in the advertising chain (**DMG Media**) who take a slice of revenue (leaving less for the publisher), and the use of ad blockers (**St. Ives Times & Echo**), which prevent advertising being displayed against publishers' content, were cited by other respondents as reasons why news publishers received a poorer share of digital advertising revenue. However, the most common argument made was the more effective targeting capability of the search and social media platforms. One public respondent wrote that:

Online advertising revenues are the basis of extremely profitable companies such as Google and Facebook. Their precise targeting and ubiquitous presence are extremely valuable to advertisers...Targeted advertising based on online tracking and information gathering increases the effectiveness of advertisements. The existing platforms also allow very precise billing models to be followed, rewarding specific instances of success
(member of the public)

NewsNow added that:

Digital advertisers are indiscriminate about where they advertise and this doesn't always make it easy [for news publishers] to generate high returns. Where advertisers do value high quality audiences, such as those of high quality online publications, there currently is little incentive to buy the inventory [from news publishers] at a fair price
(NewsNow)

Other respondents suggested that publishers are disincentivized from producing high-quality or public-interest journalism by indiscriminate placing of advertising which does not differentiate between "high" and "low" quality websites. *The Ferret* wrote that:

Disruption to the traditional advertising-funded media model from digital insurgents has forced many media companies to cut relatively expensive investigative journalism in favour of a focus on cheaper formats, or those that will generate engagement on digital platforms
(The Ferret)

Others suggested that the loss of advertising meant that publishers were more open to deals with commercial brands to sponsor articles, sometimes called "native advertising", with an attendant impact on trust in news. The Media Reform Coalition wrote that:

The avowed intent of native advertising is to blend into the editorial environment in which it occurs...this means that content that is controlled or influenced by brands can be carried without the reader being aware...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...This raises further concerns over issues of consumer trust in the news market
(Media Reform Coalition)

Others argued that, while digital advertising was problematic for publishers, the real problem was free access to content and the increasing difficulty of finding other ways to monetize content (**Scottish Newspaper Society**). As Facebook noted, "advertising alone has never funded news and most publishers accept that other revenue streams are key - subscriptions or donation models are growing fast"
(Facebook)

Many respondents pointed out that the improved service that digital search and social media platforms offer to advertisers was built on their greater access to, and use of, personal data. A number of publishers noted an imbalance in access to their customers' data online, with platforms amassing and making use of customer data which could be very useful to publishers as they seek to develop sustainable business models. It was claimed that the implementation of the GDPR had exacerbated this challenge. One publisher wrote that:

In the lead up to the commencement of GDPR at the end of May, Google released its updated online terms and conditions, which included changes to its advertising services. The terms were imposed in a non-negotiable way, positioning Google as a co-controller of data for its advertising products, DFP and AdX, and requiring publishers to gain users' consent on Google's behalf to gather and utilise their data. In addition, Google has sought to shift liability for non-compliance to the publishers for this consent and usage. These terms create uncertainty around how Google uses our reader data, while making publishers liable for that usage. It is not clear, for example, if personal data from publisher websites is utilised in other Google products, such as its new remarketing tool, Signal. This take-it-or-leave-it approach to contract terms led to trade bodies representing publishers to write to Google to express concern about an abuse of its dominant position. Despite repeated follow-ups to the original letter, Google has failed to respond in any meaningful way
(Anonymous)

Respondents also argued that GDPR has simply strengthened and further entrenched the position of incumbents that already have a strong hold on the digital advertising market (**Media Reform Coalition**), and that it is not just revenue that platforms are taking from publishers, but also the data about readers that publishers need to use in order to create an advertising product that rivals the platforms' own data-driven product. This, it was argued, leaves publishers in a weaker position.

However, despite evidence submitted concerning the dominance of the search and social media platforms in the digital advertising market, some publishers were positive about the situation, claiming that it was not "fatal" and that digital advertising could be used to support the creation of high-quality journalism if revenues could return to print levels (**DMG Media**). The idea that digital advertising is inherently unable to support high-quality journalism was not supported by all respondents, and other publishers argued that collaboration within the news industry could help improve advertising revenues. *The Guardian* wrote that:

The Ozone Project aims to meet the demand from advertisers for a one-stop shop to buy digital adverts across multiple leading news sites...it will be possible for advertisers to buy online ad space on *The Guardian*, *The Times*, *The Sun*, *The Telegraph*, *Daily Mirror* and *Daily Express* via a single interface. By directly connecting brands, agencies and publishers, the Ozone Project will create a more transparent view of how audience segments are structured and where media is running
(The Guardian)

Some respondents discussed the virtues of digital advertising. Although the news industry does not have as large a share of the advertising market as it once did, the development of the digital advertising market has lowered the barriers to entry and allowed smaller publishers and startups easily to fund their businesses. NewsNow wrote that:

In a manner that was never possible in the print age, digital advertising makes it possible for new online publications and even independent journalists to generate revenues without substantial investment, by harnessing the ease-of-access to online advertising revenues offered by “programmatic” online advertising platforms like Facebook and Google. This has driven significant media plurality
(NewsNow)

However, evidence submitted to the review suggested that lower barriers to entry also make it easier for “bad actors”, who use digital advertising revenue to fund poor quality journalism and fake news, to enter the industry. IMPRESS wrote that:

Whilst there are very low barriers to entry into the digital news market, there are high barriers to growth...At the same time that these low barriers have enabled the emergence of new sources of high-quality journalism, they have also enabled the proliferation of extremely low-quality journalism, including so-called fake news, where wilful misinformation and disinformation are presented in the guise of legitimate online news...Thanks to the bias of the digital advertising market towards emotive and attention-grabbing content, this material – which can be produced at no cost – may thrive, at the expense of high-quality journalism from both start-up and established publishers
(IMPRESS)

d. What changes might be made to the operation of the digital advertising market to help support and sustain high-quality journalism?

Respondents to this question also proposed possible solutions to the problems that the digital advertising market may cause for the sustainability of high quality journalism. Some suggested that changes should be made to the programmatic supply chain so that advertisers are given a clear choice of serving adverts in a high quality environment, such as those offered by news publishers. *The Guardian* wrote that:

Programmatic ad exchanges should be encouraged to voluntarily commit to providing advertisers and agencies with a clear choice as to whether to buy inventory within high-quality news environments, or to follow an audience across the web to websites of questionable quality
(The Guardian)

Others also made this suggestion, writing that:

A programmatic classification identifying bona fide news media websites as “brand safe” environments for advertisers could be introduced. The classification would need to be developed and applied by the news media industry itself in conjunction with advertisers and agencies – and, importantly, not by the tech companies themselves – potentially building on initiatives from the DTSG, JICWEBS and TAG
(News Media Association)

Most respondents to this question, however, argued that the situation was a clear example of market domination and suggested that a CMA investigation was necessary. Some went further, suggesting that competition law should be amended so that the CMA could also consider impacts to consumer attention and data in addition to financial considerations (**Guardian**).

Question 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?**

Most responses discussed the role of algorithms and publishers' reliance on them. In particular, respondents argued that they are important for the discovery of news content and that small changes to these algorithms impact on traffic to their site and, thus, their ability to monetize their content. The PPA wrote that:

Challenges arise from frequent changes to platforms' algorithms, with publishers investing heavily to adapt their SEO [Search Engine Optimisation] strategies only to find subsequent changes undermining that investment. Greater transparency over development pipelines would allow publishers to adapt. Global media is still recovering from Facebook's decision in January [2018] to place less emphasis on content from businesses, brands and media in favour of content from family, friends and groups – some publishers saw declines in traffic of more than 80% overnight
(Professional Publishers Association)

Many other submissions made the same point, that changes to algorithms make publishers' investment in search engine optimization (SEO) difficult. Many respondents argued that greater transparency is needed around changes to algorithms. The News Media Association wrote that:

Tech companies must be required to give reasonable notice of any changes to terms of business or to algorithms which impact on news publishers (e.g. by deprioritising "news" or promoting some news sites and demoting others), to explain the changes and their purpose, and to set out the assumptions and editorial judgments which lie behind the automation
(News Media Association)

Others suggested a different solution to this problem. *The Ferret* wrote that:

Consumers should be enabled to alter the weightings, or priorities, of the algorithms that mediate their digital lives and they should be empowered to audit, innovate, and share new ones, or turn them off, altogether
(The Ferret)

Reliance on search and social media algorithms was not the only reason cited by respondents for an imbalance in the relationship between platforms and publishers. Some respondents claimed that attempts by search and social media platforms to make news content more accessible have served to entrench the platforms' position and actually led to a decline in traffic to publishers' websites. News UK wrote that:

Within the platform ecosystem there are a number of ways that news content is used. Facebook Instant Articles allows news providers to upload content to the Facebook mobile app. However readers are kept in the Facebook ecosystem and are not directed to the news provider's site. Google's Accelerated Mobile Pages (AMP)

is a mobile-only format that, if enabled, results in search content appearing in the important news carousel at the top of the screen. However, again readers are not taken to the provider's site and remain within the Google platform – often without realising. This decreases footfall to the main site and means that readers do not explore other articles on that site, and Facebook and Google retain all the first-party data that drives their advertising products

(News UK)

Access to data was also mentioned by other respondents. DMG Media wrote that:

Publishers do not receive data on ads served in their content. This means they do not know how much Facebook is earning on content they provide or what percentage of that is being paid to them. The deals are not structured in a transparent way, such as a 50/50 revenue split

(DMG Media)

As a result of this, it has been suggested that greater clarity is needed around the relationship between GDPR and ePrivacy, around what the implementation of ePrivacy might look like, and about what impact GDPR has had, especially around the apparent beneficial situation it has placed the existing platforms **(The Guardian)**. In order to achieve greater clarity, one publisher recommended that a working group should be set up (to include officials, tech platforms, publishers and the ICO) that can facilitate discussions between the different players to ensure that data is being used and managed correctly **(The Guardian)**.

Another way that respondents suggested the relationship between publishers and search and social media platforms could be improved was the introduction of copyright or the licensing of content. The News Media Association wrote that:

News publishers clearly do not receive a fair proportion of revenues for their content when it is accessed through the digital platforms. A meaningful contribution, in the form of an annual content licence fee, potentially managed by NLA Media Access (formerly the Newspaper Licensing Agency), could be used specifically to support independent journalism. This should be supported by a UK Publishers Right **(News Media Association)**

This was a popular view, expressed by a number of respondents. However, some disagreed that the relationship between the search and social media platforms and publishers was unequal, and claimed that the relationship was mutually beneficial. These respondents explained that platforms depend on news content to attract users to their websites, and publishers need platforms in order to reach their audiences **(Media Reform Coalition)**. Some suggested that this means platforms should prioritise high-quality journalism. The Chartered Institute of Journalists wrote that:

There is a symbiotic nature to this model in the sense that the validity of the search engine, or social media site, would be enhanced with links to quality news feeds **(Chartered Institute of Journalists)**

Some respondents suggested that the use of “kitemarking” **(Iliffe)** or a “trust rating” **(Media Reform Coalition)** would help to identify high-quality journalism.

However, others claimed that attempts to prioritise certain publishers would create censorship problems that would have a detrimental effect on small publishers. The Media Reform Coalition wrote that:

Given the method by which advertising 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 (*Media Reform Coalition*)

Question 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)?

There were many suggestions for where any intervention should be focussed. Some claimed that local news should be the beneficiaries as they represent a public good (*Julie Firmstone, Academic*). Others argued that high quality journalism requires support and “commercial” journalism should be left alone (*member of the public*). On the other hand, it was also suggested that tabloid journalism should be the recipients of intervention, to improve the quality of their output (*member of the public*). Others argued that the focus should be on new players (*Ethical Journalism Network*). Others still argued that no intervention was necessary and that market forces should be allowed to work (*member of the public*).

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

Many of the policy options that received attention in response to this question have already been mentioned in relation to other questions, for example, supporting a CMA investigation into the dominance of digital search and social media platforms in the digital advertising market. It was also suggested that a further report would be needed that detailed exactly how much news content is worth to the platforms (*News Media Association*).

Many responses to this question also argued that the UK should support the EU changes to copyright. One publisher wrote that:

The UK government should support proposed EU changes to copyright protection. Broadening the scope of copyright protection to snippets and headlines (as was proposed by the EU Commission) will empower publishers to earn a fair share of revenues earned by content aggregators who exploit news publishers’ content online (*Anonymous*)

This would allow publishers to negotiate licence agreements as already noted. It was also noted that more needs to be done to close gaps in knowledge around copyright, intellectual property and news values (*Clare Cook, academic*).

Many respondents also recommended changes to charity law. One academic wrote that:

A similar approach to the Small Brewery Relief Scheme might be taken in regard to the local and regional press by amending the Localism Act 2011 to enable local and regional newspapers to be designated as “local assets”, allowing local and regional communities the opportunity to take

ownership of them as a cooperative, not-for-profit or CIC when and if they otherwise face closure

(Rachel Matthews, academic)

Again, more on this will be said below.

Other policy interventions were proposed in response to this question that were not mentioned in responses to others. One such recommendation was around digital connectivity and communication infrastructures. One academic wrote that, as news publishers transition from print to digital, communities that have poor internet connectivity will be left behind. Part of any solution, therefore, must ensure citizens can access news in addition to ensuring that news publishers cover those communities:

Communication infrastructures tackling rural and isolated communities where internet connectivity remains slow or patchy, or where access to data plans is cost prohibitive, should be explored. As news distribution moves increasingly [to] digital only, it is essential to ensure that access to that digital environment is equitable to tackle the digital divide

(Clare Cook, academic)

A range of possible solutions included the creation of a new organisation that could undertake a number of different tasks for local news providers, such as investing in open source tech and third-party HR services - e.g. operational, administrative, legal and security resources (**Open Democracy**). This journalistic organisation could also be used to create a network of news hubs. The Media Reform Coalition wrote that:

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

(Media Reform Coalition)

This recommendation is similar to the BBC Local Democracy Reporter Scheme, which also featured in responses to this question, and which some recommended should be expanded to include court reporting (**Mark Bradley, Academic**). However, others criticised the scheme, claiming that it benefited only the major incumbents and did not address the sustainability of local, independent publishers (**IMPRESS**).

A number of other policy interventions were suggested that dealt with the role of the BBC. For example, News UK wrote that:

The continued digital expansion of the BBC creates a huge problem for publishers, as they move to publish long-form journalism, lifestyle content and opinion as well as news, already well catered for by the commercial sector. In addition, they are able to strongly cross-promote online, on TV, on their podcasts and on radio. There is currently no measurement carried out to assess the impact and distortion of the BBC on the UK's media market

(News UK)

Others also argued that clear rules should be placed on the BBC's commercial news activities so that they do not unfairly impact on commercial rivals (**The Guardian**).³¹⁴

Other policy suggestions included regulation that gave financial incentives for accurate reporting (*member of the public*) and stronger sanctions for untruthful reporting (*member of the public*), reforming VAT rules to bring digital editions in line with print publications (*Professional Publishers Association*), the extension of business rates relief to magazines (*Professional Publishers Association*), the creation of a News Funding Council (*IMPRESS*), more resources for media literacy (*The Guardian*) and prominence obligations for search and social media platforms (*The Guardian*).

c. If there is a case for subsidising high-quality journalism, where should any funding support come from?

- i. What form should it take?**
- ii. How or where should it be targeted?**

Most of those who responded directly to this question disagreed with the concept of subsidies, most often noting the problems that they could cause for freedom of the press. The PPA wrote that:

There is [not] a case for direct government subsidy of journalism, not least as this risks undermining the independence of the press and our ability to act as the fourth estate, reporting news and holding powerful individuals and corporations to account (*Professional Publishers Association*)

Others suggested that Government should implement a “low interest loan scheme specifically for small independent newspapers to allow refinancing and development away from the banking sector” (*St. Ives Times & Echo*).

If a subsidy were to be implemented, a number of respondents suggested that the money should come from:

A levy on advertising on the major platforms. The argument for doing so is that the platforms have, for understandable commercial reasons, diverted into their own coffers, the revenue that hitherto supported journalism. The massive profits that the platforms now make, at the expense of journalism, is a detriment to society at least equal to any benefits produced by greater connectivity (*Angela Phillips, academic*)

Angela Phillips adds that these search and social media platforms might welcome such a levy as it would “absolve them from sorting out the problem of news delivery and the continuing headache of fake news” to some extent (*Angela Phillips, academic*)

Another source of income to fund a levy could come from a fine imposed on publishers who publish “deliberately misleading” articles (*member of the public*).

PART 2: GENERAL THEMES

The majority of respondents to the Call for Evidence did not follow the set questions and offered general responses instead. While those who gave general responses, rather than answer the questions, identified problems and offered solutions that were also covered by the questions, they also raised points that go beyond the scope of the questions. Therefore, while there is some cross-over here with the themes discussed in Part 1, this section identifies prevalent themes in the responses in order to capture the evidence provided in these submissions.

1. Disagreement with Public Money Subsidizing the National Press and Alternatives

Approximately 85% of the responses to the Call for Evidence were from the general public, and the large majority of those appeared to have been directly prompted by an article by Brian Cathcart, Professor of Journalism at Kingston University and founder of Hacked Off, a press campaigning body, claiming that the review was a vehicle for Government to subsidise the national press, by “pav[ing] the way for the delivery of public subsidies to the Daily Mail, the Sun, the Mirror and the rest of the national and corporate press.”³¹⁵ By far the most prevalent response, therefore, was a disagreement with the idea of subsidising the press. Most of responses that fit into this category were quite short and contained a single line simply supporting Professor Cathcart’s views or saying that “there should absolutely be no subsidy given by any government to journalism or press in any capacity” (*member of the public*).

There were varied reasons given why respondents were not in favour of subsidies. Some claimed that “billionaire owners” (*member of the public*), who “use [their newspapers] to push their own moral and political agendas” (*member of the public*) should not receive Government money. It was also noted that newspapers were commercial endeavours, and should be independent (*member of the public*). Some went further and suggested that any money should be spent on “public services that are in dire need of support: NHS, Police, Fire Service, Social Services, Education, Veterans, Homes for the Homeless and Local Council support” (*member of the public*).

It was not just members of the public who disagreed with the idea of a subsidy for the press. For example, one academic wrote that not only will subsidies threaten the freedom of the press (as noted in relation to question 6), but they could serve to legitimate practices that ought to change and dissuade publishers from innovating:

General subsidy not only risks preserving practices which ought to change but is unlikely to stimulate publishers to deal with upcoming challenges such as rapid developments in artificial intelligence. If financial subsidy is proposed, let it be support for experiment, innovation, training and adaptation
(*George Brock, academic*)

However, not all respondents disagreed completely with the idea of subsidising the press. Some who addressed this issue accepted that, in principle, subsidy of the press may be permissible within certain circumstances. Those circumstances included only subsidising the local press (*member of the public*) only supporting individual journalists rather than publishers (*member of the public*), supporting fact-checking services (*member of the public*), funding media literacy (*member of the public*) and supporting only publishers that have changed their behaviour (*member of the public*). Another alternative to direct subsidies was the creation of a “citizen media allowance”. One public respondent wrote that:

I feel that the monopolies that are the current offering in today’s media landscape need to be broken down and the playing field levelled. One suggestion for doing this would be to create a citizen media allowance, taken from tax but given directly to the public to spend on X amount of publications. If the allowance covers 6 [sic] publications then it should be required that the spread they purchase covers the political spectrum to ensure balance. This would likely reduce the partisan content that is prolific in both the mainstream media and online sources because outlets would be keen to sell to either side. This would create balance but does not deal with issues such as fake news so is useless without a stringent punishments for breaching journalistic standards
(*member of the public*)

Rather than get the Government to distribute the subsidy, the public would thus be responsible for distributing the money indirectly, which would ensure that those publishers that were most trusted by the public would be the largest beneficiaries.

2. VAT Reform

Although direct subsidy was mostly, if not completely, rejected, indirect subsidies were recommended. Many respondents argued that zero-rate VAT should be extended to digital editions of print publications. The PPA summed up this recommendation writing that:

In recognition of both their valuable contribution in promoting literacy and the important role journalism plays in civic society, magazines, journals, newspapers and books have been subject to a zero rate since VAT's introduction in 1973. While printed publications continue to benefit from this rate, tax law has failed to keep pace with advances in technology and the evolving way in which content is now delivered on multiple media platforms, the majority of which are digital and, therefore, do not benefit from zero rating. It remains a costly anomaly that damages consumer choice, holds back innovation and investment, and fails to meet the tests set for good tax principles. As publishers become more dependent on readership revenues over income from advertising, reducing the cost of digital subscriptions could facilitate higher levels of reading on digital content platforms, as well as innovative product development (**Professional Publishers Association**)

The impact that zero-rate VAT may have on the uptake of digital subscriptions was also argued by others. *The Guardian* wrote that:

By eliminating VAT from a per page transaction, this would eliminate a significant cost per transaction, thereby helping to stimulate the market in micropayments. Ensuring that any move to remove VAT applied to micropayments is essential to ensure that any result tax relief applies to digital native publishers, as well as news organisations that publish an edition (**The Guardian**)

This would ensure that both digital native and legacy news organisations benefit from the policy.

Others also suggested that tax credits or tax breaks could also be used to help publishers as part of an economic stimulus plan (**National Union of Journalists**). This would include:

Tax breaks for local media who meet clearly defined public purposes (journalism as a service to the public) and tax credits for individuals subscribing to publications that meet such public purposes clear and enforceable conditions need to be applied that safeguard the production of original content in the public-interest (**Campaign for Press and Broadcasting Freedom**)

3. Trust in Journalism

One of the principle reasons for disagreement with subsidising the press, especially among the public responses, was a lack of trust. A number of times, the rejection of subsidies was accompanied by a call for the implementation of the second part of the Leveson inquiry. Many public respondents offered suggestions for how to deal with a decline of trust. These mainly dealt with tougher penalties for corrections and untruthful reporting in order to disincentivize sensational or inaccurate journalism. One particularly popular suggestion was to force

publishers to print retractions and corrections in the same way as the original inaccuracy. Discussing the practice of publishing misleading or false headlines, one public respondent wrote that:

A suggestion for how one might achieve this is that all retractions must be printed in the same page and font size as the original, untrue statement. Being forced to retract their lies with as much vigour as they originally stated them may serve as a deterrent

(member of the public)

Another public respondent suggested that this could be a role for the Press Complaints Commission (**member of the public**).³¹⁶ It was also suggested that financial penalties for fake news should also be implemented.

Fake news should attract material penalties (based on a percentage of revenue) - this needs to be driven by an independent body with actual teeth. You could then reinvest any fines in supporting projects to improve journalism

(member of the public)

These measures, respondents felt, would help restore trust in news publishers.

4. Journalism as a Charitable Endeavour

The most common theme in responses to the Call for Evidence, both in terms of number of responses that raised it and the range of respondents (eg publishers, academics, public, etc.), was the call to recognise journalism as a charitable endeavour.

The rationale cited by many was that journalism produces benefits that are “external” to those who produce them and result in little (if any) financial reward. This lack of financial reward means it is difficult for the publisher to keep providing that service, and the “external” benefits. Thus, one respondent wrote that:

Where benefits are external to the producer, for-profit companies will struggle. In other sectors where public goods are being produced for society’s benefit, either the government or the voluntary sector plays a role... Where you can’t make a profit, but there is public benefit, a non-profit, usually a charity will step in...In education, healthcare and criminal justice charities have played a prominent role in producing public goods for over 100 years alongside government. The absence of charities providing public goods in the local news environment is startling compared to the role of charities in local health, local education, local environment and local criminal justice work (**William Perrin, campaigner**)

Other solutions were proposed. Some supported the House of Lords’ Communications Committee’s recommendation that the Charity Commission should provide greater clarity and guidelines on which activities relating to the media are charitable (**The Guardian**). Others went further, suggesting either that certain endeavours should be recognized as charitable, or that the Charities Act should be completely rewritten:

A rewriting of the Charities Act 2011 is the most desirable approach to extending the benefits of charitable status to journalism, but this path seems unlikely in the foreseeable future. Failing a rewriting of legislation, the Charity Commission could take a more favourable approach to the registration of quality journalism. Charity law is progressive and the hurdles that make it difficult to cover journalistic practice are not unsurmountable. It is perfectly possible under existing legislation to recognise certain types of journalistic activity as fulfilling certain charitable objectives as identified in the act. These include those purposes listed above - such as the advancement of education, citizenship or community development (**Bureau of Investigative Journalism**)

This would mean that there would need to be quantifiable evidence that there would be a significant deficit to society were there to be no journalism. As one academic wrote that:

It is not enough simply to state that a journalistic enterprise will be beneficial; the public good has to be identifiable. This raises the difficult prospect of generating measurable evidence that journalism functions have been successfully applied; that, for example, local residents are better informed or participation in local elections has risen since a new enterprise was launched. While we might be convinced in theory of the vital democratic contribution of journalism, to demonstrate such impact empirically is problematic – but by no means insuperable

(Steven Barnett, academic)

Other respondents still noted that there were other ways that the Charity Commission could be made to recognize journalism as a charitable endeavour. Another academic wrote that:

The Attorney General has powers under section 326 of the Charities Act 2011 to make a reference to the Charity Tribunal in relation to questions of charity law. The reference might, in summary, ask whether the advancement of journalism should now be recognised as a charitable purpose

(George Brock, academic)

In various ways, these three routes - recognizing journalism, changes to charity law, and making use of the Attorney General's powers (**Bates, Wells. & Braithwaite, Lawyers**) - were offered by many respondents. It was also noted that this is a problem that is specific to the UK, with other countries, such as the US, not placing a “bar on journalism as the focus of a non-profit and many funders” (**William Perrin, campaigner**).

However, some respondents were keen to clarify that recognizing journalism as a charitable endeavour was not going to be helpful for the majority of publishers. One academic wrote that:

It seems unlikely that any of the existing newspaper owners will give up any of their publications to charitable status in order to act as an exemplar to ascertain if such a model can work. The (now) big three groups ([Reach plc], Newsquest, [JPI Media]) are focused either on debt reduction or gaining as many economies of scale as possible; smaller private companies (often family-owned) are unlikely to want to dispose of all or any of the “inheritance” (**Neil Fowler, academic**)

As well as owners of publishers not wishing to sacrifice their commercial benefits, there are other reasons why publishers may not wish to register as a charity.

Charitable status does restrict the kind of journalism a charity can do...We think it is important to recognise that not all journalism is created with the intention to maintain the qualities of impartiality and even accuracy. Charitable status is not suitable for all journalism. But the public benefit of high-quality journalism, both to individual readers and to society as a whole, is obvious and only becoming more obvious as we see whole areas of journalism decline

(Full Fact)

It is only a certain type of publisher, who engages in a certain type of journalism, that will even be interested in becoming a charity in the first place; it is unlikely this solution would benefit most publishers.

5. Levy on Tech Platforms

The recommendation that a levy should be placed on search and social media was also a very common response to the Call for Evidence. The NUJ wrote:

In the UK there is a growing political appetite to ensure that digital platforms pay their fair share of tax and help fund public-interest journalism via a levy. It has become abundantly clear that the sustainability of the UK media industry has been dramatically affected by such companies, especially Google and Facebook. Due to the size and market dominance of these platforms, media organisations have little choice about how to distribute their own content online and monetise their work....Digital platforms have already been able to generate immense profits from leveraging content made by journalists and now they should give something back - companies that have financially benefited by reproducing news content but not creating it should now be compelled to contribute to society by funding journalism

(National Union of Journalists)

Other respondents provided more detail on what that levy might look like. Avaaz wrote that:

[Some have proposed] a 1% levy on the digital advertising revenue of the online social media giants to support a new infrastructure for local news provision. The resulting funds could be distributed through a publicly accountable, but independent, organisation like the Arts Council...The Cairncross Review should be bolder and consider increasing the levy to 3% in order to explore innovative ways to support high quality journalism at the regional and national levels, as well as local **(Avaaz)**

Some suggested that the levy could work in the same way that the “levy imposed on the horse racing betting industry to underpin the infrastructure of local race courses across the UK” **(News Media Association)**. There were also a number of suggestions for how the levy could be used. Some suggested news hubs and new jobs **(Avaaz)**, others training **(National Union of Journalists)**, and others still media literacy **(Ethical Journalism Network)**.

However, the idea that search and social media platforms have a detrimental impact on publishers that requires attention was challenged by some respondents. For example, Google pointed out that “local publishers are now reaching considerably more readers than was the case before the internet” **(Google)**. They gave the *Liverpool Echo* (which now has 690,000 unique daily readers, up from 129,000 in 2004) and the *Manchester Evening News* (which now has 888,000 unique daily readers, up from 163,000 in 2003) as examples that demonstrate this claim. They also claim that this increased traffic is estimated to be worth between 3.5p and 7p per click to the publisher.

Google also added that the internet has lowered the barriers to entry, making it easier for new publications to emerge, and that media startups no longer need “significant early stage investment in infrastructure” **(Google)** to get going. Similarly, Facebook argued that digitalisation of the industry has brought increased choice and diversity, access, and engagement with news content **(Facebook)**.

Others argued that the idea that search and social media platforms *in general* have a detrimental impact is too broad, and that only some platforms fall into a problematic category. One news aggregation platform commented that the term “platform” is quite broad and does not adequately differentiate between practices, and any levy that is imposed on “tech platforms” needs to be mindful of the fact that different platforms have different practices, some of which already have licensing and remuneration agreements in place:

News aggregation is frequently confused and conflated with what has become known as the “platform” model practised by other tech brands such as Facebook. It is important that the Review understands how these models are different so as to avoid inappropriately broad conclusions...It is important for the Review to bear these factors in mind when considering its recommendations and limit interventions aimed at addressing problems in the so-called “platforms” market such that they do not inadvertently impact on the development of legitimate alternative models...which are fundamentally different in both their design and operation (**Anonymous**)

6. Licensing

Another way of redressing the relationship between platforms and publishers suggested was licensing of publishers’ content to search and social media platforms. The Newspaper Licensing Agency wrote:

The advantage of licensing is not limited to financial reward. The principle of licensing is that permission is granted subject to conditions – among which may be (or may not) be – an agreement to pay fees. Allowing third parties to scrape news media content, and their algorithms to present individual articles in a list of search results, without any conditions being agreed, leads inevitably to the commoditization of news media brands within environments over which they have little to no control. Therefore, licensing systems could be based on the conditions of the usage of news media content, as well as negotiations around payment (**Newspaper Licensing Agency**)

It was in relation to this issue that the subject of Article 11 of the European Copyright Directive arose. One publisher wrote that implementation of this right would help publishers in negotiations with platforms over licensing of content:

The introduction of the publishers’ right - article 11 of the EU copyright directive... could clarify the legal status of high-quality journalism, and deliver long-term benefits for the European news media by enabling publishers to request payment for the value that high-quality journalism provides to the products and services of search and social platforms

(**The Guardian**)

However, there was mixed opinion on this subject, with some disagreeing that licensing of content, and the European Copyright Directive, would have a favourable outcome for publishers. Google wrote that:

There is a considerable weight of evidence that such proposals are deeply counterproductive, harming journalism and reducing access to news...An introduction of a “snippets tax” on aggregators has reduced the incentive for aggregators to provide their services and has had a knockon damaging consequence for local publishers (**Google**)

Recent examples in Spain and Germany were also cited by some respondents; in Spain, publishers could not legally waive the right and the result was “decreased traffic, less news consumption and lower advertising revenues, primarily impacting smaller news sites”, whereas in Germany the right could be waived and most publishers chose to do so (**Google**).

7. The Competition and Markets Authority (CMA) and the Digital Advertising Market

Calls for a CMA investigation into the behaviour of the search and social media platforms were also submitted. In particular, it was argued that the increasing market share of advertising revenue that search and social media platforms enjoy is earned through improper use of market dominance. Thus, *HuffPost* wrote that:

Many of the challenges facing news publishers stem from the current structure of the digital advertising market and in particular the market position of the leading players. The extent to which the structure is preventing competition that needs addressing through competition remedies is hotly debated, and a way forward is needed. A market study by the CMA is, in our view, a necessary first step. The CMA is best placed to undertake the required research and economic analysis to establish the scope of the problem and then identify any further interventions, such as a full inquiry, that is needed to address market imbalances

(HuffPost)

Some noted that other factors were helping to compound the position of the search and social media companies and that GDPR, for example, has served to strengthen and consolidate the dominant position of the market leaders, who force others to comply with their interpretations. One tech platform wrote that:

The Review should therefore examine the impact of structural issues on how the market functions and recommend targeted examination, such as via a CMA Market Study, while supporting the continued evolution of the market. For example, the introduction of the GDPR has shown that market leaders can force compliance solutions and pass legal risk on downstream players

(Anonymous)

However, as already mentioned in response to the set questions outlined above, not everybody condemned as unfair the apparent dominance that the search and social media companies enjoy in relation to advertising. Some respondents argued that the search and social media platforms simply offered a better and more efficient service. Google argued that, by using personal data to target

advertising at specific people, programmatic digital advertising had brought with it significant benefits such as cost efficiencies, a larger advertising base, accountability and greater control (**Google**).

Others argued instead that search and social media platforms are not simply taking money for advertising that would otherwise be spent with other media. Rather, search and social media platforms offer a product that attracts advertisers for whom more traditional forms of advertising would be inappropriate. Communications Chambers wrote that:

The growth of online advertising in part derives from attracting new advertisers into the market. These businesses could not have profitably advertised in mass media, but search advertising in particular enables them to reach their target customers efficiently. Thus [an] unknown portion of internet advertising derives from customers who are completely new to advertising, and in no sense were taken from newspapers or other media

(Communications Chambers)

In its response, Google itself argued that the vast majority of its revenue comes from search advertising, which is not in competition with the display advertising that news publishers offer (**Google**).

In addition to calls for a CMA investigation, respondents also claimed that changes must be made to the way that the CMA deals with mergers. The PPA wrote that:

Consumers increasingly access content across many platforms and from multiple providers. The explosion of YouTube and video content, increasing popularity of podcast, and other digital channels mean that magazine media publishers compete not only with other print titles and multi-channel publishers, but with digital-only players in these formats and

more. However, the CMA continues to take a narrow view of the market regarding publisher business models and acquisitions, ignoring the variety of ways consumers access information in the digital age...It is often only through ownership consolidation that plurality of brands and editorial voices can be sustained in the market...Without significant change in the CMA's market view, and a signal to market of such a change, potentially beneficial transactions that could preserve titles will not happen because of a view that the CMA will review them and the costs in time and resource associated with this undermining their value.

(Professional Publishers Association)

Others noted the same concerns, but expanded the scope of the change to the CMA's market view to include all technology companies (i.e. not just media mergers), with the aim of allowing Government to be able to step in to maintain the independence of businesses that could impact on the future economic well-being of the country (**The Guardian**)

8. The Role of the BBC

The impact of public-service broadcasters, particularly the BBC, also featured in many responses. As already noted, one of the complaints about the BBC was that its resources have a significant impact on the ability of publishers to make money from their own content. The Scottish Newspaper Society wrote that:

At the same time, the ability to raise revenue by establishing pay-walls for news websites has been hampered by the constant presence of a quality free service from the BBC. From February 2019, BBC Scotland's online services will be enhanced by more written content as part of the £32m investment in the new BBC Scotland channel, with its flagship Nine O'Clock news programme staffed by 80 new editorial personnel recruited in addition to the 250 journalists BBC Scotland already employs (**Scottish Newspaper Society**)

However, this interpretation was challenged by some respondents. The BBC itself said that, rather than acting as a competitor to other news publishers, the Corporation is a valuable source of news for many, with the BBC news website "five times more likely to be chosen as a source to "check whether something is true" than the next closest provider" (**BBC**), adding that:

The issue has also been considered in a number of economic studies, including Oliver & Ohlbaum for the NMA and DCMS, Enders Analysis and KPMG for the BBC Trust, Mediatique for the BBC, all suggesting that the challenges facing industry are driven by the transfer of advertising online. Not one of these studies found the evidence to conclude that the BBC crowds out the commercial provision of news online. Indeed, many found evidence both of the public value of the BBC news offer and the positive market impacts it has had in popularising online news (**BBC**)

Others also responded in favour of the news content that is offered by public service broadcasters, noting that public service broadcasters are the most trusted source of news in the UK, and that protecting public service broadcasting, therefore, is important to ensure the sustainability of trusted news in the UK (**Digital UK**)

9. The BBC Local Democracy Reporter (LDR) Scheme

Views on the LDR scheme were mixed. Generally, the idea of the scheme was supported, although its implementation was criticised. One such criticism was that only the big regional publishers benefitted from the scheme. One academic wrote:

Although this scheme purports to benefit local journalism across the board, it has clearly been established to privilege the most powerful regional publishers...As of December last year, 131 of the allocated 145 reporter contracts

were awarded to these [regional publishers], leaving 14 for other publishers including just 4 hyperlocals. While other local news operations can theoretically access stories via a “news hub”, the process of becoming a qualifying “Section One partner” which grants such access is opaque, bureaucratic and difficult for a small, developing hyperlocal venture to negotiate

(Steven Barnett, academic)

Others criticized it for failing to attract enough talent, with the South West News Service writing that there should be a stronger focus on training to improve the quality of local journalism, as well as plugging gaps:

We believe that an expanded LDRS scheme could incorporate a strong element of training in the basic skills of reporting public life – shorthand, law, impartiality and balance, context, right of reply etc. It may be feasible to offer apprenticeships in LDRS reporting? Or LDRS reporting could be integrated into existing courses, be they secondary, undergraduate or post-graduate? The combination of an expanded LDRS and accompanying training will create a virtuous circle – more available jobs brings more people to the industry, and the training is there to support them

(South West News Service)

There were also criticisms that it didn’t go far enough in terms of the coverage that it sought to provide and, therefore, the scheme should be expanded to include other areas of local reporting. The NUJ wrote that:

The LDR scheme [should] include court coverage, in response to the failure of local titles to cover what happens in the criminal and civil courts. Traditionally local newspapers always covered their local magistrate, sheriff and crown court trials and national newspapers covered major trials...Now hardly any local papers cover trials or courts in detail...As things stand, courts are not properly reported, and incorporating this reporting into the remit of the existing LDR scheme would help to address this significant and ongoing problem that is linked to the provision of public-interest journalism

(National Union of Journalists)

Publishers also supported an expansion of the scheme. A joint submission by major regional publishers wrote that:

Our review identifies that funding is required for up to 1,750 local Public Interest Reporters covering the workings, the ins and outs, the decisions, the impacts, the life stories of public institutions in communities across the UK. These Public Interest Reporters would underpin the quality and quantity of local democratic reporting across the UK. We would propose adopting a model similar (but separate to) the Local News Partnership scheme, where local news organisations – whether they be hyperlocal news sites, local TV or established news publishers could bid to employ a Public Interest Reporter **(Newsquest, Reach, JPI, Archant and MNA)**

The respondent added that those 1,750 local Public Interest Reporters would be split between local democracy, court, health trusts, fire authorities and police and Crime Commissioner areas, and would include videographers and apprentices, with the cost being a tiny fraction of the billions that the tech platforms make each year in advertising revenue **(Newsquest, Reach, JPI, Archant and MNA)**.

In addition, some argued that the scheme should not rely on BBC funding and should find other sources of funding (**National Union of Journalists**). The South West News Service wrote that removing the BBC's involvement with the scheme would allow others to invest in it and for it to better benefit independent and hyperlocal publishers:

There is a case for the establishment of an overseeing body or agency that operates the scheme and is independent of the media, government and BBC. Funding could come from a variety of sources rather than just the BBC; big tech companies which benefit hugely from regional content should be compelled to contribute, perhaps through a social media levy. Government could also contribute at arms-length, as could interested charitable bodies such as the Reuters Foundation. If this model were adopted, we believe this body or agency should operate the scheme at a ground level, much as a newsdesk operates its reporters in a competitive environment. This will ensure that publicly-funded journalists are delivering value for money, covering the right stories in the right way, and provide a legal / fact-checking backstop
(**South West News Service**)

10. Section 40 of the Courts and Crimes Act

Section 40 of the Courts and Crimes Act, written in response to the Leveson Inquiry but not yet made active by the government, was also a subject of contention among respondents. The Press Recognition Panel wrote that implementing the act “would give financial protections to publishers who are members of an approved regulator” who would be able to defer legal action to an arbitration process, rather than go through a lengthy court case. This means “Section 40 supports investigative journalism and removes the chilling effect brought about from the threat of legal action

that publishers often face” and, therefore, “if fully implemented, the new system of regulation would protect publishers and support freedom of speech” (**Press Recognition Panel**). They argued that this would increase sustainability of the press by:

- a. Protecting ordinary people, not just the rich, and thereby increasing public confidence;
- b. Protecting the press from the chilling effect of large legal costs; and
- c. Removing political influence on press regulation
(**Press Recognition Panel**)

However, others disagreed with this, claiming that it has an impact on the freedom of the press.

The Act, passed by parliament in 2013, continues to pose a risk to a free press in the UK, requiring publishers to sign up to an officially recognised regulator or risk paying the total costs of any legal claim brought against them
(**Professional Publishers Association**)

Others instead suggested that Section 40 of the Courts and Crimes Act should be repealed (**Johnston Press**).

11. The Definition of High Quality Journalism

One common response was omission of a definition of high-quality journalism from the Review's Terms of Reference. Some respondents suggested various criteria for high quality journalism, and, therefore, what or who should benefit from the Review.

Some respondents simply provided a list of behaviours that should be considered to denote high quality: for example, being independent of political or commercial pressure, having an editorial code promoting accuracy and fairness whose enforcement is open to external inspection, being independently regulated, having an open complaints system and being based on facts that are referenced (**George Brock, academic**).

Other respondents cited other perceived markers of high-quality journalism. The Guardian wrote that:

Other evidence suggests that technical qualities of an article read online can significantly affect whether a user trusts that journalism or content. A Media Insight Project published in April 2016 found that “a majority of digital news consumers report it is very important to them that ads not interfere with the news (63%); that the site or app loads fast (63%); that the content works well on their mobile phones (60%).” (**The Guardian**)

Others still argued that the Cairncross Review is not best placed to judge quality and that other industry bodies, such as the Press Recognition Panel, should set the criteria (**Brian Cathcart, academic**).

The review’s focus on high-quality journalism was also criticized for being misplaced. Two academics wrote that the Review should be concerned with sustainability as it impacts on citizens’ engagement with society, not as it impacts the profits of publishers:

“High-quality journalism” is very difficult to define since it is necessarily subjective. Moreover, it is not clear to us that the sustainability of high-quality journalism is the primary problem for UK democracy and society...This focus on consumers, rather than on citizens, appears misplaced. From the democratic perspective, it would seem more important to judge the success of any action taken to secure a sustainable future for public-interest news and information in relation to citizens rather than in relation to consumers (**Gordon Ramsay & Martin Moore, academics**)

The review should therefore focus on “public-interest news and information”, which reports on public authorities and the absence of which can have “dire democratic consequences” (**Gordon Ramsay & Martin Moore, Academics**).

12. Media Literacy

It was also suggested that greater investment needs to be made in media literacy. As has already been noted, some respondents suggested that any money that is collected via a levy or ear-marked for subsidies should be put into improving media literacy. The Ethical Journalism Network wrote that:

An industrial levy should be placed on the technology giants, who have made their profits on the backs of the labour and investment of others, to fund a national media literacy scheme that works with all ages, from primary school children upwards (**Ethical Journalism Network**)

Others suggested that media literacy should be made part of the National Curriculum (**The Guardian**). It was also recognized that media literacy should not just be taught to those of a school age. Google wrote that:

News literacy shouldn’t just stop when somebody leaves the school gates and it’s key that we realise that many people who will benefit from news literacy schemes are no longer of school age. Government should consider ways of delivering news literacy training as part of lifelong learning schemes and also working in partnership with groups that have ample reach in older communities (**Google**)

It was also noted that a commitment to improve media literacy should not be the sole responsibility of Government and that other organisations such as Ofcom, educational institutions and public service broadcasters should also contribute to this initiative (**Channel 4**).

13. Other

Throughout the responses, other notable or novel points or suggestions were made that do not easily fit into the above categories or themes, but that seem significant enough to be mentioned in this summary:

1. One respondent argued that the role of search and social media platforms as editors - algorithmically deciding which stories to surface - means they are not neutral players, but have an impact on what news people see (**News Media Alliance**). It was also argued that they act as publishers, yet are not constrained in the same way that traditional media is. It was suggested that a new category of Tech Platform needs to be created that tightens tech companies' liabilities.
2. The make-up of the Review's advisory panel was questioned by a number of respondents, particularly in relation to the fact that the panel was largely made up of representatives of businesses that might be most likely to benefit from the Review, and could therefore have a biased approach to solutions (**Campaign for Press and Broadcasting Freedom**).
3. The subject of news publisher ownership was raised in relation to the rejection of subsidy to the press industry, but was also raised as a more general point, namely, the concentration of media ownership (**Media Reform Coalition**).
4. There were also suggestions concerning court reporting, notably a change to the court listing process to make it easier for media outlets to commit time to court reporting, extended use of cameras in courts, and guaranteed facilities for reporters in courts (**Richard Jones, academic**).
5. Diversity of newsrooms was also mentioned. It is "inevitable" that the type of person who works in the media will influence the output. The makeup of the newsroom should therefore reflect the diversity of the population (**member of the public**).

Appendix G: Acknowledgements

I am grateful to everyone who took the time to meet me, and the Review Secretariat, throughout the course of the Review, and to those who submitted evidence. Despite there being a number of contentious and thorny issues under consideration, I have been impressed by the level of candour with which most people have approached my questions. I would particularly like to thank the following individuals and organisations.

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