



**Johnston Press response to the DCMS consultation
on the use of the Television License Fee to part
fund independent news in the nations and regions**

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Johnston Press Response to DCMS Consultation

Before responding to the questions posed in the consultation document, it is worth giving the context for the responses. The context highlights the potentially very positive role the regional press could play, and raises some issues concerning the Independently Financed News Consortia (IFNC) concept.

1) Regional Press involvement

- a) Should the program move forward, Johnston Press intends to play a full role in every region of the UK where we are represented. We intend to participate in bids for the pilots in England and Scotland, assuming a quick, simple and transparent process.
- b) The regional press companies are uniquely placed to provide an enhanced and differentiated TV news service:
 - i. the regional press are at the centre of the local news ecosystem, with more journalists than any other medium. For example in Scotland there are more than 1,500 journalists in the regional press compared to less than 200 for STV and BBC TV combined. This means that the regional press have a very rich and deep content pool to draw on for the TV news. Indeed TV companies, including the BBC, already rely in part on our output;
 - ii. the regional press has the skills and experience necessary to deliver an accompanying website linked to the TV news, as all major regional press companies have invested heavily in building an online presence, including the increasing use of video.
- c) However the current market conditions together with the difficult and uncertain economic outlook have created an environment in which companies are unwilling to devote resources to speculative projects. This does not stop participation in IFNCs but it does set the framework for participation i.e. there needs to be certainty that the pilots will take place, the costs to make a bid should be kept to a minimum, and the successful bidders should be able to make a reasonable financial return.

2) Process for Awarding IFNC Contracts

The detailed process for awarding IFNC contracts has yet to be made public. However we have general concerns about the process from what we know:

- a) *Process is too long:* The length of the process for the introduction of the pilots is so long that it leads to a high degree of political risk over its conclusion. The expected decision date for the pilots takes place in the summer, after the next General Election, when if the Conservative Party are elected, the process is likely to cease as they have their own different plans for the provision of local TV news. This leaves potential participants concerned about the time and money, likely to be many tens of thousands of pounds,

required to develop tender documents to launch a bid, when the pilots may be cancelled. A solution would be to reduce the time taken for the process.

- b) *Potential bias in the process:* We are concerned that the selection process is entirely fair and is not seen to favour any parties. Otherwise our participation will only serve to give credibility to a flawed process in which we have little chance of winning. To overcome this concern there will have to be very clear, objective criteria for choosing an IFNC, the panel making the decision will have to be completely independent and the process will have to be entirely transparent

3) Public funding of local news

Whilst our first choice is that there should be no direct public funding of local news, as proposed IFNCs will rely very heavily on public funding to be viable. This state subsidy to independent local news consortia raises a number of issues:

- a) *Expansion of government and centralised regulatory influence over news organisations:* The regional press has always avoided government regulation as they are proud of their independent status. We resent the assertion that only the publicly funded media is impartial and balanced and fear that IFNCs will lead to a loss of editorial independence. We are also concerned about the interference and bureaucracy that goes with public funding. To ameliorate these concerns we propose that regulatory influence is kept to a minimum and that there are guarantees to safeguard editorial independence.
- b) *Use of taxpayers' money:* The proposals concern the use of the TV Licence Fee for further broadcasting services. Research commissioned by the BBC shows a low level of willingness to fund further services (for example, although the BBC's local video concept was very popular with 89% support, when it came to paying for it less than 50% agreed that the licence fee should be used. Source: BMRB 2008, BBC Local Video Service.) If it isn't very clear what this money is being used for, it could lead to the public rejection for the proposals. To avoid this, the new service should be as simple as possible i.e. local TV news only, and the remainder of the switchover surplus should be returned to the taxpayer.
- c) *Distortion of the market:* Public funding of commercial entities leads to unfair competition, with the public funding effectively subsidising one competitor against others. A potential example of this would be if a competitor to Johnston Press won the Scottish pilot and used the public subsidy to strengthen its online presence. The subsidy would hugely increase its ability to compete with scotsman.com, and have a serious impact on the profitability of The Scotsman (scotsman.com attracts an average of 2.2million unique users on a monthly basis, more than double its nearest private sector rival). These likely distortions of the market reinforce the need to restrict the public subsidy to as narrow a remit as possible, and to review local conditions for each area to lessen their impact.

4) Lessons from the BBC

The BBC plays a central role in UK media and it will set the benchmark by which the output of the IFNCs will be compared. Although the IFNCs will need to compete with the high quality standards of the BBC, they should have greater clarity of purpose and governance.

- a) *Avoiding "mission creep"*: The BBC is an asset to life in Britain and civil society would be worse off without it. However like many others, we believe that the BBC has become too big, that there is a lack of clarity about what it is for and that it seems to have almost no boundaries. This has led to its intrusion into markets where there is no market failure and where there are dubious public purpose requirements. We do not want to see the "mission creep" which has taken over the BBC, in a new media organisation. Instead there must be a clear, tightly defined remit for the fund from the TV licence fee, which is entirely focussed on the provision of local TV news.
- b) *Barriers to partnership with the BBC*: The BBC has a poor reputation for partnering in the media industry. It has not been in their remit, thinking or planning to act as a cooperative facilitator with other media; instead they have behaved as a competitor. This is overwhelmingly still the case, although more recently, as the BBC have been criticised by the private sector, they have been vocal about their support for partnerships. However, the substance has been lacking e.g. sharing production facilities with ITV, offers to work with local media during the local video review etc (the possible exception is the cooperation agreement with STV). Their current offers of cooperation to help IFNCs are weak. There will be grounds for cooperation between the IFNCs and the BBC, but it will take significant external pressure on the BBC for it to offer substantive support.

Consultation Questions

Do you agree that securing plural sources of impartial news for the Nations, locally and in the regions should be a key priority?

This objective should be a key priority. The provision of local news is a key concern for the public, and broadcast TV remains a vital source of local news. In addition there is widespread support for, and it is demonstrably in the public interest to have, an alternative source of regional TV news to the BBC.

Do you agree that sustainable, impartial news in the Nations, locally and in the regions is likely to require some top-up public funding?

The fact that no private sector company is willing to take over the provision of regional TV news suggests that, in the current environment, it is not a viable without some public funding. There is a view that no public funding would be required if the media landscape were to be re-shaped, to allow local multi-media companies to run local TV news, but this interesting concept requires further work to demonstrate its viability.

Do you agree the Television Licence Fee should be used to support impartial news in the Nations, locally and in the regions in addition to BBC services?

There are no compelling reasons not to use the TV Licence Fee and so it should be used. The TV Licence Fee is not solely for the BBC and so it can be used to support other broadcasting services. The funding does not come from the BBC's core budget and so if it is spent elsewhere it will not have an impact on the BBC's output. Therefore, assuming the BBC's output remains at current levels, and the IFNC's output is at least at the same level as the current ITV service, there should be no diminution of public support for paying the TV Licence Fee if the proposal goes ahead.

Do you agree that any funding within a contained contestable element of the Television Licence Fee not required for impartial news should potentially be available to fund other forms of essential public service content, or should such funding be limited to news?

The funding should be for news only for the reasons previously stated i.e. to ensure continued public support for the licence fee, to avoid further distortions of the market and to avoid the growth of another media quango with fuzzy objectives. Plurality of supply is only a necessity for the provision of TV news to the nations and regions. It is not a requirement for other content which can either be provided by the private sector, or in cases like that of children's programmes, primarily by the BBC if necessary.

Are there alternative funding mechanisms that you believe would deliver the above objectives more effectively?

As previously stated the IFNC concept is dependent on public funding, although this could change in the future. In this context, not only is the TV Licence Fee the most appropriate source of public funding, it could be the only source of funding, as substantial cuts in public spending are being planned by all political parties from 2010.

Do you agree with the proposal to set a maximum percentage of TV Licence Fee revenue which could be set aside as a contained contestable element?

The contained contestable element should be set in absolute rather than percentage terms, based on the costs of producing the service. This will ensure an appropriate level of support and avoids linking funding for the IFNCs with funding for the BBC. For example it avoids the risk of major decreases in funding for the IFNCs if the TV Licence Fee was cut substantially to reduce the scale and scope of the BBC.

Do you agree that amending the BBC Agreement could provide the necessary protection to the BBC's future funding and independence?

There is overwhelming support to protect the independence of the BBC and this should be a priority. However protecting the future funding of the BBC should not be a priority, as there are persuasive arguments that it has grown too large and that its funding should be cut.

Do you agree that the use of any contained contestable element within the Television Licence Fee should be restricted to the public purposes set out in the BBC Charter?

The use of the contained contestable element should be tightly defined to include only TV news for the nations and regions. As currently framed the public purposes offer too broad a framework e.g. one of the purposes is "To bring the UK to the world and the world to the UK", which is clearly well outside the remit of the IFNCs. However the public purpose ethos should be drawn on to define the role of the new TV service.