

# Digital Britain – interim report

## Response from the National Union of Journalists

The NUJ represents around 35,000 journalists in the UK working across all sectors of the media. Our membership covers the full range of media businesses, including local and national newspapers, broadcasters, online media, magazines, books and public relations.

The union believes that it is essential to our democracy and society that citizens have access to a range of sources of news across different platforms. The maintenance of media plurality and high quality journalism at a local, national and international level has to be one of the main priorities for any government action in this area.

We will focus our submission on some of the main areas of concern for the NUJ and only on those where we have something substantially new to add to arguments already made in consultations by other arms of government (such as Ofcom, various intellectual property reviews and the Office of Fair Trading). We would be happy to meet with officials to discuss our ideas in more detail.

### **Digital Networks**

The NUJ is supportive of the idea of improved rollout of broadband services, both mobile and fixed-line, which will potentially improve access to quality news and journalism. However, the provision of universal access to digital networks is not an end in itself. The importance of content is noted elsewhere in the report, but networks and content cannot be considered in isolation.

Not only is quality content important with regard to encouraging take-up of the new technology, but it is also important in ensuring that we maximise the benefits to society of the digital networks.

The government clearly has aspirations around how fixed-line and mobile networks can play a part in providing access to content that plays a public service role. However, simply providing the infrastructure will not automatically mean that this content will be provided or that it will be accessed.

Government support for infrastructure must therefore be accompanied by clear action that will ensure the provision of high quality news and other public service content.

The importance of joined-up thinking when considering infrastructure and content is illustrated by the debate around spectrum, and in particular how the spectrum made available through digital switchover will be used. This spectrum could potentially be used to further fund the provision of public service television/content. For example, additional HDTV capacity could be made available to public service broadcasters, but the decision to auction off the newly available spectrum was made independently from the debate around the future of public service broadcasting.

We firmly believe that the government's considerations around the future funding of content should be integrated in to the decisions taken around infrastructure and spectrum. The exploitation of regulatory assets has traditionally been used to support the provision of news and public service content. We believe that decisions around the provision of high-quality content should be considered first and foremost. Without that content, there seems little public interest in concentrating on investment in digital infrastructure.

So, for example, we believe that spectrum should not be sold off without first considering how it could be used to enhance the provision of public service content.

Finally, the government must recognise that, whilst the provision of new digital networks is an admirable long-term aim, it must also consider shorter-term issues. At present television still dominates the ways in which we access content. Despite the range of other media available, television viewing per day has increased. In 2008, the average British viewer watched 26 hours and 18 minutes of television per week – an increase of 48 minutes from 2007.

Whilst it is clear that viewing patterns vary according to demographic group, the government must recognise that for the foreseeable future, the television will continue to be the medium of choice for millions of UK citizens. Online provision will not, in the short-term, be able to replace the reach of television or its importance in ensuring UK citizens have access to public service content.

### **Digital Content**

The NUJ's main interest in the Digital Britain project is in how it can secure the provision of high quality local, national and international news. The interim report and Ofcom research note the value which citizens attach to public service content, including news programming.

The interim report notes that the internet now gives people access to more sources of information and content than ever before. The challenge we now face is finding our way through those sources and identifying which can be relied upon. The interim report addresses the question of media literacy, but

the evidence shows that when people wish to seek out reliable, independent analysis of the world around them, they invariably turn to professional media.

For example, when big stories break, people inevitably turn to the mainstream media to get the news – whichever platform they choose to access it through. The preference shown for established media organisations isn't because of habit or tradition – it is because they know that professional journalists can be relied upon to give accurate reports. The professional standards upheld by journalists – such as fact checking and second sourcing stories – mean that people feel they can trust what they see, hear and read.

However, a journalist's ability to do this is only there because they have the time and resources available to do their job. We therefore welcome Action Point 10 of the interim report, which promises an examination of alternative funding mechanisms to support quality content.

The NUJ believes that a number of alternative options must be considered for future funding models. The NUJ and broadcasting union BECTU have commissioned a report from the Institute for Public Policy Research to examine alternative funding models. This report will be published in the next few weeks and we will supply a copy to the Digital Britain team.

We believe that the government must conduct a detailed analysis of all alternative funding models. These should include:

- Greater exploitation of regulatory assets – including making more spectrum available for the provision of HDTV services by public service broadcasters. Given that the spectrum that will be made available after digital switchover has historically supported the provision of public service broadcasting, we also believe that the government should consider how revenues made from that spectrum could be used to support the future of quality news and PSB programming.
- Levies – many organisations benefit from quality content whilst making scant contribution towards its production. For example, some network providers make little contribution to the production of public service content. A relatively small levy on network providers could be used to secure sustainable funding for public service content. Many other countries use levies to support their creative sectors and this option must be seriously considered by the government. The IPPR research referred to above will include a detailed analysis of how levies could be used to fund public service broadcasting.
- Tax breaks – given that tax breaks would potentially be more easily in the gift of the Treasury than other options, there are some dangers in using tax breaks to fund news content. Checks and balances would be needed to ensure that they could not be used as a tool of political influence over news providers. However, newspapers are subject to a VAT tax break in recognition of the special role they play in our society, so these challenges might not be insurmountable.

- Endowments – to avoid some of the dangers of political interference, an endowment could be used to provide regular funding for news and/or other content, particularly public service/public interest journalism. Journalists, new and existing media organisations, in print and online, would be able to bid for funds to carry out particular projects, investigative journalism which could otherwise not be funded but which served the public interest.
- Alternative ownership structures and support for local start-ups – the local media sector is coming under significant pressures and hundreds of journalists' jobs are being lost from the local newspapers/website sector. However, operating profits of the big local news providers show that, even during this downturn, there is profit to be made from local media. One of the real challenges we face is that the big companies who have bought most of our local media came in to the sector during a period when massive profits could be made from local newspapers. Owners have become accustomed to unsustainable profit margins and are now looking to make severe cutbacks to their businesses to prop up profits.

Consolidation and cutbacks are seriously damaging the quality of local content. We believe that professional quality local media could break-even on an advertising model – particularly over the period of a whole economic cycle – but that would require alternative ownership models in which a commitment to quality journalism ensures the 'cash-cow' approach of current owners does not damage the long-term prospects of the businesses. Trusts involving local businesses and/or community organisations could be established. There are journalists and community organisations that would relish the chance to develop sustainable local media organisations, but who are unable to do so because the initial start-up costs are out of reach and the risks too high in relation to likely returns to interest institutional investors. The government should examine how it could support local start-ups to provide professional quality journalism.

The NUJ has serious concerns about the danger of allowing further consolidation in the media sector. We have attached in Annex 1 our submission to the Office of Fairtrading detailing some of our concerns. The Digital Britain interim report states that it is interested in taking a forward looking approach, examining how to put in place long-term sustainable structures rather than simply look to maintain existing organisations.

The NUJ believes that it is vital to our democracy and society that we maintain professionally produced local news. However, we do not believe that allowing further consolidation of media ownership would do anything to secure or strengthen the provision of quality journalism – it would merely further entrench existing ownership structures that have shown little interest in investing in editorial quality.

If the government is interested in taking action to secure the future of local news, it must examine more radical solutions, including the ideas around new ownership models. It is clearly not in our interest for existing news providers to be lost during the economic downturn, but operating profits and statements from company directors clearly show that the basic business of local news continues to be profitable. The pressures which these companies are now under relate to massive debts that were built up at a time they were returning big profits to shareholders. It is the problem of these debts combined with the pressure from shareholders to maintain unsustainable profit margins that is creating problems for existing companies. We should not sacrifice our media plurality safeguards or the quality of our local media to bail-out companies that have shown scant interest in the benefits journalism brings to our local communities.

Therefore, if any action is taken to assist the current owners of media organisations, clear and enforceable conditions need to be put in place that will ensure quality media will not suffer as a result.

These could include:

- requirements to invest a specified proportion of profits into editorial resources
- requirements over staffing ratios
- ratios for originally produced content or commitments on the maintenance of titles/offices/pagination/editions
- caps on directors' pay
- procedures that require companies to make the economic case when looking to cut jobs
- respect for core labour rights, collective bargaining and the right to decent work
- obligations to monitor the health and safety of workers, particularly in relation to workplace stress.

The NUJ's full submission to Ofcom's PSB review will give greater clarity on our views with regard to the future of public service broadcasting. We believe that it is important for ITV to continue to produce and broadcast local - as well as national and international - news. With regard to moves by the BBC and ITV to share facilities, any action that is taken in this regard must take into account the importance of media plurality. Any steps should not diminish the organisations' abilities to take their own editorial decisions and to produce distinctive news broadcasts. We would have concerns around any decisions that would see cuts in editorial staff numbers, since it is likely that this would damage the ability of the organisations to effectively compete with one another and provide appropriate news for their different audiences.

We have some serious concerns about plans to contract out the provision of local news on ITV to an outside contractor. Our experience of competitive bidding processes is that they invariably damage quality. Since quality is so hard to quantify, decision makers involved in the tendering process inevitably

come to concentrate on cost. This means that organisations bidding to supply news will attempt to undercut each other, and quality suffers as a result.

With regards to the future funding of a second public service organisation, the NUJ is supportive of media plurality and will be interested to see more detail on the government's thinking on this issue. However, we would like to stress the importance of ensuring that any action taken does not damage the ability of the BBC to do its job. It is not currently clear how BBC Worldwide could be used to help support this new body without it taking away funding currently used to support the BBC.

Indeed, the interim report currently fails to deliver any detail as to how additional funding for supporting public service content will be found. This is why we believe Action Point 10 is of such importance. The quality of news and other public service content, at all levels but particularly at local level, will deteriorate if we are unable to find new funding streams. Anything which simply moves existing funding around different organisations, will do nothing to maintain and strengthen the quality of content that continues to be of vital importance to our democracy and society.

#### **Other issues covered by the interim report**

Many of the other issues raised in the interim report are covered by previous NUJ submissions to government, which we can make available on request.

With regards to intellectual property, the NUJ fully supports the position submitted to this review by the Federation of Entertainment Unions. We have also made a number of submissions to government on these questions.

There is also significant more detail on our positions around the future of public service broadcasting in our various submissions to the Ofcom PSB review.

We would be very happy to supply copies of past submissions, or any further information required, on request.

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# Office of Fair Trading review of local and regional media merger regime

## Initial response from the National Union of Journalists

The NUJ welcomes the opportunity to make an initial input to this review. The union represents around 35,000 journalists in the UK working across all sectors of the media. A substantial proportion of our members work in local and regional media.

Since this stage of the consultation focuses mainly on the scope of the review, we will limit our comments to the broader points we believe must be considered by the OFT, Ofcom and the government.

### **Quality local journalism must be the priority in any review**

Media ownership has always been subject to specific rules and regulations because of the special role played by the press in our democracy and society. We will not take up space in this response to make the many arguments highlighting the importance of local media in general – and journalism in particular – in holding decision makers to account and supporting our local communities. Similarly, in this initial submission, we will not go in to detailed arguments in support of media plurality, its role in ensuring multiple voices are heard or how it can enhance the quality of all local news providers.

The importance of quality local journalism and media plurality are internationally recognised as vital for citizens to understand the world in which they live and play their full part in society. The NUJ firmly believes that maintaining media plurality and ensuring the security and enhancement of quality local journalism must be the main priority for any government decisions in this area.

Media plurality continues to be important in a digital age and the NUJ firmly believes that public interest considerations should continue to be applied by the OFT. It has already been indicated that this area will form part of the review and the NUJ will return to these issues as part of the main consultation.

### **The need for – and effectiveness of – change must be proven**

It has been claimed that changes to ownership rules are needed to ensure local media businesses continue to be viable. Those claims are one of the main drivers behind this review, so they must be robustly tested. We detail below our doubts with regard to whether the case for change has been proven.

We also believe that, if it is decided that action is necessary, the review must also examine whether changes to ownership rules would actually strengthen local journalism. It must consider whether other courses of action would be more effective in giving our local communities access to independent – and professional – local journalism.

Finally, if changes to the merger regime are proposed, this review must consider how conditions – backed up by enforceable sanctions – could be applied to ensure that any action taken will improve the provision of quality local news to communities, not merely bail out companies that have shown little interest in the social and political importance of their businesses.

### **The review must consider the full economic cycle and examine the causes of the challenges facing media businesses**

Any examination of whether changes are needed to support local and regional media must look at the sector in the context of the whole economic cycle. Media plurality is too precious to be endangered by decisions based on a short-term analysis focussing on one of the most difficult economic periods in recent history.

For years the profit margins enjoyed by regional and local media companies have been far in excess of those expected by most British companies. Even now, despite considerably lower revenue levels, they continue to make a profit. For example, Sly Bailey, chief executive of Trinity Mirror has indicated that despite challenging conditions the company expects to be profitable this year. The following quote from an unnamed Johnston Press source indicates that operating profits at that company continue to be healthy:

*"Although the regional media industry is facing severe challenges, it is still profitable, and generates a lot of cash."*

Press Gazette online, 9 February 2009

If you look at operating profits before exceptional items - such as write-downs of depreciating assets - you can see that the basic business of local news is still sound. Whilst it is unlikely companies will return to the extremely high profit margins enjoyed over the last 10-15 years, we believe that local media – provided it is adequately resourced and offers genuinely local journalism – can still be profitable.

Where businesses are in financial difficulty, this is because they are saddled with large debts. Prior to the credit crunch, senior executives took large profits out of their businesses whilst simultaneously building up large debts. They

failed to prepare for this downturn - with scant regard for developing their businesses for the long term - and now have found themselves without a strategy to deal with lower advertising revenues.

Before media ownership rules are amended, a solid case that proves changes are required to keep businesses viable must be made. We should not abandon our commitments to media plurality because existing owners were reckless in their borrowing.

### **Consolidation has damaged quality journalism**

The review must consider the potential impact on local journalism if further consolidation is permitted. There is a crisis in local media, but its causes are more complicated than a simple downturn in advertising. The industry is suffering from chronic under-investment. Despite making multi-million pound profits, the big corporations that now own most local newspapers have failed to invest in their businesses.

Local papers have been starved of resources damaging the quality of coverage they can provide. Despite the dedication and hard work of our members, journalists simply don't have the time they need to do their jobs properly.

Our members report that they are no longer able to adequately cover local council meetings, so have to rely on reports from PR people and political parties. They are often unable to follow up stories that would be of interest to readers because they don't have the time to leave the office. On many occasions they don't have the time to seek alternative views on a story, so are reliant on press releases for filling column inches.

That means poorer quality titles with fewer readers. Consolidation has undermined the relationship between local media outlets and their readers and has done nothing to improve quality local journalism. It has simply resulted in job cuts, office closures and journalists being placed under greater pressure to do more work more quickly than before. Ultimately quality has suffered and the extent to which papers and websites have been able to cover their local communities has diminished.

Consolidation also means that news desks, sub-editors and many journalists are being moved to centralised locations, often dozens of miles away from the communities served by the titles. It means the people making key decisions about what to cover and how to report it are being taken by people who may have very limited knowledge of the local area.

All this damages the ability of papers and websites to bring the social benefits of a vibrant media to their local communities.

Any review that considers whether further consolidation should be permitted, must address how that consolidation would actually enhance the abilities of journalists to serve their local communities.

### **Owners claim less plurality will help secure investment, yet fail to deliver on their promises**

Last year regional press companies argued against BBC involvement in local video because they said it would stop them investing. Since plans for BBC Local were abandoned, massive cost cutting programmes have resulted in local journalists' jobs being slashed, offices closed and the quality of local media damaged. Between the BBC Local decision and January this year, the NUJ has identified more than 700 editorial job cuts across the regional press.

During the boom years when money would have been available for companies to invest in high quality online services, they failed to do so. Instead they chose to extract cash from their businesses.

The review must examine whether changes to ownership rules would actually result in improved investment in local journalism.

### **Conditions for any changes must also be considered by the review**

Any moves to support local media must be done with an eye to maintaining and improving the quality of local media, not simply providing unrestricted support for current owners.

The existing main owners of local news organisations have shown scant evidence that they have a genuine interest in the social benefits of their businesses. Whilst making big profits they have cut back on the editorial resources invested in their titles, with quality journalism suffering as a result. Ultimately the directors of these businesses are responsible for returning profits to shareholders, not providing a public service. Therefore any government action needs to be accompanied by clear criteria as to how it will actually support quality media and not be used to maintain excessive profit margins.

To relax the rules governing media plurality without securing any guarantees from media owners as to their intentions for investment in journalism would potentially endanger the future of our local news, not save it.

### **Enforceable conditions must be placed on any government support**

To ensure that any relaxation of regulation is for the benefit of our communities - not private businesses and shareholders - clear and enforceable conditions, accompanied by sanctions, need to be applied to any changes.

These could include:

- requirements to invest a specified proportion of profits into editorial resources
- requirements over staffing ratios

- ratios for originally produced content or commitments on the maintenance of titles/offices/pagination/editions
- caps on directors' pay
- procedures that require companies to make the economic case when looking to cut jobs
- respect for core labour rights, collective bargaining and the right to decent work
- obligations to monitor the health and safety of workers, particularly in relation to workplace stress.

The scope of the review should therefore cover what conditions could be applied to any decisions it takes, so we ensure that it is local communities that benefit from the change in public policy.

### **Alternatives to current the ownership model must be considered**

To relax media merger and ownership rules would be a major policy change and should not therefore be considered in isolation. Given that the main impetus behind this review is concern around the viability of existing media businesses, space should be made to consider alternative courses of action.

This could include alternative ownership models that do more to work in the public interest. The NUJ recognises that much of the above goes beyond the normal remit of the OFT. However, it has been indicated that a cross-departmental steering group will lead this review, so it is appropriate for it to consider these wider points. The merger regime and ownership rules surrounding the media have far greater implications for our society than in other areas of the economy. It is vital that these broader issues are considered when conducting any review.

The NUJ would be happy to discuss the ideas in the submission in more detail, or to provide background information to support our position.

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