

“DIGITAL BRITAIN”

A response from the Newspaper Publishers Association

1. The national newspaper industry welcomes the publication of the interim *Digital Britain* report as it places centre stage the massive technological and economic developments taking place within the communication and creative industries. While we have some concerns about aspects of the recommendations, we agree that the digital sector now underpins our entire economy, and indeed our way of life: ensuring that the UK continues to be at the cutting edge of global developments, and harnessing technology for the advantage of all the British people, must be central to Government industrial and economic policy in coming years. This Report is the starting point for that.
2. National newspapers have consistently been at the cutting edge of digital developments in the provision of news and information, ever since the first national newspaper website was established in 1994. In January this year, UK newspapers’ websites recorded over 1 billion page views while three of the world’s ten most-visited newspaper websites are produced in London. Our websites now have a global reach and influence far beyond our printed products. The digital sector is therefore of crucial importance to us, as evidenced by the changing nature of our newsrooms, with publishers investing heavily in digital technology and multi-media output.
3. We agree with a number of the central premises of the interim Report, namely that:
 - it is vital fully to develop the infrastructure and skills that will enable the widespread delivery of online services throughout the economy;
 - opportunities for providing “support to foster UK creative ambition” should be fully investigated¹;
 - the digital policy framework should allow for innovation in platforms that “respond to consumers’ desire to access content in the time and manner they want”²; and
 - there may be many, competing business models which support the creative economy in future, and that it would be inappropriate “to pick the new business model”³.

¹ P.10

² P.39

4. However, if we have one central concern it is that the Report fails to recognise that the UK's publishing industry – the backbone of the creative economy – is enduring a period of unprecedented stress as it deals not just with the impact of a serious recession, but also massive structural change arising from this growth of digital technology. This does, of course, present opportunities - as the Report makes clear - not least from the growth of e commerce; and, indeed, Britain has the highest proportion of internet advertising of any developed economy⁴. However, it is important to note that the vast majority of this advertising is search, which delivers little benefit to content providers (see below, Section 12). Publishers have not yet succeeded in establishing the business models that will “enable content creators to flourish on new platforms”⁵. Not only is the bulk of internet advertising revenue not accruing to publishers of news and information; we also have to compete for the online news audience with the BBC, which renders charging end users for access an impossibility for all but the most specialist of information publishers. These factors present a real threat to the survival of newspapers and magazines, which the Final Report must recognise (as has already happened in some other countries, such as France, where action has been taken to double the amount of Government advertising spending across the industry).

5. That, in turn, would have devastating implications for the future of journalism and the provision of quality news. While it is true at one level that “today anyone can be their own publisher, journalist, programme maker or international e-merchant”⁶, it is also true that the newspaper industry at national and local level will remain the cornerstone of news and information gathering, with a vital role both in acting as public watchdog and in setting the news agenda (where it is relied on by public service content providers including the BBC). It is vital to the health of our democracy that journalism flourishes – and that requires financially robust newspaper businesses. If newspapers – and as a result their online operations – fail, then the provision of news would be left in the hands of state broadcasters, with perilous consequences for press freedom.

3 P.40
4 P.37
5 P.5
6 P.36

6. It is also important that journalistic training remains of a high quality to ensure standards of reporting among future generations of journalists. Training and skills programmes for digital journalism and newsgathering – as outlined in Section 5.1 of the Report - should be routed directed to newspaper and media companies, and the NCTJ, not to educational establishments outside of the industry.
7. Of central importance to the future of the publishing industry in the digital age is regulation. The Interim Report rightly points out that “content is not capable of being successfully regulated in the same way as traditional, national broadcasting”⁷ – but there are dangers in the area of convergence. The Report sets out how this has “allowed development of bundled packages offering consumers a mix of content and services”⁸, which leads to a number of regulatory challenges and the danger that newspaper and magazine websites may become liable to statutory controls through the back door of audio visual content. It was for this reason that the newspaper industry – at both national and local level – sought to ensure it remained outside of OFCOM’s remit when the regulator was established.
8. Governments of all parties have long supported the principles of self regulation for editorial and advertising content, as they are central to press and media freedom. This content must continue to be subject to independent self-regulation in the online world, and both the Press Complaints Commission and the Advertising Standards Authority have taken steps to “future proof” their systems to ensure that this will remain effective⁹. We look forward to a clear commitment in the Final Report that newspaper websites will not be subject to any form of specific statutory intervention or supervision either for advertising or editorial content.
9. In this regard, while we appreciate the importance of media literacy in order to ensure our readers are “confident and empowered to access, use and create digital media”¹⁰, we are concerned to ensure that moves to expand media literacy through OFCOM and the BBC should not be used as a vehicle to introduce statutory content regulation through the vehicles of content labeling or filtering devices. Accordingly, we would not

7 P.69

8 P.38

9 Cross ref to PCC A/V Guidance Note and AA Digital Media Group Report

10 P. 66

want to see any expansion of OFCOM's regulatory responsibilities under the Communications Act.

10. Furthermore, there needs to be a clearer definition in this context of what "media literacy" actually is. Any public funding of projects or programmes to encourage media literacy should not be confined solely to broadband literacy. We very much hope that this initiative will help citizens understand the importance of news media in making available information and debate which is helpful to individuals and to local and national communities.
11. Underpinning all this is the commercial health of the newspaper industry which, as we noted above, is under unprecedented strain. We would support any moves to free up the private sector, and – given that some national newspaper companies also own regional papers – we welcome the review of the merger regime in the local and regional media sector. And individual newspaper companies are themselves engaging in consultation with OFCOM about the future of public service broadcasting. However, there are other issues of great significance which the Report does not cover surrounding public service provision, and which might form part of an expanded role for OFCOM in assessing the market impact of public sector publishing. Such issues include:
 - the market impact of the BBC and its online activities on private sector media companies;
 - whether the Government's and public sector's policies and procedures for deciding on advertising are fit for purpose in the digital age¹¹; and
 - whether there should be any scrutiny of the public sector's ability to produce publications and websites in unfair competition to newspapers.
12. Finally, the Interim Report rightly raises the issue of copyright, and its importance to publishers and their business models. We applaud the commitment to ensure that "unlawful use by consumers which infringes civil copyright law"¹² can be prevented; and we agree that long-term technical solutions to many of the copyright issues that confront us need to be agreed in partnership between rights holders, intermediaries such as

¹¹ The Interim Report recognises that Government is a major purchaser of "digital economy services" (p.2)

¹² P.42

search engines, and consumers all of whom have a vital role, as the Report recognises, in the internet value-chain¹³. In this value chain, it is important to recognise the new fact that a significant amount of UK advertising revenue, generated by local content, is now expatriated to internet companies outside of this country. With four US-owned multinationals between them collecting approximately £3 in every £4 spent on online advertising, the impact on the UK advertising economy of this expatriation is similar in scale to that of the current cyclical downturn.

13. In conclusion, we welcome the Government's determination to bring "focus and stimulus" to the digital sector to deliver "choice and quality in content ...[to] the rising digital generation"¹⁴; but we are anxious to ensure that the major commercial and regulatory issues which are facing our sector, and which we have covered here, are fully taken into account in the Final Report.

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¹³ P43
¹⁴ P.2