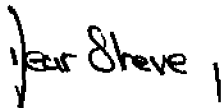


Stephen A Carter CBE

Minister for Communications, Technology
and Broadcasting

Steve Bundred
Chief Executive - Audit Commission
1st Floor Millbank Tower
Millbank
London SW1P 4HQ

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Digital Britain White Paper: Local Newspapers

My interim Digital Britain Report, published in January, identified the issue of local newspapers attempting to develop economically viable business models for online newsmedia while coping with a dramatic fall in advertising revenue for print media.

The local and regional press and multi-media operations, which still play a very substantial role in news gathering and impartial journalism are facing great pressures. These are accentuated by the economic down-turn, but fundamentally are ones of very rapid structural adjustment. Increasingly they are facing competition both for advertising revenue and for consumers from alternative sources, whether online, from broadcasters or from public bodies such as local authorities moving into the market. These challenges were highlighted in the thoughtful report by the House of Lords Communications Select Committee on the "ownership of news" and Andy Burnham's more recent local media summit held on 28 April in the House of Commons. In addition there has been an increasing trend over the past year for local authorities to make their own newsletters more financially viable by subsidising publication costs through taking advertising. Commercial newsmedia assert that in a limited advertising market this takes revenue from themselves.

Following the publication of my interim Digital Britain Report in January, Government invited the Office of Fair Trading (OFT) together with Ofcom and others to undertake an exploratory review across the local and regional media sector. This review was published alongside my final Report earlier this month and concluded the merger regime was sufficiently flexible to allow consolidation.

However the review also noted the adverse impact on local newspapers of the increasing role of local authorities in taking paid advertising to support local authority information sheets. Clearly, if such advertising grew to the extent that, coupled with the other pressures on local commercial media it rendered them unprofitable, that would be against the public interest. While local authority information sheets can serve a useful purpose for local residents and businesses, they will inevitably not be as rigorous in holding local institutions to account as independent local media.

I would therefore like to invite the Audit Commission to undertake a specific inquiry into the relationship between advertising in local authority and commercial newspapers, the prevalence of this practice, its impact and to make recommendations on best practice and if restraints should be placed on local authority activity in this field.

This inquiry should take into account that the Department of Communities and Local Government is currently in the middle of a two-part consultation on revising the Code of Recommended Practice on Local Authority Publicity. Consequently the inquiry must take into consideration both the existing statutory guidance and these consultations.

Clearly the precise detail of the scope must be for you to decide, so I suggest if you are happy in principle to undertake this study, your officials should meet with mine and other interested Whitehall Departments including the Department for Communities and Local Government to discuss terms of reference, breadth and timing of the work etc.

A handwritten signature in black ink, appearing to read 'My best', written above a large, stylized signature that is difficult to decipher but likely reads 'Stephen A Carter'.

STEPHEN A CARTER