



Local newspapers

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Local newspapers face competition from the internet and local authority newspapers and are experiencing difficulties in maintaining levels of funding from advertising. Three pilot schemes of “independently funded news consortia” were recently set up by the Labour Government to offer an opportunity for some local media involvement in the provision of news on, for example, ITV1. However the present Government has cancelled these pilots in favour of developing broadband infrastructure and alternative models of local media ownership. One hope is to foster the development of local TV stations.

This note is broadly chronological in approach, beginning with the Labour Government’s *Digital Britain* white paper and ending with initiatives signalled by the present Secretary of State for Culture, Media and Sport, Jeremy Hunt.

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1 Funding

Competition from the internet and a fall in advertising revenue have created problems for local newspapers.¹ This has provided just one element of a broader backdrop against which the Labour Government's *Digital Britain* report (Cm 7650, June 2009) and an associated OFT report were published. While *Digital Britain* suggested some scope for local newspaper involvement in TV news (via "independently financed news consortia") there does not appear to be an obvious prospect of direct funding for their core activities. The question of financial assistance has nonetheless been broached in the past:

Newspaper Press: Government Assistance

Dr. Kumar: To ask the Minister of State, Department for Business, Enterprise and Regulatory Reform whether the Government plans to provide support to local and regional papers which are in financial difficulties. [253111]

Ian Pearson: I refer my hon. Friend to his Westminster Hall debate on the local press, which I responded to, 20 January 2009, *Official Report*, column 185WH.

This is a complex issue, given the requirement that freedom of editorial control must not be threatened by state intervention. I want to reassure him that the situation of local and regional papers is being considered within the Digital Britain initiative, which Lord Carter of Barnes is taking forward. My hon. Friend will also be aware of the announcements that were made on 19 January about additional support for the banks to ensure that they maintain lending, and of the support that was announced on 14 January, through the enterprise finance guarantee and the working capital scheme. Those schemes are available respectively to companies with an annual turnover of up to £25 million and up to £500 million. They are applicable right across industrial sectors and therefore could include local news organisations.²

At least some aspects of the challenges facing local newspapers were also considered in the context of *Digital Britain* report referred to above:

Mrs. Spelman: To ask the Minister of State, Department for Business, Innovation and Skills what timetable the Office of Fair Trading has set for its review of local newspapers. [278599]

¹ "The Big Question: Why are regional papers in crisis, and does it matter if they close down?", *Independent*, 13 March 2009

² HC Deb 9 February 2009 c1680W

Kevin Brennan: Following its review of the local media merger regime, the OFT submitted a summary of its findings and recommendations to the Department for Business, Innovation and Skills for it to consider as part of the Digital Britain report. These findings and recommendations, and the OFT's full report, will be published alongside the final Digital Britain report shortly.³

A written answer of 29 June 2009 provided some additional background:

Asked by Lord Dykes

To ask Her Majesty's Government whether they will consider introducing legislation to provide for the disclosure of newspaper owners', managers' and journalists' salaries and emoluments. [HL4376]

The Minister for Trade and Investment (Lord Davies of Abersoch): Companies are already obliged to lodge their annual financial accounts with Companies House and we have no intention to add unnecessarily to the existing legislative burden. The noble Lord will be aware that all new legislation must be preceded by an impact test so if he has any evidence that suggests that the benefits of further legislation would indeed out-weigh the disadvantages, then we would be pleased to consider it.

Local newspapers are currently facing a particularly difficult time as they make the structural changes that are necessary if they are to survive in a rapidly changing sector. The present economic climate, coupled with changes to the way that people choose to access news and other information, have placed the print media sector under unprecedented strain. Structural changes will inevitably involve a review of current working patterns, which, among other things, will often lead to a reduction in the overall numbers employed. Such circumstances require proprietors to make some difficult commercial decisions and it would not be appropriate for government to intervene directly in this process. Nevertheless, we keenly understand the hardship caused by job losses and we recognise the need to work with the industry to alleviate this distress.⁴

2 Media ownership

One way of assisting local newspapers that has been put forward – a change in the merger regime – was referred to in the *Digital Britain* report:

In respect of the regional and local online and offline press, the Interim Digital Britain Report invited the OFT, in conjunction with Ofcom to review the operation of the newspaper media mergers regime. The OFT's conclusions, published in parallel with this report, acknowledge the very significant structural and cyclical changes facing local and regional media. The OFT set out a number of clarifications to the operation of the regime which should be helpful to the sector and propose to amend its guidance to ensure a new Local Media Assessment, conducted by Ofcom, takes place in cases relating to local media mergers involving one or more local or regional newspapers which raise prima facie competition concerns.

An OFT press release (16 June 2009) provides more background:

The OFT has today published its report on the local and regional media merger regime in the UK, as part of the Government's Digital Britain review.

³ HC Deb 24 June 2009 c982W

⁴ HL Deb 29 June 2009 c18-9W

The OFT report, which focuses on local and regional newspapers, recognises that this industry is facing long-term structural changes. Advertising revenues are in steady decline as advertisers who would traditionally use the local press increasingly use the internet to place adverts for houses, jobs and cars. The recent economic climate has also hit advertising revenues generally.

However, the review says that the current merger regime, which is broadly the same for newspapers as for other industries, is well placed to take into account developments such as competition from the internet because it is evidence-based and capable of reflecting market realities.

The regime is also flexible in that it can take account of valid 'failing firm' arguments, as well as efficiencies and any other benefits to customers brought about through a merger.

The OFT has therefore recommended that no legislative changes are needed to the media merger regime. The OFT proposes that it will formally seek Ofcom's view in future newspaper merger cases, given its specific sector knowledge in the UK.

3 Supporting local media

On 19 March 2009 the House of Commons debated local and regional news. The then Parliamentary Under-Secretary of State for Culture, Media and Sport (Barbara Follett) made the following comments about supporting local press:

My right hon. Friend the Secretary of State for Culture, Media and Sport recently asked the industry to set out the key actions that it believes need to be taken in the short and longer term to sustain local media. He also agreed that the Government would host a conference bringing together all the interested parties—the National Union of Journalists, the Society of Editors, the Newspaper Society, local media, MPs and local and regional bodies—for a broad discussion of the issues affecting local media and potential new business models. That conference will take place as soon as possible.⁵

[...]

I turn to national and local government support for local media through advertising. We need partnership working, and I know about the Killian Pretty recommendations and that planning applications and information are worth about £40 million a year in advertising revenue. I urge hon. Members to get their local councils and local papers working together on that.⁶

The above referred to a conference, subsequently held in April of last year:

Bob Spink: To ask the Secretary of State for Culture, Media and Sport if he will commission research into the (a) financial viability of local newspapers and (b) number of journalists employed by local newspapers in each of the last five years. [274238]

Andy Burnham: There are no plans by Government to commission this research. However, on 28 April I hosted a local media summit involving key figures from across the media industry to discuss the challenges facing local newspapers and explore how we can support the local media industry in meeting these challenges so that it can

⁵ HC Deb 19 March 2009 c1100

⁶ HC Deb 19 March 2009 c1120

continue to thrive in the future. These discussions will feed into the final Digital Britain report to be published by the Government in the summer.⁷

An overview of support from the Labour Government was given in response to a written parliamentary question of 20 July 2009:

Hugh Bayley: To ask the Secretary of State for Culture, Media and Sport what support his Department plans to provide to local and regional newspapers during the recession. [287453]

Mr. Simon: The Government have taken action to support local and regional newspapers including a local media summit held in April; a recent OFT review of the media merger rules; an invitation to the audit commission to look at local authority free sheets; Killian Pretty's recommendations on planning and advertising and a commitment in the Digital Britain White Paper to introduce independently funded news consortia which would be broadcast and syndicated more widely across the local and regional news environment.⁸

4 Local authority newspapers

The Audit Commission [website](#) gives the following information in response to the above-mentioned Labour Government invitation to look at local authority free sheets:

In June 2009 the Digital Britain report invited the Audit Commission to undertake a specific inquiry into the prevalence of local authorities taking paid advertising to support local authority information sheets and the impact of this practice, and to make recommendations on best practice and if restraints should be placed on local authority activity in this field.

However, the Commission's role and expertise do not lend themselves to examining the health of local newspapers or isolating the impacts of specific local authority practices on commercial bodies. We are therefore limiting the scope of the proposed study to the value for money of council spending on communicating with the public (but looking more broadly than simply information sheets or newsletters)...

On 22 January 2010, the Audit Commission's chief executive wrote a [letter](#) to Stephen Timms MP, then Minister for Digital Britain, to inform him about research conducted by the Audit Commission into council periodicals and communication with the public. An overall conclusion was that:

The money being spent by councils is not unreasonable, though councils should always consider whether it provides good value. Few council publications are published sufficiently frequently to be viable media for most local advertising.

Competition between local authority papers and the local media was among the issues raised by the Culture, Media and Sport Committee (Chairman, John Whittingdale) in its inquiry into the future for local and regional media. The Committee published its report on 6 April 2010. It looked into all the main forms of local and regional media: newspapers, radio, television and the internet. On the particular issue of competition with local authority publications, the Committee stated:

73. There is a real problem with local authority newspapers and magazines that needs to be addressed. While it is clear that most of these publications, such as Portsmouth

⁷ HC Deb 12 May 2009 c638W

⁸ HC Deb 20 July 2009 c796W

City Council's Flagship, are legitimate communications from a council to its citizens, this cannot be said for all local authority publications. Publications such as Hammersmith and Fulham Borough Council's H&F News effectively pose as, and compete with, local commercial newspapers and are misleading to the public. It is unacceptable that a local authority can set up a newspaper in direct competition to the local commercial newspaper in this way. Nor should any council publication be a vehicle for political propaganda.

[...]

75. The Audit Commission's review of council publications did not examine the impact that council newspapers are having on commercial local newspapers. We agree with the Audit Commission that it is not their role to do so. We recommend that the Office of Fair Trading should conduct a review specifically on the impact of council publications on commercial local newspapers.⁹

The Newspaper Society, which represents and promotes the interests of Britain's regional and local media, has lobbied on the issue of public sector competition. An area of its website brings together a number of press releases and newspaper articles of relevance to this campaign.¹⁰ One of the available articles, entitled "Council Newspapers 'Killing Off Local Press'" appeared in the *Sunday Telegraph* on 4 October 2009. It began:

More than nine out of 10 councils now print their own paper, according to the [newspaper] society, which represents the regional press.

It has written to the Audit Commission and the Office of Fair Trading to ask for an investigation into how taxpayers' money is being spent on council newspapers.

About 60 local papers have closed across the country in the last year, almost one in 20 titles.

The Newspaper Society also issued a [press release](#) on 17 June 2010 in which it quotes Eric Pickles, the Communities and Local Government Secretary:

A vibrant local press is essential to help local democracy work effectively and to ensure that newly empowered councils are properly held to account. But more importantly than that, the local newspaper is one of the places that communities come together, as important as the local shop, village pub or public park.

The new Government has pledged action to address public concern about unfair competition from excessively commercial council newspapers. Councils will rightly want to inform their citizens about council services, but I question whether they need to have the likes of TV listings and film reviews provided in weekly council newspapers.

5 Digital Economy Act

In principle, local newspapers could have participated in the Independently Funded News Consortia (IFNCs) originally present, but removed during the wash-up process, in the *Digital Economy Bill 2009-10*. The Bill as introduced would have given Ofcom powers to appoint and fund such consortia.¹¹ Further background appears in [Library Research Paper 10/30](#) (29 March 2010). Three pilot schemes were set up by the Labour Government but the new Government has determined to cancel these. These were to have been funded from an

⁹ Culture, Media and Sport Committee, *Future for local and regional media*, HC 43 2009-10

¹⁰ <http://www.newspapersoc.org.uk/Default.aspx?page=4296>

¹¹ *Digital Economy Bill*, HL Bill 1 2009-10, clause 28

underspend on a scheme designed to help targeted groups make a transition from analogue to digital television. That scheme is administered by the BBC from earmarked funds that form part of the current, ongoing, television licence fee settlement. In effect this means that part of the television licence fee would have been used to fund pilot local and regional news programmes on ITV1.

The Conservative Party's opposition to the IFNCs lay behind the relevant provisions being removed during the accelerated "wash-up" debates on the *Digital Economy Bill*. This policy was underlined by the new Secretary of State's first [keynote speech on the media](#) given on 8 June 2010. Jeremy Hunt first outlined a series of actions to build up the UK's broadband infrastructure some of which would involve using a proportion of the underspend on digital switchover. He then went on to set out a "new vision for local media" together with practical steps to enable this:

As many people here will know, I have long believed that the lack of high quality local TV is one of the biggest gaps in British broadcasting.

[...]

Unfortunately even as politicians have paid lip service to localism, our broadcasting ecology has pursued the polar opposite model - with a large proportion of news beamed shamelessly from the centre.

[...]

The six million dollar question, of course, is not about the desirability of local TV but its viability.

The local advertising market in the UK is quite different from that in the US, and this probably represents the greatest single challenge for making local TV work on a sustainable basis.

[...]

So how do we intend to progress this ambition?

Firstly, by recognising that plans for Independently Funded News Consortia were misguided.

They had the positive benefit of stimulating new and imaginative thinking amongst local media companies for which I am grateful – and I want to carry on talking to those who submitted bids about your ideas.

But, fundamentally, they were about subsidising the existing regional news system in a way that would have blocked the emergence of new and vibrant local media models fit for the digital age.

They risked turning a whole generation of media companies into subsidy junkies, focusing all their efforts not on attracting viewers but on persuading ministers and regulators to give them more cash.

That's why I am today announcing that the savings from the IFNC pilots will be used instead to support the market testing plans for the roll-out of superfast broadband mentioned earlier.

Secondly, I can announce that I will be accepting Ofcom's recommendations on reforming local cross-media ownership rules – meaning that those rules will be

significantly relaxed to allow local newspapers to own local commercial radio stations and set up local TV stations as well as benefit from greater economies of scale.

But in addition I have asked Ofcom to go further and look whether we should remove all cross-media ownership rules at a local level.

Consumers are hopping freely from platform to platform. Media companies need to be able to follow their customers – and a sensible regulatory environment would allow them to do just that whilst ensuring concerns about local monopolies were sensibly addressed.

I will therefore update these rules and bring secondary legislation to the House to enact these changes this summer.

Thirdly, I want to ensure that, as government, we are doing everything we can to make new local media models viable in this country.

Local broadcasting can be supported by a number of potential sources of revenue – whether advertising, sponsorship, product placement, the sub-letting of spare capacity or carriage fees.

But I want to settle once and for all what needs to change to make local broadcasting economically viable in the UK.

So today I am announcing that I have asked Nicholas Shott, Head of UK Investment Banking at Lazard, to look at the potential for commercially viable local television stations within the local media landscape right across the nations and regions of the UK.

And I have asked Nick to look at how a modernised, updated regulatory environment could help nurture a new generation of hungry, ambitious and profitable local media companies.

Based on his findings, I will be publishing a full, local media action plan in the autumn.