Navigating the Crisis in Local and Regional News: A Critical Review of Solutions

Andrew Currah
THE AUTHOR:

Dr Andrew Currah is a Visiting Fellow at the Reuters Institute for the Study of Journalism and author of the RISJ publication What’s Happening to our News: An investigation into the likely impact of the digital revolution on the economics of news publishing in the UK. He is also lecturer at the University of Oxford, specialising in the digital economy and the future of the Internet. His work has been published in a variety of international journals, as well as edited collections. He is also a freelance consultant and a regular contributor to Oxford Analytica, with responsibility for their coverage of digital and Internet-related topics.

Published by the Reuters Institute for the Study of Journalism.

© Ofcom
The RISJ would like to thank Ofcom for their support for this research.

Please note this paper may be reproduced under the terms of the Ofcom licence; please go to http://www.ofcom.org.uk/about/accoun/disclaimer/ for Ofcom’s terms and conditions.
CONTENTS

1. What’s at stake in the current crisis?
   1.1. The web doesn’t pay: The funding crisis in local and regional news
   1.2. Towards a new model: Implications for the quality of journalism
   1.3. Looking ahead: The emergence of news gaps in the UK?

2. What might be done to sustain local and regional journalism?
   2.1. Supporting commercial news provision via targeted tax breaks
   2.2. Sheltering journalism from the market: The viability of trusts and charities
   2.3. Combining profits with a civic mission: The community interest company model
   2.4. Competitive bids for a civic function: Independently financed news consortia
   2.5. Subsidising news provision through the allocation of government advertising

3. Conclusions: Navigating the crisis in local and regional news
   3.1. Next steps and possible routes through the crisis
   3.2. Final reflections: Addressing market failure and realising civic benefits

Experts consulted
1. What’s at stake in the current crisis?

1.1. The web doesn’t pay: The funding crisis in local and regional news

The commercial model that underpins the gathering, production and distribution of local and regional news is facing significant economic pressures. In particular, the current recession is accentuating the impact of a broader structural shift in the consumption of media, as consumers and advertisers migrate to the web.\(^1\)

Although they now have access to an audience of millions, publishers of local and regional news are finding that the web does not pay. The principal challenge is two-fold: consumers now expect news content to be free, whilst advertisers expect much lower rates around the news due to the transient and fragmented character of web traffic.

The digital generation tends to ‘skim and view’, rather than ‘read and explore’.\(^2\) This is forcing publishers to package the news into bite-size, multimedia-friendly packages that can attract enough clicks to sustain the interest of advertisers. In addition, the editorial agenda is increasingly determined by what proves popular on the web. Thus, the ‘clickstream’ of the web is becoming an important measure of success in newsrooms.\(^3\)

Despite these techniques, publishers of news, especially at a local and regional scale, are struggling to win a share of audience attention in a market that is increasingly dominated by a handful of web platforms, notably Google. In the UK, for example, consumers now spend over a third of their time at only 10 web domains – none of which are commercially funded news sites. Aggregators, search engines and social networks are now the principal magnets of attention on the web.

As a result, revenues from the web are not increasing fast enough to offset the decline in traditional sources of revenue – for example, advertising for cars, property and recruitment, the lifeblood of many local and regional newspapers.\(^4\) Even after the recession has cleared, it is unlikely that advertising around the news will ever recover to previous levels. Consequently, there appears to be a net decline in the resources that are available to support news publishing at a local and regional scale.

1.2. Towards a new model: Implications for the quality of journalism

A fundamentally different operating model is therefore required if commercial news publishing is to survive the current crisis. This transition has profound implications for the quality of journalism in the regions and communities of the UK.

Does the current crisis signify the death of serious news, or does it instead mark the birth of a new era of local and regional journalism? Producing evidence to support either of these assertions is still extremely difficult. Much of the current debate is anecdotal, over discursive and sometimes contradictory. The following points are illustrative.

The conventional view, advanced by executives from publicly listed media companies, is that the commercial model simply needs to be re-engineered into a more cost efficient, collaborative and integrated form. With

\(^2\) http://www.bl.uk/news/pdf/googlegen.pdf
\(^4\) For daily newspapers, advertising revenues account for approximately 75% of revenues, with circulation generating 25% The equivalent split for weekly papers is 90% vs. 10%
fewer resources available, they argue, it will be necessary to use digital technology and more efficient working practices to gather, process and distribute the news.

To be sure, journalists now have an unprecedented range of tools and information sources at their disposal, which in part reduces the need for expensive and time-consuming trips outside the newsroom. In addition, vital operations such as advertising sales, archiving and sub-editing can all be reorganised more efficiently around centralised regional hubs.\(^5\)

Such initiatives have led, in recent months, to significant job losses in the local and regional media. As revenues continue to decline, further redundancies are expected in print and broadcast. Enders Analysis predicts that two-thirds of jobs in the sector could disappear in the next five years.

However, it is unclear at exactly what point the industry will begin to put quality before cost. Executives often profess a serious commitment to remaining local. But over recent decades, they have progressively de-layered newsrooms, pursued unsustainably high profit margins, whilst also indebting themselves to levels that now make long-term investments in training, staff and technology less feasible.

The core problem with the publicly listed commercial model of news publishing is that it is necessarily driven by the pursuit of profit and creation of shareholder value. With few exceptions, that model tends to foster an absolute focus on achieving short-term cost savings and productivity targets.

This focus typically comes at the expense of the riskier, more intangible assets that can add value and distinctiveness to a news product over the longer term – what might be described as ‘the underlying spirit of journalism as a craft’.\(^6\) The vitality of a newsroom can be measured in civic as well as financial terms – for example, its degree of institutional embeddedness, its proximity to a community, or the degree to which it is trusted by audiences and potential sources alike.

Ultimately, the day-to-day coverage and ongoing investigative work of key issues rely upon a cadre of locally based journalists, who have the time and resources to forge relationships with a range of local stakeholders. As Emily Bell argued recently, there are fewer and fewer news organisations where journalists are given the space and the time to understand complex issues and cultivate relationships with a range of sources.\(^7\)

It is telling that some privately owned commercial publishers have managed to create a profitable form of community embeddedness, whilst avoiding the cost-cutting strategies and layoffs of their publicly listed counterparts. In large part, this is because they did not take on the equivalent levels of debt and were more willing to invest for the long term.

Independent newspaper groups such as Cumberland and Tindle are important ‘outliers’ of success in the current crisis. In the 1990s, for example, Cumberland’s Hexham Courant was believed to be one of the most profitable newspapers in the UK, with margins around 40 per cent. With a circulation of 18,000, the title continues to perform well even in today’s difficult trading conditions, albeit with lower margins of 20–30 per cent.\(^8\)

In a range of other markets, similarly ‘hyper-local’ titles continue to be profitable. Managers at Cumberland and Tindle confirmed that those titles with the oldest and strongest connections to their communities – for example,

\(^{5}\) Interviews with Roger Parry, Michael Pelosi and Mark Dodson.

\(^{6}\) Interview with Robin Burgess.

\(^{7}\) http://publicserviceblog.wordpress.com/2009/05/08/lecture-to-falmouth/

\(^{8}\) Interview with Sandy Rutherford.
in terms of the breadth, depth and continuity of coverage – still exhibit the best performance. This is because hyper-local coverage tends to create a more ‘virtuous cycle’ of engaged readers and reliable advertising.\textsuperscript{9}

As such, it is important to draw a clear distinction between local journalism (serving a specific town or city) and regional journalism (which serves a wider county). The former appears to be more resistant to the cyclical and structural changes under way than the latter. This is especially so in markets where Internet use is less prevalent for demographic and infrastructural reasons (for example, the Tynedale region of Northumberland where the \textit{Hexham Courant} is strongly established).

Interestingly, many hyper-local titles have reported increases in display advertising. This is potentially because businesses are focusing on more locally targeted advertising messages in the recession. These titles tend also to have more diversified sources of advertising revenue. For example, the \textit{Cornish and Devon Post} (a Tindle title) derives only 5 per cent of its advertising from recruitment, with the result that it was less exposed to the downturn.\textsuperscript{10}

\textsuperscript{9} Interviews with Charlie Burgess, Robin Burgess, Brian Doel and Sandy Rutherford.
\textsuperscript{10} Interview with Brian Doel.
1.3. Looking ahead: The emergence of news gaps in the UK?
The basic issue, then, is whether a commercial model, which increasingly relies on fewer staff and ever-changing technologies to remain productive, can deliver the same quality of locally and regionally sourced information. What seems more and more clear is that technology can only ever supplement, not replace, the questioning, thinking and writing that characterise professional journalism.

As Paul Starr recently argued in an exchange with Steven Johnson, new tools such as search engines and aggregators may save time but they certainly don’t obviate the need for original reporting, careful fact checking and professional editing; on the contrary, they make those skills even more important. At a certain point in the current technological arms race, the quality of news content will begin to suffer.

This is especially the case in those locations where resources have been stretched too far, and where as a consequence the ‘intangible’ connections between journalists and their local community have been weakened. It is in these locations moreover that publishers will struggle to retain the loyalty of audiences, both online and offline. Determining where this has happened, and whether ‘quality’ has actually suffered, needs further study.

The key point is that the conventional commercial model appears to be fraying. These publishers are likely to either close under-performing operations, or further cut the resources that are available to local and regional news publishing. The ‘asymmetric performance’ of many newspaper groups, for example, means that closures could soon extend beyond the freesheets that have fallen so far. In the near future, we are likely therefore to see a greater number of ‘news gaps’ appearing across the UK as the commercial media retreat from particular locations and areas of coverage.

The web might fill some of these news gaps, but only ever marginally because of continued disparities in access to the connectivity and skills that are needed to make the most of the web. The stark reality is that the news could effectively become ‘means tested’ if newspapers are replaced by broadband-only services.

In Bath, for example, the transformation of the Chronicle (the city’s only newspaper) from a daily into a weekly means that day-to-day reporting is now only available online. In poorer regions of the UK, there are still significant segments of the population that have no access to the Internet. In Salford, for example, an estimated 40 per cent of citizens are digitally segregated and rely instead on freesheets for their local news.

In an age of instant information (as well as viral disinformation), the skills of professionally sourced and verifiable journalism are arguably needed more than ever. A well-written paper also offers what William Powers eloquently terms ‘an island of peace in the digital chaos’.

---

11 Will the coming age of news be better than the old?’, exchange between Paul Starr and Steven Johnson, *Prospect* (May 2009).
12 In other words, the distribution of profits is skewed towards a small group of titles: the ‘long tail’ of loss-making titles is vulnerable to wider closures, beyond freesheets and potentially including multiple titles in the same city.
13 Interview with Sam Holliday.
14 Interview with Mark Dodson.
equivalent of a newspaper. News gaps could therefore carry a heavy civic and economic price.

When a city loses an established paper, for example, it loses far more than a tax-paying business and employer. It also loses an institution’s memory: archives, values and community relationships that have, in many cases, been built through generations of work. It loses an institution that is equipped to raise the profile of a community, inform citizens and campaign on issues of local relevance. And crucially, it loses the talent of seasoned editors and journalists, many of whom are already being drawn into the higher-paid world of public relations, where the incentives of image-conscious individuals and organisations take precedence over reporting in the public interest.

In summary, we believe that it is the intangible, community-focused aspects of journalism that appear to be most at stake in the current media crisis. If local and regional journalism is a vital part of the national media, and a pivotal element of community life and democratic governance, then we need to think openly and dispassionately about ways to address the economics that now threaten its continued survival.
2. What might be done to sustain local and regional journalism?

Before prescribing any remedies, however, we need to be very specific about what needs saving and why. The principal danger is that public money is used as a prop for failing business models, or as a lifeline for the wrong things.

In particular, it is vital to differentiate between the civic functions of journalism and the business models that we currently associate with journalism. What kinds of information do we want to be made available at a local and regional scale, and what is the most efficient way of gathering, packaging and distributing that information for citizens?

It is essential, therefore, that we take a broader view of local and regional media. On the one hand, we need to take account of the new possibilities afforded by technology; support should not necessarily be directed to legacy media, at the expense of new forms of public engagement on the web. On the other hand, we also need to recognise the limitations of the web and the situations where traditional media may have an enduring value to communities.

At a time when so many other important social causes are struggling for public funding, any support needs to be carefully evaluated and appropriately targeted. The extent of market failure – and the size of any ‘news gaps’ – needs more detailed analysis to determine whether there is a ‘democratic deficit’ in the local and regional media that justifies public support.

In the sections below, we consider what form that public support might take. We review three key areas: first, targeted tax breaks to sustain commercial news provision; second, the viability of non-commercial models, such as charities and community interest companies; and third, the role of public sector advertising as an indirect subsidy of the news media.

2.1. Supporting commercial news provision via targeted tax breaks

In theory, tax breaks might help to fill the funding gap that has emerged in commercially provided news. By crafting new forms of corporate tax relief, the government could attach specific incentives to investments in news publishing, and thereby indirectly subsidise the continued provision of local and regional news.

The purpose of these tax breaks would be to help defray the ‘revenue versus cost’ differential that afflicts the current model of multi-channel news provision. Put simply, the exposure afforded by the web is not generating revenues that are sufficient to offset the falling value of traditional revenues, such as display advertising, classifieds and circulation – or in fact, to cover the costs associated with a digital operation.

If we accept that the economics of commercial news are unravelling, and that commercial publishers have some role to play in modern democracy from a civic perspective, then it may make sense to direct tax relief towards those sections of the value chain that are currently most vulnerable to disinvestment.

Training, for example, is integral to the future vitality of the news media as publishers seek to reach audiences via new platforms. Across the industry, however, training budgets are being frozen or cut back. This forces publishers into a classic Catch-22 dilemma; they need to invest in the latest technologies to connect with audiences and remain relevant; but they often cannot afford the training that is necessary to make the most of those new technologies, which are constantly evolving.
As François Nel (a lecturer in journalism at the University of Central Lancashire) has proposed, the government could enable a greater degree of investment in training by introducing, for example, corporate tax relief on payroll (e.g. on National Insurance contributions). Nel estimates that, for a typical newspaper, payroll accounts for 40 per cent of the operating budget. In a mid-sized operation of 100 employees, where payroll costs an estimated £5 million per annum, tax relief of just 1 per cent could generate £500 per head to invest in suitable training initiatives. However, the Inland Revenue would need to ensure that surplus funds were ‘ring fenced’ for use in specified training programmes – a potential bureaucratic hurdle.

An alternative technique might be for the government to increase the capital allowances for news publishers, so that the cost of new systems or participation in training programmes could be offset against corporate tax. Indeed, this might offer a more workable and demand-driven route: publishers would send staff on certified courses, the cost of which would then be tax-deductible. These courses might be run by SkillSet, or another body, and would incorporate a range of digital and traditional media activities. In contrast to Nel’s proposal, this approach would involve fewer bureaucratic hurdles because there would be no need to ‘ring fence’ surplus capital.

Corporate tax relief could also be made available according to how much publishers invest in local and regional newsgathering activities. That investment would be most clearly measured in terms of editorial staff or full-time reporters. The government could provide subsidies, again in the form of targeted tax relief, to encourage publishers to invest in particular kinds of coverage, either geographically or topically. For example, that might take the form of a social affairs correspondent in the Manchester region, with the payroll cost of that employee partly subsidised by the government.

Any tax breaks would need to be accurately targeted and assessed on annual basis – both to ensure that the benefits accruing from this support were used to finance news publishing in the public interest, and to ensure that the system was not being abused by the industry or entrenching inefficient practices. In this sense, the so-called ‘civic functions’ of local and regional journalism would need to be more rigorously outlined by the industry.

Indeed, to justify such support, commercial investments in local and regional journalism would need to be subjected to a form of government ‘test’, perhaps akin to the ‘cultural test’ that is used to determine the allocation of tax relief in the film industry. The cultural test, devised by the Treasury in partnership with film industry bodies such as BSAC, limits eligibility to those films that meet various criteria – for example, those that can attract foreign investment, or those that are likely to strengthen indigenous creative expression.

In theory, it would be feasible to craft a cultural test that systematically outlined the benefits of local and regional news publishing, and in turn specified which activities should be supported to achieve wider public value. That process would need to carefully evaluate the benefits of different investments – for example, subsidies in people versus subsidies in technology and infrastructure.

In practice, a system of tax breaks would likely face several limitations. The experience of the film industry indicates that there is

---

17 In that case, films with budgets up to £20m are entitled to government subsidies worth up to £4m; these are paid direct to producers on completion.
18 Interview with Fiona Clarke-Hackston.
considerable potential for abuse. Until recently, for example, some producers were actively exploiting loopholes in the law to save money. As a result, the behaviour of a few ‘cowboys’ tarnished the image of the wider industry and undermined relations between the industry and the government. Indeed, in 2005, the extent of abuse (in terms of lost value to the Treasury) triggered an unexpected change of policy by government. This resulted, literally overnight, in various film projects being shut down. Investors who had fronted money were left personally liable and in some cases were forced to file for bankruptcy.

The key point, therefore, is that abuse of complex tax loopholes can trigger sudden changes in policy, which then endanger a much wider population of firms and individuals (which were not engaged in tax evasion). The only way to limit such adverse effects is to craft a very narrow definition of public benefit from the outset, and to thereby limit the activities and investments that would be eligible. That would require a close degree of collaboration between the commercial news publishers and the government, notably the Treasury.

It is telling that it took the film industry over eight years to devise and secure its own tax relief, which subsequently needed updating to close loopholes. Practically, it is difficult to envision a faster rate of progress in the news media. The current economic climate, coupled with the range of other social causes that need public funding, poses a significant barrier to any new forms of corporate tax relief for local and regional news. That may change, depending on the scale and perceived danger of any news gaps across the UK.

Overall, the principal benefit of tax relief is that it could be used as a lever to reorient commercial news provision towards more explicit civic goals. In other words, targeted tax relief would necessarily come with expectations about performance.

Many interviewees argued that, in the publicly listed commercial model, the essential aspects of local and regional journalism have been eroded as a result of an excessive focus on cost cutting and profit maximisation. The current crisis provides – indeed, demands – a much clearer definition of what journalism brings to communities in the UK and what specifically needs saving. As we describe below, there is also scope for considering non-commercial models of news provision via specific legal forms, such as trusts, charitable status or community interest companies.

2.2. Sheltering journalism from the market: The viability of trusts and charities
Unlike a commercial model, a trust can be oriented around a very specific function that goes beyond the realisation of a profit. In this section, we briefly differentiate between non-charitable and charitable trusts, and then examine in greater detail the implications of the latter for local and regional news publishing.

2.2.1. Models of trust ownership: Non-charitable versus charitable status
In the UK, the Scott Trust is typically highlighted as a distinct non-commercial model of media ownership. It was formed in 1936 to safeguard the financial and editorial independence of the Guardian. In contrast to a publicly listed model of ownership, the Scott Trust is profit seeking rather than profit
maximising. In other words, its board measures performance in civic as well as financial terms.

The Scott Trust was initially registered as a non-charitable trust, which is distinct from a charitable trust in at least two ways: first, a trust of this kind cannot exist in perpetuity; and second, any income derived from assets held in the trust is typically taxed at the normal rate (unlike charities, which are tax exempt). For legal and tax reasons, the assets of the Scott Trust were transferred into a new limited company, the Scott Trust Ltd, in late 2008. As described by Dame Liz Forgan, chair of the Scott Trust Ltd,

*The new body has been incorporated in the same spirit as the original Trust, it has the same values and goals, and the reorganisation has no effect on the day-to-day management or control of GMG.*

Non-charitable trusts – and trusts whose assets are owned by limited companies – present an interesting model of media ownership, because both are legally obliged to direct an amount of capital towards a specific civic function, which is enshrined in the founding constitution of the organisation. That constitution might reflect principles of accuracy, fairness and impartiality, as demonstrated by the Scott Trust and the Irish Times Trust.

Such a model would obviously require an injection of capital, either through donations or a bequest. The state could also provide seed money, in addition to other public bodies and non-governmental organisations. Individual investors could also take a stake, for example if a company was filing for an explicitly ‘socially oriented’ public listing (as in the case of Café Direct in 2004).

At a local scale, the amount needed to create a functioning news operation would likely not be insurmountable. Indeed, the principal benefit of a non-charitable trust (especially when incorporated as a limited company) is that it can raise capital with relatively fewer restrictions than a charitable equivalent. However, it is also worth considering charitable status because of its considerable financial benefits (which a non-charitable equivalent would lack). The following sections examine the implications of charitable status.

### 2.2.2. Benefits and conditions of charitable status

In theory, charitable status could provide an attractive paradigm for news publishing. It would shelter the civic function of journalism from the profit and cost pressures that are typically felt by publicly listed media companies – not least because the UK awards its charities some of the most generous tax exemptions in the world.

First, charities enjoy considerable advantages in relation to the treatment of their trading and trading profits. In circumstances where trading is primarily conducted towards the stated charitable purpose, all profits are exempt from tax – for example, a religious charity selling bibles or a charitable school charging pupils. In addition, profits that derive from

---

29 http://www.gmgplc.co.uk/media/pressreleases/tabid/213/default.aspx
20 The founding articles of the *Irish Times*, which is also owned by a trust, usefully illustrates how the civic function of the news can be defined: ‘To publish The Irish Times as an independent newspaper primarily concerned with serious issues for the benefit of the community throughout the whole of Ireland, free from any form of personal or party political, commercial, religious or other sectional control’.
21 Interview with Lord Andrew Phillips.
lotteries, fund raising, or the sale of goods and assets that have been donated are not taxed.

Second, donors to charities also enjoy considerable tax advantages. Unlike other countries, the UK government allows donors to offset any charitable donation against income tax liabilities (irrespective of size, or tax bracket). In theory, an individual could offset their entire income by donating to charity. Internationally, this is unique and safeguards incentives around giving. For example, families often use charitable donations to decrease the size of an estate and hence, minimise the burden of inheritance tax. And thanks to Gift Aid, charities reclaiming tax at the basic rate receive around 28 per cent more than is donated (e.g. £50 donated would result in £64.10).23 However, these financial benefits do come with various conditions.

First, an unpaid board of trustees or governors must oversee the charity. Generally, this means that the founders cannot serve on the board. As charity lawyer Abbie Rumbold noted, ‘this can be a key sticking point for founder(s) and employees who wish to be involved in the strategic direction of the business’.

Second, all profits must be ploughed back into the charity; they cannot be paid out to members. As such, charities are supposed to operate as self-sustaining and not-for-profit enterprises, which are oriented around a very specific civic function.

Third, and related, assets must always be used to further the charity’s stated mission; thus they cannot be used in a fashion that poses an undue risk to their value. As the Charity Commission explains,

> While charities may trade more or less freely in pursuit of their charitable objectives, there are restrictions on engaging in trades the objective of which is to generate funds for the charity. In particular, charities may not engage in such commercially-oriented trades where a significant risk to their assets would be involved.24

This raises two further issues; the amount of trading that is permitted by charities, and in turn, how the civic function of charities is defined.

In cases where trading (other than the pursuit of the stated charitable purpose) involves a significant risk to the charity’s assets, it must be undertaken by a trading subsidiary. In some cases, though, it makes financial sense for charitable trading to be undertaken by a trading subsidiary. For example, a trading subsidiary could make donations to the parent charity as Gift Aid, thereby reducing (or even, in theory, eliminating) the profits of the subsidiary that are liable to tax. Such tax advantages would need to be weighed against the additional costs and responsibilities associated with a distinct trading subsidiary.

A further limitation associated with charitable status is the definition of its civic function or ‘public benefit’. The Charity Commission adopts a broad but relatively stringent interpretation of public benefit, which is necessarily cautious when it comes to the assessment and certification of potentially new charitable causes, such as journalism and news publishing. As Andrew Phillips explained,

---

24 http://www.charity-commission.gov.uk/publications/cc35.asp
the Commission would worry that by granting charitable status, to say a newspaper, they would be opening the floodgates to a wave of other entities, which they might look back on and think – those actually shouldn’t have been classed as charitable bodies.

2.2.3. The application of charitable status to the news media

At present, there are no equivalent news media charities in the UK, with the exception of charities oriented around media training or forms of community media. The Maidenhead Advertiser is believed to be a unique example of a UK newspaper that is actually owned by a charitable trust, which was created in 1962 upon the death of Louis Baylis.

The Baylis trust owns a variety of media and publishing enterprises, including Baylis Media, which effectively function as ‘trading subsidiaries’. The trust then invests profits from those enterprises into local charitable causes. The Maidenhead Advertiser is owned in perpetuity by the trust, so that it cannot be acquired by another entity (such as a commercial newspaper group). Jeremy Spooner (CEO of Baylis Media) explained that, given its ownership structure, the Advertiser is better placed than others to focus on the community aspects of its journalism: ‘ownership by a charitable trust means we can take a longer-term view, which goes beyond short-term returns and cost cutting’.

The UK also has several ‘talking newspapers’, which are registered as charities. In their case, the public benefit is making available the news in a format that is accessible to blind or partially sighted people. Elsewhere, there are numerous examples of registered charities acting as quasi-news gathering operations; for example, through the production of subsidised newsletters or magazines, which cover developments in specialist interest areas. Oxfam plays such a role around issues such as poverty and climate change.

Despite the relative absence of precedents, Andrew Phillips believes there is a strong case for awarding charitable status to a news organisation, particularly in the local and regional market where the effects of retrenchment on community life, reporting and local democracy are likely to be most strongly felt. As Joss Saunders, another charity lawyer, reflected:

*The key would be explaining exactly what charitable status would help to preserve; continuing the provision of a printed product would have to be a means to an end, not an end in itself – in other words, how does that activity add to a community, to the life of citizens? On those grounds, you could build a convincing case for charitable status.*

In practice, news publishing could assume a charitable status from several different directions. For example, an existing organisation might decide to spin off a struggling operation into a charitable model, perhaps with the support of public subsidy or investments from a range of local stakeholders (comprising community groups and individual philanthropists, as well as businesses and educational institutions, such as universities).

---

2.2.4. The legal practicalities of charitable news enterprises

In general, charitable news enterprises might form as follows. Under existing charity law, an organisation can either choose to incorporate (e.g. into a company limited by guarantee, or a company limited by shares) or remain unincorporated (e.g. as a sole trader, a partnership or a trust) before applying for charitable status. The key point is that charitable status can exist alongside a range of legal forms. A current complication is that incorporated companies with charitable status must report to both Companies House and the Charity Commission. From late 2009, companies can apply or convert to a new legal form – the Charitable Incorporated Organisation – which will only require reports to the latter.

Andrew Phillips estimated that, with a strong proposal and a persuasive, well-designed founding constitution, a ‘prototype’ news organisation could achieve charitable status in 2–3 years. He cited the example of ViRSA (the Village Retail Store Association, now Rural Community Shops, part of the Plunkett Foundation), which provides support to rural communities wanting to set up and run community-owned shops. At the time, ViRSA struggled to persuade the Commission of its public benefit; it eventually won the case on the basis of the contribution these shops are proven to play in community life.26

To be sure, the underlying civic functions of journalism could also be justified from a charitable standpoint – for example, with reference to its contribution to citizenship, community life, education, democracy and the voluntary sector. Other interviews with charity lawyers also indicated a close compatibility between the spirit of journalism and the public benefit test outlined by the Charity Commission. In turn, that function would be assessed by the Commission upon certification, and annually thereafter. There is no reason why news publishing organisations would be less suited to oversight in this fashion. The specific practicalities are outlined below.

The considerable financial benefits that are contingent upon ongoing certification could provide an effective but arms-length form of regulatory oversight. In other words, there would be a clear incentive for publishers to perform a defined civic function and an independent mechanism of oversight to evaluate that performance. The underlying rationale would be about meeting expectations, not censorship of the press.

This oversight would be distinct from government as the Charity Commission is answerable only to the courts. The charity would also need to be overseen by an unpaid board of governors, which would have the power to appoint and replace editors and other senior staff. The composition of that board would be a vital consideration: it would have to include people with a demonstrable interest in the venture’s success, in addition to relevant expertise.

In turn, the Charity Commission would oversee the board of governors. In some situations, such as neglect or fraud, the Commission has intervened to replace governors, sometimes an entire board. Joss Saunders recommended that, in the case of a news organisation, the board could be supplemented by a further ‘safety valve’; an ex officio group of community representatives, who would oversee the performance of the governors. This, he suggested, would help to assuage concerns at the Commission about how the organisation’s performance would actually be monitored.

http://www.plunkett.co.uk/whatwedo/rcs/ruralcommunityshops.cfm
A potential complication in this case would be rules concerning political bias. The Charity Commission prohibits the kinds of partisanship that are currently integral to the editorial voice of many newspapers, though mainly at a national scale. The legal basis of this element is unclear, however, as the Commission does permit certain kinds of campaigning. For example, religious charities and others are permitted to promote their own beliefs. A case could be made for local or regional papers, classed as charities, to be permitted a degree of campaigning relevant to their immediate constituencies.

These complications could be resolved \textit{ex ante} through the articulation of a carefully structured founding constitution. This document would determine the success or failure of a new charitable venture. For example, a potential charitable news organisation could incorporate checks and balances, such as a ‘readers editor’ (charged with fielding feedback and oversight of complaints), an independent ‘ombudsman’ (residing outside the charity, to oversee its performance on issues such as fairness, balance and bias), or a ‘ring fenced’ section (in print, online, or broadcast) for independent comment and debate (from readers and community stakeholder groups).

\subsection*{2.2.5. Caveats and outstanding issues}

However, there are some serious questions that need further reflection when evaluating the viability of journalism in a charitable model. Edward Cooke (a partner in charity law at Withy King) provided a useful summary:

\begin{quote}
The issue is not so much whether journalism is a suitable charitable object in law. It is more a question of whether a charity is the right business model for what you have in mind, and would it resolve the issues faced by the media sector? For example how would such a charity raise money (in an increasingly difficult climate for all charities)? How would it be more financially viable as a charity than as a company? Charities are limited in the ways they can raise capital. The usual rationale for going to the not inconsiderable trouble and expense of setting up a charity is that the particular cause would attract public giving and other grants in sufficient quantities. Does that apply here? Charities also tend to rely heavily on volunteers – for example, an independent Board of Trustees is required, who would usually not be paid, and to whom the employed managers of the charity would report. There is an additional layer of regulation and procedure, which applies to charities which does tend to make them cumbersome to manage. So the benefits of charitable status need to outweigh the burdens!
\end{quote}

Given these limitations, it is also worth considering a hybrid model that sits between the commercial and charitable worlds: the community interest company (CIC). As Sarah Miller (head of news at the Charity Commission) explained,

\begin{quote}
It’s no longer a straight choice between being a charity or being a commercial venture. At the Commission, we’re clear that any good cause organisation shouldn’t become a square peg in a round hole – forcing itself to fit a model, for example charitable status, that isn’t right for it.
\end{quote}
2.3. Combining profits with a civic mission: The community interest company model

The civic function of local and regional journalism could also be supported in what is known as the ‘community interest company’ (CIC) model. The CIC is a relatively new legal form, introduced by the government in July 2005. It was designed to fill a perceived gap in the sector for social enterprise; namely, by allowing business people, entrepreneurs and philanthropists to combine the flexibility of a limited company with a defined community purpose:

*The invention of CICs [was] designed to address the legal problems that confront many social enterprises. If they are established as charities, social enterprises are financially constrained, with limited opportunities for growth, entrepreneurship or access to capital. If incorporated as private companies, they risk losing public trust – not because a private enterprise is intrinsically untrustworthy, but because outsiders do not view profit-seeking companies as fundamentally altruistic. At present, many social enterprises must choose between a charitable public image and an entrepreneurial organisational status. They want both.*

(William Davies, writing in the *New Statesman* in 2004)27

Unlike charitable status, there is no direct financial benefit or tax relief associated with being a CIC; though it does enable the board to be paid, in contrast to a charity, where the board must work on a volunteer basis. Instead, the principal benefit is arguably ‘branding’. By registering as a CIC, a company can signal to citizens, investors and the wider community that it is committed to a particular cause. The CIC model enables civic-minded enterprises to raise capital through share ownership or private investment. As William Davies suggests, it offers a more flexible, entrepreneurial model than charitable status.

Under the oversight of the CIC regulator (which resides in the Department of Business, Enterprise and Regulatory Reform) there are limits on how much capital can be returned to investors. This is to ensure that the bulk of profits are reinvested back into the respective community, and that the company’s principal assets are locked into a specific community or region. For example, CICs are permitted to pay out a maximum of 35 per cent of distributable profits as dividends; whilst the return on investment, released via dividends, is limited to the Bank of England’s base rate plus 5 per cent. The CIC regulator is currently reviewing these limits.28

CIC status can be obtained by new ventures, as well as existing companies. Today, there are approximately 2,600 CICs in the UK; 80 per cent are new ventures, 20 per cent are conversions from existing companies. To qualify for CIC status, the owners must demonstrate the basis of their community mission; for example, the motivation that underlies the company, which social groups will likely benefit from its presence, how its activity will enrich community life, and how any surpluses will be used and reinvested. Each year, CICs are required to submit a report to the regulator detailing their performance. The renewal of CIC status is contingent upon this process of annual review.

---

27 http://www.newstatesman.com/200409130021
28 http://www.cicregulator.gov.uk/consultationintro.shtml
The definition of public and community interest for a CIC is much broader than that allowed under the Charities Act, 2006. In addition, there is scope for prospective CICs to amend the suggested constitution according to their area of activity. The key point is that there is no preconceived formula against which CICs are evaluated; a range of activities and causes can be justified.

In theory, the provision of news (in print, broadcast or online) to a specific community would certainly be eligible for CIC status. Julie Court, the deputy regulator of CICs, believed that a strong case could be made for CICs around news publishing, particularly in localities and regions where the commercial model is demonstrated to be limited or failing (e.g. through the closure of newspaper titles) or cut back operations significantly (e.g. leaving fewer journalists to report issues of relevance to the surrounding community). It would also apply most clearly to CICs that sought to provide the news to marginalised or disadvantaged groups in society.

At present, there are currently no equivalent CICs in the news media in particular. According to the CIC regulator, however, there are several CICs oriented around the development of youth and community media, broadly defined. Big Voice Media, based in South Yorkshire, is an example. This CIC was formed to empower individual creative expression among local young people across a range of media, including animation, film, photography and print.

A potential hurdle to the CIC model is the politicised aspect of some news reporting, or the subjective values that underlie editorial decisions about politically charged issues. The CIC regulator does not permit politically motivated campaigning or advocacy, except in situations where it is incidental to the principal mission of the company. To qualify for CIC status, therefore, local and regional news publishing organisations would need to articulate a statement of editorial policy, via the founding constitution, which demonstrated an operational commitment to objectivity and impartiality.

How those commitments would be assessed is uncertain. In practice, the CIC regulator could only ever have a ‘light touch’; indeed it would be unrealistic and undesirable to submit the entire output of a CIC news organisation – or even a charity – to detailed content analysis, for example. Some form of self-regulation might be most realistic.

CICs in the news media would also be obliged to reinvest the bulk of any profits into their respective community or region; for example, via spending on recruitment, training and technology for local and regional journalism. In this respect, CIC status would favour longer-term reinvestment over short-term cost savings. Thus, it would mark a departure from the prevailing commercial model around local and regional news, which has pursued profitability, cost-cutting and indebtedness to deliver shareholder value – at the expense of core operational areas such as training and staffing.

The CIC model could underpin a range of funding options in the local and regional news media. Existing news publishers could fully convert to CIC status, or decide to spin off a particular part of their operation as a CIC. Whilst charities are not eligible for CIC status, they are permitted to set up a CIC as a trading subsidiary, which could then generate returns (up to the defined limits) for the charity. For example, a charity might decide to provide

---

29 http://www.bigvoicemedia.co.uk
30 http://www.guardian.co.uk/media/2009/apr/20/journalism-students
seed money for a news operation, anchored around a particular region or
topic, which could operate under CIC status.

The government could also support such ventures – at a national scale,
by providing grants and start-up aid to newly formed CICs, and at a local and
regional scale, by directing contracts, grants or subsidised loans to CICs in the
area (see also below, regarding arms-length support). In particular, the
government could provide financial support to assist the transfer of failed
news operations in specific regions into new ownership, potentially with CIC
status. This could be extremely important in regions where commercial
publishers are planning the closure of a newspaper title, for example.

Finally, CIC status could also underpin some form of local community
or staff ownership of news publishing, potentially on the back of titles that
have struggled or failed in the commercial model. Established business
owners, together with the wider community, could collectively invest in a
local news provider. As Abbie Rumbold, a charity lawyer, observed, the
success of Café Direct’s public listing, which was soon over-subscribed,
suggests that people are

[incredibly enthusiastic about socially minded investment; that ethic is likely to
be even stronger at a local scale. Look also at the shift towards community-
owned energy solutions… If people are willing to invest in community
generators and green technologies, why wouldn’t they invest in an
institution that reports on the local issues that affect their everyday lives?]

Local ‘press squires’ rather than distant commercial ‘press barons’ might
provide a more robust model of long-term, community-oriented investment.
In turn, the CIC model, or another form of social enterprise, might provide
the most suitable legal basis to that model of ownership. To facilitate the
transfer of ownership, the government could mandate newspaper owners to
place a title on the open market before officially closing the operation, or
offer financial incentives in return. A market impact test might be required to
evaluate the impact of a title’s closure on the availability of information in the
immediate community.

2.4. Competitive bids for a civic function: Independently financed news
consortia
In our view, CICs are also highly relevant to current discussions about
‘independently financed news consortia’ (IFNCs). Outlined in Ofcom’s PSB
review in early 2009, IFNCs are increasingly seen as a potential model that
could fill gaps in local and regional news coverage. In a recent speech, Ed
Richards suggested that IFNCs could help to secure plurality alongside the
BBC. Ofcom’s proposed IFNC model could be extended beyond broadcast
into print and other media channels.

IFNCs would be hybrid entities, varying from place to place. For example,
they could be formed from some mix of existing broadcasters (e.g.
BBC, ITN, Sky, Reuters), existing local TV stations, local newspapers,
community media organisations, charitable and non-charitable trusts, and/or
independent producers. The mix would depend on the region and the relative
expertise of participants. Access to the BBC’s infrastructure (e.g. content,
technology, training) could be especially important to these consortia.

IFNCs would then bid for contracts, which would be overseen by an independent body (e.g. Ofcom, the BBC Trust, or an entirely new body). Potentially 5–7 years in length, the contracts would be reviewed annually. Ofcom has indicated that contracts would be awarded according to the strength of the funding proposition – in other words, the resources that IFNCs would bring to news provision. In our view, the civic performance of IFNCs would also need to be carefully assessed (see below).

These contracts would give IFNCs access to local and regional news slots on ITV and other non-BBC channels. IFNCs would not be receiving public funding; rather they would be expected to demonstrate a viable business model for local and regional news provision. Hypothetically, for example, a consortium led by an operator such as Guardian Media’s Channel M might bid for the contract to supply ITV with news from its regional hinterland.32

Gaining access to the audience around ‘button 3’ would provide IFNCs with a significant head start.33 Executives see immense value in this approach as it would enable established and emerging media enterprises alike to collaborate in a cost-efficient fashion, each bringing valuable assets and skills to the venture. IFNCs would also, in theory, be more cost-efficient than standalone big media businesses, such as ITV, which continues to retrench its local and regional news coverage. IFNCs would effectively release ITV from its local and regional news obligations.

The CIC model could provide a possible legal basis for an approach to IFNCs. Participating organisations would invest money (or allocate shared assets – staff, content, technology) into the IFNC to fulfil a clearly defined civic function. Indeed, Ofcom could even require that IFNCs bidding for slots on ITV (or for other publicly funded contracts) adopt or reflect something akin to CIC status. IFNCs would potentially be ‘kitemarked’ as meeting a certain level of public service, subject to ongoing review.

The purpose would be for government, on the one hand, to encourage collaboration around news publishing (potentially from a range of organisations – commercial, independent, non-profit, community-based), and on the other hand, ensure that this activity was geared towards fulfilling a civic function in a given region. Thus, Ofcom would likely need to evaluate the merits (and ongoing performance) of IFNCs along a series of financial as well as civic metrics.

IFNCs would greatly benefit from some form of public subsidy, particularly in the current crisis. The government could even provide seed money, tax breaks or other incentives (along the lines discussed above) to help kick-start the formation and continued operation of IFNCs. More specifically, the sale of advertising around IFNC-supplied content (on ITV, in print, or online) could be given some form of tax relief.

For example, Ofcom and the Treasury might consider the introduction of ‘public service’ advertising minutes, which would be clad around local and regional news on ITV. These minutes might be taxed at a lower rate, as an indirect subsidy to IFNCs. Another form of subsidy could be provided by the Central Office of Information, which might guarantee that a portion of these minutes would be reserved for geographically relevant public sector advertising (a topic that is explored in more detail in the following section).

32 Though on 28 April 2009, the Manchester-based TV channel announced plans to cut 41 of 74 full-time staff to contain costs at the loss-making venture, raising questions about its future viability as a source of local and regional news.
33 Interview with Steve Hewlett.
An alternative approach to IFNCs might see publicly funded contracts (for specific forms of news provision) awarded by local and regional authorities. A vital consideration would be maintaining an arms-length relationship between authorities and recipients, so as to preserve the independence of news provision. The following examples might provide templates for such an approach.

In Kent, the County Council has allocated £600,000 over two years to the piloting of a web-based news features channel known as Kent TV. Its primary focus is on bigger features, rather than day-to-day newsgathering. With a staff of 11, it broadly seeks to raise the profile of Kent, including its businesses, and inform citizens with practical information, especially younger viewers and readers.

The proposal was open to competitive bidding. Ten Alps, an independent media company that also runs Teachers TV, won the contract (which will be reviewed and potentially re-opened to bids in late 2009). Similar proposals are believed to be under review in other parts of the UK; the West Midlands Primary Care Trust is understood to be planning an online communications initiative, which will also be open to competitive bids.

Kent TV is an interesting case study because it highlights the potential for an arms-length relationship between a council and the media. For example, Ten Alps has complete editorial control over newsgathering; indeed, to such an extent that, unlike most council-funded newspapers, it is able to investigate topics that raise difficult questions for political incumbents (such as the losses incurred by councils, including Kent, in the Icelandic banking crisis). Kent TV also commissions paid content from local media producers from its overall budget, thus creating a ‘trickle down’ effect in the region.

In turn, the service is overseen by a board of governors, which includes incumbent councillors as well as representatives from the local media. A range of criteria are consulted – such as viewing figures and the types and range of coverage – to assess the performance of Kent TV each quarter. There is also an active policy in place that limits the placement of advertising on the website and instead encourages collaboration with other local media. Tanya Oliver, head of strategic development at Kent TV, explained that the council wanted to avoid any direct competition with local newspapers and television channels, which are already struggling to make ends meet. Our mandate, instead, is to collaborate and enable the local media. It’s a delicate issue, though, as there are gaps appearing as commercial publishers like Meridian scale down and so, in one sense, sites like ours might be needed to fill the gaps. Where possible, we’ll stand back and let the local firms provide the news.

Recent developments in the Welsh language news media are also instructive. In 2008, the Welsh Assembly government allocated £600,000 (over three years) for the development of a Welsh language news service. The Welsh Books Council was responsible for inviting applications from the private sector. The contract attracted bids from five Welsh media companies, including organisations that are part of larger media groups (such as Trinity Mirror).

The WBC currently disburses £2.4 million per year to support various forms Welsh media, from books to magazines and digital platforms. Of this, £360,000 is currently allocated to 17 magazines, 3 of which currently have news and current affairs coverage. The latest grant therefore represents a
significant increase in funding. It followed a One Wales coalition pledge by Labour and Plaid Cymru, which committed the assembly government to ‘expand the funding and support for Welsh-medium magazines and newspapers, including the establishment of a Welsh-language daily newspapers’.

However, Gwerfyl Pierce Jones, director of the WBC, estimates that a fully fledged daily news service would have required in excess of £1 million per annum: the actual funding available (£200,000 per annum) falls well short of this target. Nonetheless, the winning application (from Golwyg Ltd) plans to use the funding to build a collaborative web-based news ‘platform’, which will draw heavily on blogs and other citizen media to provide ultra-local coverage.34

Golwyg current publishes a monthly magazine, with a circulation of 12,000 copies (again, supported by the WBC). Golwyg’s new service will employ an editorial staff of four and a management team of three (alongside its existing magazine print operation) to operate the web service (which is scheduled to launch in May 2009). Golwyg also plans to incorporate selected content from the web service to extend its print coverage of news and current affairs. The WBC will review the performance of Golwyg’s news service on an annual basis, according to unspecified targets.

At the end of the three-year contract, the WBC plans to solicit a new round of competitive applications (potentially with increased funding, depending on the performance of Golwyg’s service). According to Professor M. Wynn Thomas, chairman of the WBC, the long-term plan is to enable the ‘development of a sustainable news company in Wales and stabilise Welsh-language journalism’.35

In summary, Kent TV and Golwyg’s news websites illustrate the potential of arms-length government support for journalism at a local and regional scale, via the use of competitive bidding. To be sure, these are nascent and limited examples, which would be replicable only in certain situations and communities. The issue of editorial independence would also need further attention (see next section). Nonetheless, they are worth considering as a complementary template for cross-media IFNCs in a local and regional context. To protect the civic dimensions of journalism, it might make sense to limit such competitive bids to those IFNCs that are certified or ‘kitemarked’ with something akin to CIC status.

2.5. Subsidising news provision through the allocation of government advertising

Any consideration of local and regional media must also take into account the allocation of public sector advertising (related to government initiatives and statutory public notifications). The practical reality is that the government is vital to the health of the news media due to the sheer amount it spends on advertising, at a national, regional and local scale. In 2009, according to research by Nielsen Media, the government will overtake Proctor & Gamble to become the UK’s largest net advertiser with an overall budget of £400 million (combining all levels of government).

34 http://www.2evolv.co.uk/golwg/
At a local and regional scale, public sector advertising is especially vital to the economics of journalism. According to some executives, government advertising and notifications can account for 3–4 per cent of overall revenues for some newspaper titles. Unlike commercial advertising, such as property, recruitment or motors, public sector advertising typically represents a reliable and important source of revenue. In effect, it is also an indirect subsidy given by the government to the very platforms that reach citizens and also hold political incumbents to account.

It is paradoxical, therefore, that branches of local and regional government are now choosing to launch their own ‘Pravda publications’ and web-based communication platforms at exactly the time when the fourth estate is at its most vulnerable. In doing so, they are also luring other advertising, readers and talent away from the commercial news media. Some are even marketing their new freesheets as direct substitutes to the local press – for example, by including celebrity and entertainment news, or by claiming to be the region’s best source of news and information. The rationale is three-fold.

First, local and regional authorities are seeking to trim the cost of their marketing budgets by bringing communications in-house, especially as pressure grows to contain public spending. In some cities, authorities are also addressing a perceived deficit in the reach and quality of press coverage. In Devon and Cornwall, for example, police forces have begun to post court reports and crime data on their own websites due to perceived failings in the quality of local press coverage.

Second, local and regional authorities are pursuing this course of action because it increases their geographic reach. At a time when newspaper circulations and broadcast audiences are dwindling in many markets, it is logical for authorities to experiment with new ways of connecting with their citizens.

Like other media buyers, the government argues that it should spend its advertising money where it is most effective: that may or may not include a newspaper in a given region. Although expensive, information awareness campaigns can significantly reduce government costs in other areas. For example, a recent Home Office crime reduction campaign cost an estimated £21 million but then saved the criminal justice system an estimated £590 million.36

Third, and more controversially, this approach provides authorities with access to a controlled communications platform, which is likely to be sanitised of any negative or politically difficult coverage. As Roy Greenslade has recently argued,

"council-run papers are undermining the only publications that hold local power to account. The central job of local journalists, acting on behalf of the people, is to ensure that local authorities in all their forms – councils, health trusts, educational institutions, policing boards – are acting fairly and honestly."37

36 Peter Buchanan, deputy chief executive of the COI, quoted by the Daily Telegraph, 29 March 2009.
37 http://www.thisislondon.co.uk/standard-business/article-23679090-details/Council+papers+are+bad+for+local+journalism+-+and+democracy/article.do
A publication that is directly funded and staffed by a council simply cannot act with the same degree of impartiality as an independent commercial alternative. Despite their potentially negative impact, councils across the UK are now investing resources into these initiatives.

For example, a recent review conducted by the Newspaper Society, based on an audit of 436 local authorities across the UK, discovered that a growing number of councils are now publishing their own papers – monthlies, fortnightlies and increasingly weeklies – and that many are deliberately positioned as rivals to local commercial alternatives (even carrying third-party advertising from local businesses). In some cases, councils distribute more than 100,000 copies at a time, thereby significantly outstripping the penetration of local papers. As Roy Greenslade continued:

*It is not an exaggeration to say that giveaway council-run newspapers are now threatening the continued existence of several privately owned independent newspapers, both paid-for titles and freesheets.*

In markets across the country, the introduction of council-funded papers has typically resulted in declines in the circulation of commercial titles. For instance, the appearance of Tower Hamlets council’s *East End Life* publication has coincided with the Archant-owned *East London Advertiser* losing a quarter of its circulation in the past year. There is also emerging evidence of anti-competitive behaviour by local authorities acting in concert. In 2008, for example, 32 authorities in Scotland launched Myjobscotland.co.uk, a portal that will directly compete with local print advertising.

The problem also originates from central government, which is encouraging local and regional authorities to trim their costs – for example, by trialling the publication of statutory notices on the web. The UK Housing and Planning Department, for example, is considering plans to remove rules that require councils to pay for planning notices in the local press; a move that would cost the industry over £15 million. Such moves are given some justification by widespread declines in print circulation, which are creating a ‘democratic deficit’ in coverage of local issues.

These developments need to be critically evaluated in a systematic fashion across the UK. In regions where the press lacks an adequate level of penetration, or exhibits clear failings in coverage, there may well be a case for an alternative government-funded communications channel. For civic reasons, however, the principal objective of government should be to find ways of funnelling public support (via the allocation of advertising and notifications) into an independently viable news media that is accessible and relevant to citizens. The following approaches might be adopted.

First, councils could ‘piggy back’ on the extensive distribution infrastructures built by the UK’s newspaper groups: for example, councils could pay to include their own ‘news inserts’ within existing print schedules. Second, they could tender particular contracts for local and regional news provision, perhaps to the IFNCs mentioned earlier (see also below, next section). Third, and related, they could subcontract the editorial, design and printing of their own publications to the commercial news media – already an established but relatively minor source of revenue for some of the newspaper

38 Ibid.
39 http://www.paidcontent.co.uk/entry/419-scottish-government-trial-takes-newspaper-public-notice-advertising-only
groups. In these ways, councils could continue to disseminate information whilst also subsidising the civic benefits of an independent news media.

However, such support would need to be contingent upon publishers fulfilling a defined set of civic functions in the community. Measures might be taken to ensure that publishers did not abuse the system, and that they continued to cover issues and regions of importance to citizens. For example, publishers might be required to observe a code of practice, perhaps crafted around the principles of the CIC model. Also, the receipt of public sector advertising might oblige a publisher to maintain a designated number of editorial posts, which would effectively be subsidised with public funds.

In a sense, the receipt of public subsidy via government advertising is no different to the tendered contracts awarded by Kent County Council or the Welsh Books Council: local government is still effectively paying for aspects of news provision. That raises obvious concerns about impartiality and editorial independence. In both cases, the key issue (and challenge) is how best to retain an arms-length relationship between local incumbents and the functioning of local news coverage. A potential strategy is ensuring that contracts are designed, evaluated and awarded by an independent panel, which comprises a mixture of elites and experts.
3. Conclusions: Navigating the crisis in local and regional news

3.1. Next steps and possible routes through the crisis
At the current juncture, the government has the capacity to play an active role in securing the future of local and regional news provision. But as we have argued, that role should be explicitly arms length and as indirect as possible. Aside from the introduction of targeted tax relief, or the implementation of civic obligations into the legal fine print of IFNCs or the receipt of public sector advertising, what specific actions might the government take in the immediate future?

In our view, a vital and potentially transformative area of government intervention relates to the topic of trust ownership. Building on the earlier discussion of trusts, we believe it is worthwhile considering the role government might play in the formation of local and regional news trusts. In theory, these could function as either charitable or non-charitable trusts, initially seeded with public money. The purpose would be to direct an amount of capital into a series of trusts, which would be constitutionally designed to provide arms-length support to local and regional news provision in its myriad forms.

Practically, that support might include the following. Local and regional news trusts could provide transitional funds for news operations facing closure. For example, they could support local business owners, community groups or even staff who wished to acquire a news operation from a commercial owner. This might include legal and technical advice, notably for those wishing to convert a news operation into a charitable body or some variant of community-focused incorporation. In some cases, as we have explained, news operations may fare better outside the prevailing commercial model, not least due to problems of indebtedness and the pressure to create shareholder value.

However, facilitating the transfer of abandoned or struggling news operations into community or staff ownership would likely face a series of legal and bureaucratic challenges. According to Keith Sutton, former President of the Newspaper Society, the newspaper groups, both commercial and independent, tend to act as ‘print trolls’; that is, they are ‘reluctant to give up the ownership of collapsed titles and related archives in which they have a sector or geographic interest’. There are numerous examples, as Sutton described in more detail:

*The Daily Mail incorporates both the News Chronicle, which folded in the Sixties, and the Daily Sketch, which folded in the Seventies. On a local level, The Cumberland News owns the title of an erstwhile competitor, the Carlisle Journal, which it bought out in the sixties. To protect their legal right to the lapsed title, the owners of the ongoing newspaper are supposed to publish the name of that title (e.g. The Daily Mail, incorporating the News Chronicle) at least once a year. In south Cumbria the sale of the North-West Evening Mail in 1990 by Warm Welcome Newspapers to Cumbrian Newspapers included the transfer of the titles of the Barrow News, the Ulverston News and the Millom News, all of which had been folded in recent years by WW Newspapers. The copyright to these titles still today resides with Cumbrian Newspapers. Because of market conditions the latter group has never reintroduced these titles. They do, however, have some value in that they are branded with the names of local small towns.*
Local and regional news trusts could even provide a temporary shell for failed or abandoned news operations until new owners could be found. They might also act as temporary stewards of editorial archives, especially in situations where damage or neglect had occurred, perhaps even investing in aspects of preservation and digital archiving. (This could dovetail with existing initiatives, such as the British Library’s latest project to archive newspaper material from the 19th century.) More broadly, the trusts could also function as seedbeds for alternative models of news provision, perhaps even supporting prototypes (e.g. charities or CICs) that could then clear the path for subsequent innovators.

Charity lawyer Andrew Phillips, for example, suggested that once a charitable news enterprise had successfully navigated the thicket of legal and bureaucratic red tape, it would be much easier for subsequent enterprises to gain certification. In particular, trusts could award financial prizes to support the formation of innovative models in the local and regional news media, commercial as well as non-commercial. A panel would need to judge the civic benefits of different models to ensure that prizes were directed to those models that covered as much of the community as possible, and were most accessible to local citizens.

A prize-based approach to business innovation has considerable potential as it provides an incentive for entrepreneurs to pioneer entirely different paradigms, which existing institutions might otherwise struggle to comprehend. Indeed, the UK currently lacks any equivalent to the Knight News challenge, which awards funding worldwide to innovative community-focused models of news provision. There is arguably a huge amount of latent talent lying across the UK, which government-backed prizes could potentially help to ‘unlock’ at relatively low cost. Channel 4’s 4ip initiative is a recent step in this direction for public service media as a whole.

Another more practical way that trusts could provide support is in the realm of training. As we have suggested, training is vital to the future of journalism but is under threat due to cutbacks across the industry. It is important both inside and outside the newsroom, particularly as publishers begin to rely more explicitly upon the eyes, ears and expertise of the audience for hyper-local news coverage. If communities are to play a more engaged role in the future of the news agenda, then it might make sense for government-supported news trusts to direct support to initiatives and programmes that will help develop the appropriate skills and literacy.

Thus, news trusts could provide financial support to training schemes for both professional journalists and citizen journalists, notably in terms of assisting a diffusion of ideas between both groups. For example, the former could impart an understanding of general principles, ethics and best practices to the latter. Undoubtedly, knowledge would also flow in the opposite direction: the views of activists, community groups and other stakeholders could be used to inform the next generation of news provision. The overall point, therefore, is that financial support of training and knowledge development could help to improve the quality and community value of future models of news provision.

40 http://www.ncse.ac.uk/history/team.html
41 US examples include EveryBlock, Outside.in, Placeblogger and Patch. These sites collect links to articles and blogs, which are frequently supplemented with data from local government and other sources. Their overall mission is to simplify and accelerate the reporting of events of public interest in a geographically navigable format: everything from arrests to restaurant inspections and public notifications.
3.2. Final reflections: Addressing market failure and realising civic benefits

Evidence for the crisis in the local and regional news media is still patchy. The sector still generates over £4 billion per year and employs thousands of staff. There are also pockets of success, with some publicly listed and many privately held newspaper groups remaining profitable. To date, we have seen no studies that demonstrate convincing proof of deteriorating quality in local and regional news. At best, the evidence is anecdotal, emotive and often contradictory.

Nonetheless, it is indisputable that the underlying model of local and regional news provision is under significant pressure. Investing for the future will be difficult for all news publishers, due to permanent changes in media consumption and advertising. It will be especially difficult for those who have pursued shareholder value at the expense of longer-term investments in the intangible dimensions of journalism. The impact of these trends is already being felt through layoffs and disinvestment in key areas, such as training and specialist investigative reporting.

Therefore, the threat of news gaps is imminent and real: lacking sufficient resources, publishers are cutting back their coverage of particular regions and topical areas. Despite the efficiency of new technology and new working practices, it is likely that quality will suffer – as measured by the breadth, depth and continuity of coverage. Assuming that the market may be failing in some areas, and that news gaps will have serious civic and economic impacts, we believe it is necessary for the government to consider a range of interventions in the local and regional media.

As we have described, these interventions might range from targeted tax breaks to alternative legal and institutional forms of news provision, such as trusts, charities and community interest companies. As many interviewees emphasised, there is no ‘silver bullet’. Rather, the imperative should be to devise a plethora of policies, incentives and frameworks that will ‘let a thousand flowers bloom’ in the local and regional media.

However, any intervention should be premised upon a very clear definition of what exactly needs saving and why. It makes no sense to support failing businesses or entrench inefficient working practices. In particular, we need a more systematic and rigorous sense of what journalism actually brings to communities – and how that civic function can be fulfilled and extended by new technology, as well as legacy media channels. For example, it is arguably the non-financial and intangible aspects of journalism that deliver the greatest civic benefits over time. It is these aspects that have arguably withered in parts of the prevailing commercial model.

In our view, the receipt of public support – in its different forms – should come with a well-defined set of conditions relating to the civic function of the news. Indeed, the current crisis provides a unique opportunity for the government to incorporate a greater sense of community purpose into news provision – for example, through the legal fine print of competitive bids and IFNCs. To be clear, this is simply about meeting reasonable expectations in return for financial privileges – not about censorship or government bailouts. If we accept that the local and regional news media has a role to play from a civic standpoint, and that this role should be supported by the state, then it is

---

42 Interview with Roger Parry.
43 Interview with Steve Hewlett.
entirely logical that the performance of the news media is subject to ongoing review.

In summary, our principal recommendation is that the government seriously examine the civic dimensions of the news media in the communities and regions of the UK, with a view to targeting support at areas most susceptible to market failure. There is no reason to assume that market competition and technological innovation will, by themselves, generate solutions to the current crisis. The development of a networked communications channel makes the skills of professional journalists and editors even more vital, not less. But it also undermines the economic model that has traditionally sustained those skills.

We believe that a range of interventions should be considered, both to address the risk of market failure and to ensure that, in future, the operation of the fourth estate is more explicitly oriented around civic as well as financial goals. To recap, these interventions can be classified as follows:

• A review of taxation law to direct relief and support to those parts of the news value chain that are most vulnerable to disinvestment, such as training. Tax relief would need to be carefully targeted and potentially ring fenced to avoid abuse. It might also be necessary to articulate a ‘cultural test’, perhaps akin to the criteria that are used to evaluate and award tax relief in the UK film industry.

• The government could support the formation of non-commercial models, such as trusts and charities, or hybrid entities such as community interest companies – for example, by directing support to such organisations (perhaps through news trusts) or by reorienting the terms of local and regional news provision (e.g. via contracts for IFNCs) along lines that sit more comfortably with these models.

• Through the communication of public sector initiatives and statutory notifications, both central and local government have the capacity to indirectly subsidise the news media. To be sure, these messages need to be placed in mediums that have the greatest reach; but for civic reasons, it makes sense to direct as much of that support to independent news operations as possible.
Experts consulted in the course of this research:

* Sam Barratt, head of media, Oxfam UK
* Paul Bradshaw, Media School, Birmingham City University
* Charlie Burgess, director, Editorial Intelligence
* Robin Burgess, CEO, Cumberland Newspaper Group
* Danny Cammiade, chief operating officer, Johnston Press
* Fiona Clarke-Hackston, director, British Screen Advisory Council
* Edward Cooke, partner and charity lawyer, Withy King
* Mandy Cormack, director, Joseph Rowntree Reform Trust
* Julie Court, deputy regulator, Community Interest Companies
* Mark Dodson, head of regional media, Guardian Media Group
* Brian Doel, group managing director, Tindle Newspapers
* Steve Hewlett, consultant and broadcaster
* Sam Holliday, editor, Bath Chronicle
* Geert Linnebank, interim CEO, ITN
* Sarah Miller, head of news, Charity Commission
* Adrian Monck, City University
* François Nel, School of Journalism, University of Central Lancashire
* Tanya Oliver, head of Strategic Development Unit, Kent TV
* Roger Parry, chairman, Local Media Alliance
* Michael Pelosi, managing director, Northcliffe Media
* Lord Andrew Phillips, charity lawyer, Bates, Wells & Braithwaite
* Gwerfyl Pierce Jones, director, Welsh Books Council
* Abbie Rumbold, partner and charity lawyer, Bates, Wells & Braithwaite
* Sandy Rutherford, managing director, Hexham Courant
* Joss Saunders, charity lawyer, Blake Lapthorn
* Jeremy Spooner, chief executive, Baylis Media
* Keith Sutton, former president, Society of Editors
* Granville Williams, Campaign for Press & Broadcasting Freedom
WORKING PAPERS AND SELECTED RISJ PUBLICATIONS

Henrik Örnebring
Comparative European Journalism: The State of Current Research

Henrik Örnebring
The Two Professionalisms of Journalism: Journalism and the changing context of work

Jeremy Hayes

Karl Erik Gustafsson, Henrik Örnebring and David Levy
Press Subsidies and Local News: The Swedish Case
published in association with Ofcom

Steven Barnett
Journalism, Democracy and the Public Interest: rethinking media pluralism for the Digital Age’
published in association with Ofcom

Tim Gardam and David A. L. Levy (eds)
The Price of Plurality: Choice, Diversity and Broadcasting Institutions in the Digital Age
published in association with Ofcom

John Lloyd and Julia Hobsbawm
The Power of the Commentariat
published in association with Editorial Intelligence Ltd

CHALLENGES

James Painter
Counter-Hegemonic News: A case study of Al-Jazeera English and Telesur

Floriana Fossato and John Lloyd with Alexander Verkhovsky
The Web that Failed: How opposition politics and independent initiatives are failing on the internet in Russia

Andrew Currah
What’s Happening to Our News: an investigation into the likely impact of the digital revolution on the economics of news publishing in the UK

Nik Gowing
‘Skyful of Lies’ and Black Swans: The new tyranny of shifting information power in Crises

Stephen Coleman, Scott Anthony, David E Morrison
Public Trust in the News: a constructivist study of the social life of the news

Stephen Whittle and Glenda Cooper
Privacy, Probity and Public Interest