

National Assembly for Wales
Communities and Culture Committee
Broadcasting Sub-committee

The Welsh Newspaper Industry

Inquiry report
June 2009



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

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Committee Membership



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Welsh Liberal Democrat



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Welsh Conservative Party



Joyce Watson
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Chair's Foreword



This inquiry was prompted by the increasingly precarious position of local newspapers in Wales. In particular, attention was drawn to the issue by job losses at Media Wales.

We heard from all the main local newspaper groups in Wales during this inquiry and were struck by the common theme that these are changing and difficult times and there is no easy way forward for local newspapers. It was also clear that these changes were due to a market that was changing more and more rapidly due to the increasingly diverse ways in which the public accesses news and current affairs, in particular, via the internet. We recognise that there is little this Sub-committee can do to change these powerful market forces, however, there are elements on which the Welsh Assembly Government and UK Government can focus on to provide some relief to local newspapers in these difficult times, even if they cannot provide a solution to their problems. Whilst we took a lot of evidence which focused on the changing market and have noted this in our report, we have focused on the elements where we can exert influence over governments.

Perhaps the most striking conclusion from our inquiry has to be that successful local papers are successful because they are just that – *local*. This is because they are a valuable and cherished resource to local communities, especially when what is happening in those communities is accurately reflected in a way that national newspapers and other media struggle to deliver. This gives us hope that local newspapers will find a way to weather this storm and emerge as profitable businesses in this evolving world.



Recommendations

Recommendation 1:

The Welsh Assembly Government should make representations to the UK Government seeking assurances that cross media rules are relaxed to allow exploration of new partnerships

Recommendation 2:

The Welsh Assembly Government should make representations to the UK Government seeking assurances that any move to relax regulations relating to cross-media ownership should be accompanied by measures to protect plurality of local media

Recommendation 3:

The Welsh Assembly Government should establish a dialogue with newspaper companies and unions to explore means of supporting English language journalism in Wales

Recommendation 4:

The Welsh Assembly Government should consider in its strategic approach to advertising taking account of the circulation and penetrations of newspapers involved and ensure that relevant titles are not overlooked. In doing this the Assembly Government should clearly communicate its advertising strategy to Welsh newspaper companies

Introduction

The Communities and Culture Committee agreed to conduct an inquiry into the state of the Welsh newspaper industry (local and regional Welsh newspapers) on 15 January 2009 and that the inquiry should be carried out by the Broadcasting Sub-committee of the Communities and Culture Committee.

The inquiry started on 22 January 2009 and concluded on 19 March 2009.

At the time the Communities and Culture Committee decided an inquiry into newspapers should be carried out, it had already established the Broadcasting Sub-committee to respond to Ofcom's consultation on Public Service Broadcasting. In order that the Sub-committee was able to carry out an inquiry into the Welsh newspaper industry, its original terms of reference were modified to allow it to do so. However, the Communities and Culture Committee as the parent committee intended the Sub-committee to be time-limited, so the reference linking the lifetime of the Committee to Ofcom's final report remained in the terms of reference. Ofcom's final report was published on 21 January which means the Sub-committee should publish its report into the Welsh newspaper industry by 21 April. It was primarily envisaged that this inquiry would be very short (one or two meetings), however, following initial evidence, the Committee wished to ensure it carried out a more comprehensive assessment of the newspaper industry in Wales which meant more meetings were devoted to evidence taking. Consequently, the deadline of reporting by 21 April became unrealistic, especially as this date fell in recess. This report has therefore been published as soon after this date as possible in the summer term.

Terms of reference

The terms of reference agreed by the Communities and Culture Committee on 15 January were:

The Communities and Culture Committee resolves to establish a Broadcasting Sub-committee. The remit of the Sub-committee is to:

- *report, by 4 December 2008 on the proposals in Phase 2 of Ofcom's Public Service Broadcasting Review*
- *report on the current state of the Welsh newspaper industry*
- *report on Ofcom's final report on the future of public service broadcasting within 3 months of it being published*

The Sub-committee will cease to exist following publication of its report on Ofcom's PSB conclusions.

Background

The origins of newspapers

Local newspapers have been with us in the UK since the *Norwich Post* was first produced in 1701. Since that time they have become crucially significant to the communities in which they circulate. They reflect and shape community cohesion and identity by informing the public and stimulating debate on issues vital to democracy as well as acting as an archive and chronicle to the community – recording births, deaths and marriages as well as significant political and institutional proceedings.¹

Some have described newspapers as providing the ‘first draft of history’ in performing these functions; they are also businesses that need to make profit to survive:

...we are businesses and there is no public element in that sense. Everything has to fit the model of profitability. To date, it suited that model of profitability to get the most credible and quality based journalism that we could, because the more quality-based journalism that we get, the greater our audience and therefore the more advertising we get².

Why are newspapers important?

Whilst having newspapers is desirable to inform, educate and entertain the public, it is valid to ask – are they essential? There is no doubt that newspapers contribute to political debate, particularly in a fast-moving and changing constitutional environment like we have in Wales:

*...80 per cent of the community will read the local paper but only 25 per cent will read even a major tabloid. When I was dealing with senior spin doctors from No. 10 of both political persuasions, I found they understood the value of those papers...I remember one chap saying that the *Batley and Birstall News* was far more important than *The Times*...because it sits around for a week, more people read it, it has audience reach and people trust it³*

Regional newspapers are valuable as a tool for political and constitutional engagement and therefore the good of democracy.

Newspapers in Wales

UK national newspapers are also sold in Wales and have contributed to the landscape of the industry. However, many argue that Welsh citizens have not been best served by the UK national print media which are not ‘in tune’ with Wales:

¹ Cardiff University, Professor Bob Franklin – written evidence BSC(3)-03-09, Paper 2

² NWN Media, Barrie Jones – oral evidence 5.2.09

³ Professor Bob Franklin – oral evidence 05.03.09

You need to look very hard to find news about Welsh politics in the UK's main newspaper titles. This only serves to underline the key role played by regional news outlets. In a Welsh context, the Western Mail, Daily Post and the other Trinity Mirror titles in Wales have long played a crucial role in making sure that Welsh citizens can read in newspapers about the political process which affects their everyday lives⁴

Perhaps this is why the highest performing newspaper businesses have historically been local newspapers. In Wales, the newspaper market is dominated by local press with no true 'national' newspaper. The closest to this is the Western Mail which serves the south of the country and the Daily Post, the north.

Local newspapers have proved very profitable in the recent past:

In the 1980s regional newspaper groups in the UK aspired to make a profit return on turnover of around 10%. Expectations have now been raised much higher⁵

This is particularly true in Wales. Take Media Wales as an example. Over the 5 years between the start of 2003 and the end of 2007, Media Wales' profit margins averaged 34.13%, peaking at 38.21% for the 12 months to the end of 2005.⁶

These profits make Media Wales one of the most profitable companies in Wales of any kind, let alone in the media industry⁷.

Witnesses told us that to a large extent, newspapers have been successful in Wales because of this focus on local news which is of direct interest to the people of a specific area.

There are five prominent newspaper providers in Wales with a strong geographical focus:

- Trinity Mirror – on 13 January 2009, Media Wales merged with the North West England/North Wales subsidiary of Trinity Mirror to form a new North West and Wales Region of Trinity Mirror regionals managed from Liverpool
- Newsquest – publishes the South Wales Argus in Newport
- Northcliffe Media – publishes the South Wales Evening Post
- NWN Media – a Welsh company, based in Wales, in family-ownership. The group has 12 titles published in 17 editions

⁴ Heritage Minister – written evidence

⁵ National Union of Journalists – Martin Shipton, Oral evidence 22.01.09

⁶ National Union of Journalists – Martin Shipton, Oral evidence 22.01.09

⁷ Cardiff University – Dr. Williams, oral evidence 22.01.09

Legislative context

Section 28 of the Government of Wales Act 2006 provides for the National Assembly for Wales to establish Committees and sub-committees through its Standing Orders. Pursuant to that power, Standing Order 10 of the National Assembly's Standing Orders deals with Committees generally, and the Communities and Culture Committee was established pursuant to Standing Order 12. That Committee, in turn, has established a Broadcasting sub-committee under standing Order 10.15 in the circumstances described in the introduction.

Legislation relating to the newspaper industry specifically is limited in nature. Most common are legislative provisions requiring the publication of notices that have legal implications in newspapers. That legislation is not relevant to the subject of this inquiry. Another area of legislation that is particularly relevant to the industry relates to content – defamation, contempt of court and copyright. Again that is not relevant to this particular inquiry.

Two areas of law are of more direct relevance to the evidence considered by our inquiry and the recommendations that we make. Much of the evidence related to the ownership of newspapers and the declining number of owners as a result of mergers and takeovers. There is considerable legislation, including European legislation that deals with this subject. A related area of law is that dealing with broadcasting, where there are specific rules relating to the ownership of broadcasters by newspaper publishers. These rules are referred to in following paragraphs.

The current legislative competence of the National Assembly is set out in Schedule 5 to the Government of Wales Act 2006. The most relevant fields in which legislative competence can be devolved are Field 3: Culture and Field 4: Economic Development. No legislative competence has been transferred to the National Assembly within these Fields. The power to legislate therefore remains at Westminster.

More significantly, Schedule 7 to the 2006 Act sets out the subjects in relation to which legislative competence would be transferred to the National Assembly following a referendum. The subject fields follow the same pattern as in Schedule 5. Within Field 3: Culture, Broadcasting is specifically included as an exception from the powers that would be transferred. Similarly, Field 4: Economic Development contains an exception that is central to the issues considered in this report – “Regulation of anti-competitive practices and agreements, abuse of dominant position and monopolies and mergers.”

Consequently, any legislation that would be necessary to implement the recommendations made in this report would have to be made at Westminster. It is for that reason that relevant recommendations in this report are expressed in terms of representations being made by Welsh Ministers to UK Ministers.

Key issues

A rapidly changing landscape

The industry is facing a double-whammy of the economic recession and structural problems affecting the industry¹⁰

1. The economic recession is having an effect on newspaper businesses in particular through reduced advertising revenues as well as the myriad of other problems that besiege any business in times of recession:

...in Britain we are not just faced with economic challenges but with the huge change in media consumption. All newspapers and media companies are now suffering from these economic constraints. Costs are up and revenues are falling. We intend to remain profitable – there is no shame in that – and without profits, we cannot invest in the future of the business¹¹

2. There is relatively little the industry can do to change this, other than act to protect itself in the ways that any well managed business would.

The rise of the internet

3. The news and media landscape is in a time of flux. Technological changes have long threatened the way news is consumed and are now stimulating rapid change in people's news consumption habits. The internet has been heralded as the natural successor to the printed word because it offers a combination of immediacy and potential for personalisation and interaction unmatched by traditional media¹². However, other factors have been at play in the decline of the print media:

...newspapers were declining before the web was invented and before most of us were emailing. There were all sorts of lifestyle changes at the time – we were demolishing estates, moving people out of inner-city areas and shutting down the sorts of jobs where people bought a paper on their way to work to read during their lunch hour¹³

4. The communications environment in which we all live has also been rapidly changing. Television and radio have increasingly taken the place of the printed word in delivering news to people – it is difficult to go through the day without having a reasonable overview of the day's news, like it or not. We find ourselves constantly bombarded with information on the radio in the car on the way to work, in free papers (such as Metro), on TV screens and on our computers – you only have to use a search engine such as Yahoo and the top four news stories are presented to you with a one sentence summary and a brief click away to more detail, if it is of

¹⁰ National Union of Journalists – Martin Shipton, oral evidence 22.01.09

¹¹ Media Wales – Alan Edmunds, Editor, oral evidence 22.01.09

¹² Media in Wales – Serving Public Values

¹³ Professor Bob Franklin – oral evidence 05.03.09

interest. Even if you actively avoid these information feeds, everybody you come into contact with is well informed and family, friends and colleagues will happily fill you in if you have managed to miss the news. Newspapers no longer perform the function of telling us what has happened:

*The day after 9/11, there was a presumption across all print media that everybody knew what had happened, so they moved immediately into analysis. The bigger the news story, the more that is the case*¹⁴

5. Professor Franklin described how some newspapers have a preference for columnists and editorial comment over 'straight factual news'.¹⁵
6. We are only ever going to have faster and more widespread broadband bringing more interactivity and information quicker than ever. This evolution of the printed media is not disputed by any of the newspaper groups we heard from, indeed everyone acknowledged that survival is inextricably linked to rapid and sweeping change.
7. Newspapers traditionally have primarily provided 'information'. However, as an 'information feed' they are unable to compete with the internet – a 'raw news medium' that is instant and (mostly) accurate.
8. Most newspaper groups clearly think that the internet is the way forward as a *component* of a sustainable business model, even if it is not entirely clear how it will achieve this. Everyone in the newspaper business is investing in the internet, but it currently is not delivering the profits to back up the scale of the investment:

*Trinity Mirror has invested a great deal in multimedia developments, the truth of the matter is that 90 per cent of its income comes from printed newspapers and only 10 per cent of its income comes from digital revenue. Therefore, companies such as Trinity Mirror cannot move away from the world of print, but they will certainly see a shift in that balance over the next few years...If we have super fast broadband... that will change the situation significantly*¹⁶

*If 'online only' cannot be made to work from a financial perspective, a paper's online presence may need to be reduced significantly to encourage people back to the physical product. Japan's newspapers have always restricted their online presence, and its titles have suffered a lower decline in readership and advertising than its North American and European peers. It could be several years, however, before readers are prepared to pay for content that was previously free*¹⁷

¹⁴ NWN Media – Barrie Jones, oral evidence 05.02.09

¹⁵ Professor Bob Franklin – written evidence – The future of newspapers; a comparative assessment BSC(3)-03-09

¹⁶ Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

¹⁷ Deloitte Media Predictions TMT Trends 2009

<http://www.deloitte.co.uk/TMTpredictions/attachments/TMT-Predictions-media.pdf>

A changing business model

9. The online business model requires a different approach because the opportunities to make money are fewer and distinct to those with print media. Dr. Williams explained to us the three methods through which newspapers may potentially be able to make money from digital journalism¹⁸:

- **From direct advertising** – in the same way as traditional newspapers make money. Whilst this model can contribute to the business model it is unlikely to be able to completely support the business because even in the best case scenario, to advertisers, a web reader is worth significantly less than a print reader (estimated ratios range between 1:5 – 1:100 of the value of an online reader to a print reader). The internet is a much larger market place and the dominance advertisers enjoy in print is simply not there online. Most online advertising money goes directly to ‘digital natives’ such as search engines
- **Through online subscription** – selling content in the same way as you do with a newspaper. Unfortunately for the industry, this approach does not wash with consumers – most news websites are free, apart from the Financial Times online and the Wall Street Journal online, the latter of which is due to change from a subscription service to a free one
- **Through newspaper brand endorsement** – essentially the brand of the newspaper cultivated by its reputation for providing quality content supports the sale of classified advertising space – selling cars, houses, upmarket holidays and lonely-hearts services

10. Dr. Williams’ view was that for this approach to work, it had to go hand in hand with good quality journalism.

11. Media Wales explained that its business model has already been evolving to include a significant web element:

We are looking at growing our audience and although circulations have fallen there is enormous growth in online traffic. It is our job to ensure that newspapers and websites work well together so that they complement each other and serve the needs of the audience

We have had many visitors from other newspaper groups who have come to see what we have done, and others are now following. That suggests we are running the business in an expert way and that we have a model that other people are copying¹⁹

¹⁸ Cardiff University – Dr. Williams, oral evidence 22.01.09

¹⁹ Media Wales – Alan Edmunds, Editor, oral evidence 22.01.09

12. The internet seems to be a difficult issue to address for newspaper groups and we did not receive any conclusive evidence from witnesses that it would be able to provide a financially sustainable and complementary medium to printed newspapers.

13. Is it concerning that the internet is not yet producing sustainable revenue for newspapers? Maybe not – perhaps a profitable internet news model will emerge as the news environment changes. Professor Franklin explained how Rupert Murdoch developed his *BSkyB* business:

It is clear that he used profits from The Sun, one aspect of his empire, to fund the fledgling BSkyB production. Now the operation stands on its head and the super profits from Sky fund the ailing print wing of the operation²⁰

14. There are of course examples of successful and well run online news sites, but even then there is little evidence to date that any of them produce any profit for their owners:

It is no accident that the news websites that have done very well in this country, such as the Guardian's and the BBC's website, have seen massive long-term investment in online news staff as well as technology and they have also been protected from the marketplace because they do not have to pay out to shareholders²¹

15. Alan Edmunds from Trinity Mirror was optimistic about the prospects of the internet and refuted that operating in the online world had negative consequences for journalistic quality:

Wales Online is by far the leading commercial news website in Wales and I think that you will find that we have a growth in traffic of about 29 per cent per annum...Has the quality of journalism decreased? Speaking as an editorial director and a journalist who has worked in Wales all my life, I would say absolutely not²²

16. Barrie Jones from NWN was also confident that his company's online model will be successful in the future:

We are making a profit, but obviously we want to grow it... It is still quite small in terms of our overall profit, but we expect that to change quite significantly in the next 18 months²³

17. He went on to explain how NWN media's developing web-model could work symbiotically with its print titles:

We write online in a way that engages debate in a very immediate way. There was a time, some years ago, when we would have been wary of putting our

²⁰ Professor Bob Franklin – oral evidence 05.03.09

²¹ Cardiff University – Dr. Williams, oral evidence 22.01.09

²² Media Wales – Alan Edmunds, Editor, oral evidence 22.01.09

²³ NWN Media – Barrie Jones, oral evidence 05.02.09

*best stories online immediately, thinking, 'This is going to sell papers', but those days are gone. Nowadays, if a story breaks, it goes online first. Often, the story goes online first and because of the interaction that we have with the public, by the time that it goes into print, it is a better story...when it works it can benefit both areas*²⁴

The 'minimax' business model

*Local newspaper groups have operated a minimax business strategy designed to deliver high profitability by maximising revenues and minimising costs*²⁵

18. The high profit culture that has developed in the newspaper industry is characterised by this 'minimax' business model, achieved by consolidating titles, reducing staff numbers and 'upskilling' journalists to be competent across a wide range of media applications.

Consolidation

19. In order to trim costs and in response to the current financial climate, newspaper businesses have been consolidating their papers. Consolidation works by cutting costs, pooling resources and cutting out duplication.

20. There are several examples of consolidation in the industry. For example, Trinity Mirror recently merged its Media Wales operation with the north-west region of Trinity Mirror to create a consolidated region with one regional managing director in Liverpool. Consequently, for the first time in their history, the Western Mail and sister titles will be managed from outside Wales, meaning crucial decisions affecting the company are taken outside Wales.

21. In addition to this consolidation, Media Wales has made structural changes to its business at a local level which included closure of district offices. When challenged about this, Alan Edmunds said:

*We have closed the district offices but we are talking to other groups in the community about creating drop in centres. People can still interact with the newspapers locally, but our decisions about those offices are informed by experts in running newspaper businesses and securing a thriving future for those local papers*²⁶

22. The NUJ sees this process of consolidation as an assault on the quality of journalism prevailing in newspapers. On the merging of Media Wales with Trinity Mirror North West and North Wales Ltd.:

²⁴ NWN Media – Barrie Jones, oral evidence 05.02.09

²⁵ Professor Bob Franklin – written evidence BSC(3)-03-09, Paper 2

²⁶ Media Wales – Alan Edmunds, Editor, oral evidence 22.01.09

...we are concerned about that issue and we want to ensure that it does not impinge on the ability of our Welsh newspapers to maintain a distinctly Welsh perspective²⁷

23. Newspaper executives take a different view – that consolidation offers an opportunity to cut costs and maintain quality whilst also ensuring the business remains profitable and sustainable in the current environment:

In the context of Wales, [consolidation] will allow us to bring in resources to benefit the business which in all honesty we would have struggled to do if we had remained a single entity within the wider structure of Trinity Mirror plc²⁸

24. All newspaper executives we spoke to saw consolidating measures as a key survival tool moving forwards and confirmed they are likely to continue in the coming months and years:

I have no doubt that in a year's time there will be fewer newspapers in Wales than there are now...At the moment, there are four big newspaper chains in Britain...There are plenty of financial analysts who will tell you that the big four will have to become the big two to survive²⁹

25. Reacting to the charge that consolidation may create undesirable monopoly situations, Mr. Steacy, Regional MD of Newsquest said:

There is this impression that we cannot have bigger groups because they will have too much control over the marketplace, but the reality is that if [my editor] does not provide products our readers want and think are good value, they will not purchase them...if you try to use your market dominance to drive pricing and you overprice yourself in a market, competitors will naturally come in³⁰

Reducing staff numbers

26. Cutting staff numbers cuts production costs. Making newspaper businesses 'leaner' was happening before the economic crisis to maximise profits:

In 2003 Media Wales declared that it had 826 employees. By 2007 the number of employees was down to 553. In the course of 2008, we estimate there were at least another 65 job losses³¹

27. And particularly now as the economic downturn is biting:

I have probably by the end of this quarter reduced my total staff by around 20 per cent³²

²⁷ National Union of Journalists – Martin Shipton, Oral evidence 22.01.09

²⁸ Trinity Mirror – Sara Wilde, Regional Managing Director, Media Wales, Oral evidence 19.03.09

²⁹ Nothcliffe Media – Spencer Feeney, oral evidence 19.03.09

³⁰ Gavin Steacy – oral evidence 19.03.09

³¹ National Union of Journalists – written evidence

28. However, as Professor Franklin stated in his written evidence, when ‘trimming the fat’, you have to be careful not to also ‘trim the muscle’ – a charge he makes against the newspaper industry:

...my predecessor sent a questionnaire to regional and local newspaper editors asking them which skill they most wanted from journalists working with them on placement and the answer he received was – the ability to re-write a press release!

Newspaper companies now give reporters a quota. Stories drop into a category and newspapers specify the number of phone calls that reporters can make and the number of sources they can quote, word length and the number of stories they have to write per shift, which has gone up threefold, fourfold and fivefold in many places...journalists are treated almost like people who fill in the gaps between the text...so the integrity of journalism is lost and its capacity to challenge is deeply compromised by these working procedures that derive from understaffing, undercapitalisation and from fostering the wishes of shareholders rather than readers³³

29. Newspaper executives unsurprisingly took a different view and told us they were acutely aware that they have to maintain the quality of their products and the value of their editorial staff in doing so:

...against last year we have probably lost one editorial member of staff. That is not because I am being soft with the editorial staff in a managerial sense; it is because we need a certain amount of staff to do news gathering and the production in creating and designing the pages...therefore you reach a threshold and irrespective of revenue coming into the business, you still need that amount of people to generate news and create newspapers³⁴

‘Upskilling’ journalists

30. There is a clear trend towards journalists becoming skilled across a range of different platforms:

All of our journalists are multimedia journalists now and fully trained in shooting video reports for example. All of our production journalists are fully trained in editing video reports and slide shows...³⁵

31. Newspaper executives refute the view that this negatively impacts on quality, acknowledging the changing pressures on the media environment, arguing that they are changing with the times, which means changing how journalists work and how they are trained:

³² Gavin Steacy – Regional Managing Director, Newsquest, oral evidence 19.03.09

³³ Professor Bob Franklin – oral evidence. 05.03.09

³⁴ Gavin Steacy – Regional Managing Director, Newsquest, oral evidence 19.03.09

³⁵ SWW Media Ltd – Spencer Feeney, Editor in Chief, oral evidence 19.03.09

Times change and when you change as a business and change the way that you work, the responsible thing to do is to achieve that at the optimum cost in the most efficient way possible. What we do is very strategic and totally focussed on our customers – our readers and our advertisers – because delivering to them is how we make a successful business³⁶

Moving forward

32. The current balance of the ‘minimax’ model appears to be unsustainable. During the times of plenty the model delivered high rates of return for shareholders for a long period of time.

...newspapers have been treated as a milk cow by the major news corporations and the regional and local news companies. Trinity Mirror is probably one of the worst culprits, but they are all in the same boat.³⁷

33. However, newspaper groups will have to change their business models to survive. Maybe the high profits of the recent past are unsustainable going forward:

‘Investors should be told that there is a future for the industry, albeit with lower profit margins. The levels of profitability achieved would still be seen as very high in almost every other industry. In the 26 weeks to August 2008 for example, the pre-tax profit margin of Tesco plc was 5.66%’³⁸

34. Dr. Williams proposes focusing on the ‘Reithian triad’ approach to the newspaper business which should include a public service element and contribute to the functioning of a democracy by educating and informing as well as entertaining.

35. The ‘educating’ aspect of Reith’s principles is less directly connected with profit making and suggests newspapers’ roles should include telling people what they *ought* to know, not just what they demand. Professor Franklin describes this as a voyage of discovery:

It is the difference between going to Hay on Wye or the Amazon website for a book. If you know what you want, Amazon is fine, but if you are just looking around, just fishing, if you are culturally interested and looking to be engaged, you go to Hay³⁹

36. To create a sustainable business model, Dr. Williams suggested the ‘investment in journalism model’ which is:

One which takes some of the very large profits that have been made and reinvests them in the core product.... Much of the academic research around

³⁶ Media Wales – Alan Edmunds, Editorial Director, oral evidence 22.01.09

³⁷ Cardiff University – Dr. Williams, oral evidence 22.01.09

³⁸ National Union of Journalists – written evidence

³⁹ Professor Bob Franklin – oral evidence 05.03.09

*this issue suggests that this is the best and most sustainable way of doing this*⁴⁰

37. Tindle News has traditionally taken this approach. As a private company with one shareholder, Sir Ray Tindle, it is free from the shackles of shareholder demands that the other big players have to manage. The Tindle approach is to plough profits back into the business:

*The majority of profits go into reserves so that when hard times come, like this winter, when suddenly everything collapses, we can use them. We have newspapers with lots of property advertising – there is one where £1 million of property advertising was wiped out in one go. That hurts, but we have the reserves so we batten down the hatches, lower spending and keep the papers while they are still producing a profit, although it might be a reduced profit and our reserves might decline*⁴¹

38. This is an approach that has been proven through six previous recessions. Tindle News told us that each time they have emerged the other side stronger than before.

Other barriers for newspapers

39. There are a range of issues that governments and institutions including the National Assembly for Wales and the Welsh Assembly Government can exert influence over.

Disengagement with politics

*...the Assembly's need, as a still relatively new and novel institution, to develop a deep level of engagement with the public has represented a large and pressing challenge. In its first decade it has faced the challenge of writing itself into the narrative of people's lives from a standing start, and in the context of a public disengagement from politics that afflicts most democracies in the developed world...*⁴²

40. Public disengagement with politics and the political process is a widespread problem, not just a Welsh problem, but in Wales there are further complications. The last 10 years has been a period of significant change starting with devolution in 1999, establishment of the National Assembly and a new political system, followed by the second Government of Wales Act in 2006 and new law making powers.

41. The unique political situation in Wales is virtually invisible to many UK-wide media groups. The Minister described this as the 'almost total absence of references to Wales in the news pages of London

⁴⁰ Cardiff University – Dr. Williams, oral evidence 22.01.09

⁴¹ Tindle News – Brian Doel, Managing Director – oral evidence 05.03.09

⁴² Heritage Minister – written evidence

newspapers'. The Welsh Assembly Government's Broadcasting Advisory Group⁴³ drew the following conclusions about the state of print journalism:

- No London newspaper publishes a Welsh edition. Nearly 90% of daily newspaper readers in Wales are reading papers with no Welsh content
- Taking into account the heightened democratic and cultural needs of a country experiencing newly devolved government, the totality of media provision in Wales must contribute to and fully reflect:
 - a properly informed democracy, able to access high quality reportage, analysis and investigation from a variety of professional sources
 - a culturally rounded society, for which the media provide adequate room for full and varied expression
 - a visibly creative economy in which the media pioneer innovation and are a driver of the creative industries

42. Addressing public disengagement with politics and in particular, Welsh politics is essential and newspapers are a valuable tool in stimulating debate and increasing engagement.

43. The National Assembly for Wales can educate the public about the role it plays (and that of the Welsh Assembly Government). However, newspapers also have a role in reporting politics without simply regurgitating press releases from government, councils and the National Assembly. We think there is a role here for a new body to assist in providing objective and accurate copy to Welsh newspapers – the 'Welsh Media Commission'. This is explored in the Communities and Culture Committee's Broadcasting report which includes a recommendation to the Assembly Government and the UK Government to create such a body.

Cross media ownership rules

44. The 'cross-media ownership rules' are currently the focus of attention by media groups including newspaper groups as potentially offering a solution to the difficulties being faced by the print industry. The ownership of different media platforms is governed by rules administered by the Department of Culture, Media and Sport (DCMS). These are described below:

⁴³The Welsh Assembly Government established the Broadcasting Advisory Group last autumn primarily to examine the problems currently being faced by broadcasters in Wales, however as these developments are inextricably linked with the state of print journalism, the group commented on the print media. http://www.assemblywales.org/bsc_3_-02-08_-_paper_2_-_e_-_welsh_assembly_government_-_broadcasting_advisory_group_report.pdf

Department of Culture Media and Sport (DCMS) – current cross-media ownership rules

- *DCMS can intervene and prevent media mergers where it feels they are not in the public interest*
- *Ofcom reviews media ownership rules at least every 3 years and makes recommendations to DCMS on necessary reforms*
- *There is a national '20%' rule:*
 - *no one controlling more than 20% of the national newspaper market may hold any licence for channel three*
 - *no one controlling more than 20% of the national newspaper market may hold more than a 20% stake in any channel three service*
 - *a company may not own more than a 20% share in a channel three service if more than 20% of its stock is in turn owned by a national newspaper proprietor with more than 20% of the market*
- *There is also a regional '20%' rule: no one owning a regional Channel 3 licence may own more than 20% of the local/regional newspaper market in the same region*
- *Rules on local radio ownership will ensure there are at least three/local/regional commercial media voices (in TV, radio and newspapers) in addition to the BBC in developed markets.⁴⁴*

45. All newspaper groups we heard from were clear that the current rules on cross-media ownership are unnecessarily restrictive and lifting them could offer new opportunities for newspaper companies:

'newspaper companies cannot own television companies, unless you are in the privileged position of being Rupert Murdoch and of owning a satellite television company. [...] The media companies are keen on moving to a situation where there can be cross-media ownership. We advocate that if such relaxation is to be granted, these media companies ought to guarantee and commit to the quality of the material that will be produced in future, including the newspaper titles involved in such merged companies'⁴⁵

46. Trinity Mirror also indicated it would support relaxation of the cross-media rules. This would provide the opportunity to explore potential new partnerships:

'The Competition Authority's definition of the marketplace is narrow and outdated; competition laws as they apply to newspapers ignore the modern

⁴⁴ DCMS Website - http://www.culture.gov.uk/what_we_do/broadcasting/3174.aspx

⁴⁵ National Union of Journalists – Martin Shipton, Oral evidence 22.01.09

*broader media landscape and regional newspapers play just one part in that. The authority is rightly concerned about plurality of voice in the newspaper market and the danger of news becoming homogenised, but in the modern multimedia world, media is becoming increasingly local so plurality of voice is increasing in any case. Competition law as it currently stands runs the risk of seeing the disappearance of vulnerable titles*⁴⁶

47. There is clearly an appetite for cross-media collaboration or at least exploring the possibilities of potential partnerships, however, not all agreed that relaxation of cross-media rules was a good thing. Professor Franklin's view was that changes in ownership profiles were extremely rapid through the 1990s and in particular, the internet is now being 'corporatised' and 'conglomeratised' globally with damaging consequences. Professor Franklin cites an example of a newspaper group consolidating printing in one location to generate cost efficiencies and causing papers to be 'sat on a truck' for three hours, with the consequence of shrinking the news day:

*Someone said to me: 'we're publishing yesterday's news tomorrow'. The whole notion of a daily newspaper has slipped*⁴⁷

48. Professor Franklin also expresses reservations about the potential for monopolies being able to be developed across media platforms if the rules are relaxed and that corporations will push the boundaries as far as they can:

*...banks are suggesting to media companies that they ignore existing competition regulations which they see as primitive and as not suitable for the digital age because monopolies are understood within geographical boundaries...I think that big financial institutions are recommending a sort of 'gung-ho' challenge to existing regulation along the lines of 'see what they do, call their bluff'*⁴⁸

49. Whilst we recognise these concerns, we consider it is difficult to see how there could be a solution to the 'newspaper problem' without some modification of the cross-media rules playing a part. We believe that partnerships could be formed to maintain the sustainability of printed and other media. The Institute of Welsh Affairs summed this up well:

*There is something to be said for enabling some of the strengths of newspapers such as the Western Mail and Daily Post to be used to strengthen news coverage on commercial radio. Commercial radio does not usually make a profit. It is in a precarious position; journalism on commercial radio is on the whole, weak. If there were a means for some of these companies to assist each other, journalism in commercial radio could be strengthened*⁴⁹

⁴⁶ Media Wales – Alan Edmunds, Editor, oral evidence 22.01.09

⁴⁷ Professor Bob Franklin – oral evidence 05.03.09

⁴⁸ Professor Bob Franklin – oral evidence 05.03.09

⁴⁹ Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

50. However, we particularly understand concern about the potentially detrimental effect on plurality, which is why we are recommending the UK Government explores how it may be able to relax the rules whilst maintaining plurality.

Recommendation 1:

The Welsh Assembly Government should make representations to the UK Government seeking assurances that cross media rules are relaxed to allow exploration of new partnerships

Recommendation 2:

The Welsh Assembly Government should make representations to the UK Government seeking assurances that any move to relax regulations relating to cross-media ownership should be accompanied by measures to protect plurality of local media

Improving government support

51. Governments can intervene when a market is failing, for example when what the market is offering is perceived to be essential, and without intervention, would disappear. The contribution newspapers make to society, we think puts them in this category. We heard evidence of several ways in which governments can intervene in the newspaper industry.

52. Newspapers are helped and supported by governments in other countries to ensure their survival:

...a number of countries across the world give grants to newspapers. Scandinavian countries do quite a lot of that and they offer a grant for production and distribution. In Sweden, I believe that there is a particular grant for distributing newspapers on Saturdays, particularly in rural areas⁵⁰

53. The French also have a system of distributing grants to newspapers:

...the value-added tax on newspapers in France is lower and journalists can even travel on the railways for half the price. I am sure that that would be attractive to many of them over here⁵¹

54. The Welsh Assembly Government provides grants to Welsh language publications because of the need to sustain the Welsh language but it does not do so for English language Welsh publications:

⁵⁰Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

⁵¹Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

*We give grants to a number of magazines in Wales, most of which are in the Welsh language, and most of which are literary, cultural journals. Perhaps we do not pay enough attention to our political culture*⁵²

55. Support for Welsh-medium publications provided by the Welsh Assembly Government is in the order of £173,000 per year, channelled via the Welsh Books Council specifically to three publications in the field of news and current affairs (Barn, Golwg, Y Cymro).⁵³

*...if we are to provide any assistance in the future, it has to be specifically targeted, as the Assembly Government has done with online Welsh medium news content through its subsidy to Golwg Ltd. The Assembly Government may have to consider to what extent it is prepared to do something similar through the medium of English*⁵⁴

56. We agree with this view that we do not pay enough attention to our 'political culture' and the Welsh Assembly Government should investigate providing similar support to English language Welsh newspapers, in view of their current precarious positions.

57. We also heard evidence of problems with training journalists, which can be expensive and that journalism students can expect to earn below the graduate average when they commence work. This is a potential problem for newspaper groups:

*It costs youngsters £3,000 - £4,000 to go through Cardiff School of Journalism to achieve the level of pre-entry qualifications that I need...on training grants in our business, I would take anything that was on offer because training is costly, not only in money but also in time*⁵⁵

58. The Culture, Welsh Language and Sport Committee of the second Assembly made a recommendation that the Welsh Assembly Government should 'review the provision of publicly funded training courses for journalists both in further and higher education'. When asked about this the Welsh Assembly Government's director of culture provided a written note on how this recommendation has been addressed:

*WAG produces regular analyses of future national skills needs which inform our priority settings and decision making by our partners and providers. To date skills needs for the publishing sector have not been identified as being a priority area*⁵⁶

⁵² Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

⁵³ Heritage Minister – written evidence

⁵⁴ Institute of Welsh Affairs – Geraint Talfan Davies, Chairman, oral evidence 22.01.09

⁵⁵ Gerry Keithly – Regional Managing Editor, Newsquest, oral evidence 19.03.09

⁵⁶ Heritage Minister – supplementary written evidence 05.03.09

59. The training of journalists should be considered alongside other potential support mechanisms by the Assembly Government in a dialogue with newspaper companies in Wales.

Recommendation 3:

The Welsh Assembly Government should establish a dialogue with newspaper companies and unions to explore means of supporting English language journalism in Wales

60. Support can be provided to newspapers indirectly by placing advertising with them. The Welsh Assembly Government is a key customer for newspaper groups in Wales with the Western Mail in particular receiving significant advertising revenue from it.

*The majority of posts are advertised in the Western Mail and Echo and the Daily Post (Wales)*⁵⁷

61. Media Wales told us that many of its advertisers come from a public sector base, so this is clearly important to their financial health, although the Welsh Assembly Government is now using a different advertising strategy that has consequences for newspapers.

62. The Welsh Assembly Government has reduced its annual expenditure on advertising jobs from £811k in 2005/06 to £267k in 2007/08 – a significant decrease which is being driven by the high cost of advertising in the print media; a Cabinet Office drive to reduce advertising costs across the Civil Service and improved online technology for advertising and promoting jobs across the internet.⁵⁸

63. Whilst the Welsh Assembly Government's overall advertising strategy is to move more towards internet advertising which it sees as better value for money, it still has a statutory duty to advertise highway orders and notices in the national and local press (at a total cost exceeding £1M per annum).

64. Evidence we received from newspaper groups other than Media Wales indicated that local papers were receiving less than their fair share of this government advertising:

*One thing that is a real irritation for me is public notices that relate to say Newport not going into the Newport papers, even though we have the vast majority of readership, but being put in the Western Mail instead...I would ask that people be sensible in placing advertisements in publications that actually reach the public. That is the whole point of public notices*⁵⁹

⁵⁷ Heritage Minister – supplementary written evidence 05.03.09

⁵⁸ Heritage Minister – supplementary written evidence 05.03.09

⁵⁹ Gavin Steacy – oral evidence 19.03.09

65. This view was shared by all local newspaper groups that we spoke to:

We sometimes feel when money is spent on advertising, that our standing in the community in the north is invisible... there is a feeling that everyone will be covered by the Western Mail and the Daily Post. That is not true, and if you were to advertise for a specific job in Wrexham, although I am not a sales representative, I would strongly argue that, that advertisement should be in our paper⁶⁰

66. We see the value in these arguments and suspect that sometimes it is easier to 'tick a box' by advertising in the Western Mail. We are disappointed that the Welsh Assembly Government has not fulfilled the recommendation of the Culture, Welsh Language and Sport Committee's review of newspapers in 2005 and would like to see a broader approach to placing Welsh Assembly Government advertising in more local papers, advertising websites and taking account of all equality strands.

67. The Assembly Commission may also wish to consider its approach to advertising jobs.

Recommendation 4:

The Welsh Assembly Government should consider in its strategic approach to advertising taking account of the circulation and penetrations of newspapers involved and ensure that relevant titles are not overlooked. In doing this the Assembly Government should clearly communicate its advertising strategy to Welsh newspaper companies

Local authority newsletters

68. Many local authorities are producing their own newsletters. These are causing problems for local papers:

The use of public money to create such competition could have a highly damaging effect on the strength and viability of local newspapers already struggling with an array of competitive pressures. We find this use of public money to be at total odds with the desire for strong local media and democracy⁶¹

69. This view was shared by most of the newspaper groups we spoke to:

I take issue with the idea of councils producing objective newspapers. Councils are producing newspapers that reflect the political opinion of the leading party and its policies... a publicly funded PR machine tries to take money away from the private sector by using public money to muscle its way into our business. That is completely wrong.⁶²

⁶⁰ NWN Media – Barrie Jones, oral evidence 05.02.09

⁶¹ Trinity Mirror – written evidence

⁶² Gerry Keithly – Regional Managing Editor, Newsquest, oral evidence 19.03.09

70. We agree that this is not an appropriate use of public funds and may be damaging to the newspaper industry in Wales, especially if it serves to compete with local papers to provide advertising space.

The Welsh Media Commission

71. During this inquiry, the Broadcasting Sub-committee and its parent committee (the Communities and Culture Committee) were simultaneously carrying out an inquiry into Broadcasting in Wales. Public Service Broadcasting is facing serious challenges mainly to the plurality of provision in Wales, echoing the difficulties being faced by the newspaper industry.

72. During that inquiry it became clear to us that a 'Welsh Media Commission' could offer a solution to the problems faced by both the broadcasting and newspaper industries. Our witnesses agreed with the sentiment of such a body:

*'It would be a good idea if the Assembly were to establish some kind of media forum, because, as well as the newspaper industry being under threat, there are turbulent times ahead for the broadcasting industry'*⁶³

73. Barrie Jones from NWN talked about improving the quality of journalism in Wales and that the Welsh Assembly Government could play a positive role in this:

*If we start with the quality of the journalism, we need good regional debate about regional issues. We would ask the Assembly to support that wherever possible – I am sure that we would get that support – and where that is missing, to identify that lack'*⁶⁴

74. He went further to say:

It would be good to see a stronger opinion from the Assembly on where we are right and wrong, and what it is trying to do to improve the situation... So, the Assembly could change attitudes even more, if only to offer an opinion by saying, for example, 'We have read what you said in your paper last night, and it is wrong—this is how things are, and it is important that people in the area understand that'

75. The Welsh Media Commission may be the right place for this debate to take place. Proposals for a Welsh Media Commission are set out in our parent committee's broadcasting report.

⁶³ National Union of Journalists – Martin Shipton, Oral evidence 22.01.09

⁶⁴ NWN Media – Barrie Jones, oral evidence 05.02.09

Summary

76. The challenges facing the newspaper industry are wide-ranging. What is clear is that if no action is taken on any level by any stakeholders, the newspaper industry could well face extinction. Survival is dependent upon rapid evolution and reaction to these pressures. Any successful solutions are likely to be equally wide-ranging and we hope the newspaper industry and governments act quickly and appropriately to safeguard newspapers in Wales and the valuable contribution they make.

Organisations and individuals who gave evidence in person to the Committee

Presenter	Organisation	Transcript Paragraph Reference
22 January 2009		
<ul style="list-style-type: none"> • Martin Shipton • Dr Andy Williams 	National Union of Journalists Cardiff University	6-142
<ul style="list-style-type: none"> • Alan Edmunds, Editorial Director 	MediaWales, Trinity Mirror	93-142
<ul style="list-style-type: none"> • Geraint Talfan Davies, Chairman 	Institute of Welsh Affairs	146-185
5 February 2009		
<ul style="list-style-type: none"> • Barrie Jones, Editor-in-Chief 	NWN Media	8-71
5 March 2009		
<ul style="list-style-type: none"> • John Howells, Director of Culture 	Welsh Assembly Government	8-61
<ul style="list-style-type: none"> • Professor Bob Franklin 	Cardiff University	63-130
<ul style="list-style-type: none"> • Brian Doel, Group Managing Director 	Tindle Newspapers Limited	133-186

19 March 2009		
<ul style="list-style-type: none"> • Gavin Steacy, Regional Managing Director 	Newsquest	4-89
<ul style="list-style-type: none"> • Gerry Keighley, Regional Managing Editor 	Newsquest	37-89
<ul style="list-style-type: none"> • Spencer Feeney, Editor-in-Chief 	South West Wales Media Limited	93-137
<ul style="list-style-type: none"> • Sara Wilde, Regional Managing Director, Media Wales 	Trinity Mirror	139-218

Schedule of Committee Papers

Date	Name of Organisation	Paper Reference Number
22 January 2009	National Union of Journalists	BSC(3)-01-09 (p1)
22 January 2009	Institute of Welsh Affairs	BSC(3)-01-09 (p2)
5 February 2009	NWN Media	BSC(3)-02-09 (p2)
5 March 2009	Welsh Assembly Government	BSC(3)-03-09 (p1)
5 March 2009	Cardiff University	BSC(3)-03-09 (p2)
5 March 2009	Cardiff University	BSC(3)-03-09 (p2a)
5 March 2009	Tindle Newspapers Limited	BSC(3)-03-09 (p3)
19 March 2009	Trinity Mirror	BSC(3)-03-09 (p1)

Copies of all papers and transcripts can be found at:

http://www.assemblywales.org/bus-home/bus-committees/bus-committees-third1/bus-committees-third-bsc-home/bsc_3_agendas_papers.htm