



Japan Local Government Centre, London

Monthly Report for August 2009 (Britain) – Local media

As a consequence of the global recession, local media in Britain is suffering from its most acute crisis in a generation. A recent report by the Office of Fair Trading (Review of the local and regional media merger regime, June 2009) argues that the local and regional press is “facing very significant structural and cyclical challenges to its traditional business model”, due to shortfalls in advertising revenue income on account of “traditional advertisers moving to online and innovative platforms, and the current economic crisis [exacerbating] this decline”. Furthermore, the impact has been “worse still for some of the larger newspaper groups who are highly leveraged, as a result of heavily debt-financed past consolidation.” In all, local newspaper revenues have fallen 29% in real terms since their peak in 2004, calling into question the long term viability of an industry based on advertising revenues (80% of local newspaper revenues are derived from advertising.) While the internet’s share of the advertising market has risen from 1% in 2000 to a fifth in 2008, newspaper websites have only seen a modest rise in their own revenues.

Local newspapers are significant employers in their own right, with 30,000 people employed in the sector, which generated £3bn to the national economy in 2008. Overall, there were (as January 2009) 1,145 weekly local or regional titles and 124 daily newspapers in the UK. In terms of geographic markets, in nearly 37% of local authorities one publisher accounts for 90% of the total circulation, while nationally five large media groups account for 72% of the total circulation. The readership of local newspapers fell by 20% between 2001 and 2009, adding further pressure on the market. Furthermore, the National Union of Journalists blames a crisis in the journalism profession on the behaviour of the larger media groups, who pay below market salaries and suppress union activity on local papers, for a steady stream of talent from the profession, leading to poorer quality papers and damage to local democratic accountability.

Current rules on media ownership prevent the possibility of cross-media ownership (eg. ownership of both a local radio station and local newspaper in the same area), which critics argue prevents necessary mergers of companies which could otherwise operate viably at the local or regional level. The OFT review therefore examined the current regime and while arguing that its justification had been to prevent media monopolies from offering “poorer value for money to customers”, there was a case for more flexibility for the sake of the health of the market when assessing individual media mergers. However, it recommended no further legislative change and that any change should be left to the ongoing Ofcom review of Media Ownership Rules.

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In its June 2009 *Digital Britain* White Paper, the Department for Culture, Media and Sport announced that the Audit Commission would be tasked with investigating whether or not local authorities have acted “against the public interest” by shifting their advertising revenue to their own in-house newspapers, which have increased substantially in scope recently. The white paper said: *“While local authority information sheets can serve a useful purpose for local residents and businesses, they will inevitably not be as rigorous in holding local institutions to account as independent local media... the Government is therefore inviting the Audit Commission to undertake a specific inquiry into the prevalence of this practice, its impact and to make recommendations on best practice and if restraints should be placed on local authority activity in this field.”* Culture Secretary Ben Bradshaw MP said: *“We are asking the Audit Commission to examine the practice of local authorities spending quite a lot of council tax payers' money putting out free newspapers and, in the process, swallowing up a lot of local advertising that might otherwise go to local papers.”* However, in September 2009, the Audit Commission said its investigation would assess the value for money of council communications overall, rather than just the state of the local newspaper market.

The Local Government Association has long denied any connection between council newspapers and the state of the local newspaper market, arguing that the two formats are different from each other and not in direct competition, with Chairman Cllr Margaret Eaton saying: *“A typical council publication is distributed four or six times a year, and does not operate as a rival. The growth of the internet has had a far bigger impact than council newspapers... With the best will in the world, the local media cannot provide the same amount of information about how to access services as a dedicated council publication can.”*

While the traditional local newspaper faces something of a decline, media giants such as Google and newspaper group Trinity Mirror are stepping in to occupy the void surrendered by the market. Google is now working with both the Society of Information Technology Management (the professional body for local government IT staff) and LG Comms (which represents council PR officers) on a project to develop local news media on the internet for the benefit of local communities. Trinity Mirror, on the other hand, has gone into partnership with the Press Association to launch a new media platform to scrutinise local councils, harnessing citizen journalists. A pilot scheme is being developed on Merseyside, intended to allow for independent monitoring and reporting on stories related to local councils, health trusts and the police. The scheme’s backers argue that this is not intended to replace existing local media but plug the gap vacated by it in terms of reporting of local institutions over the past decade and the scheme could be extended to other local areas where there is a coverage deficit of local public affairs, subject to funding being available. The Press Association said: *“The aim of the pilot is to prove the worth of a publicly-funded, local, editorial resource.”* while Trinity Mirror added: *“We applaud the Press Association for taking the lead in exploring new ways of extending the traditional role of local and regional newspapers in holding public bodies to account, which is hugely important in our democracy.”* The Local Government Association also

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welcomed both initiatives: *“We are all in favour of a healthy local media because it helps local democracy.”*

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