



DEPARTMENT FOR CULTURE, MEDIA AND SPORT

**Government Response to the
Culture, Media and Sport Committee
Report on the Future for Local and
Regional Media**

*Presented to Parliament by the
Secretary of State for Culture, Media and Sport
by Command of Her Majesty
June 2010*

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Government response to the Culture, Media and Sport Committee Report on the Future for Local and Regional Media

The Government welcomes the Committee's report: *Future for local and regional media*.

The Government is grateful to the Committee for its inquiry into local and regional media and welcomes the detailed consideration the Committee has given and the extent of evidence it has taken in formulating its conclusions and recommendations.

The Government has carefully considered all the recommendations and is delighted to present its response.

Regional and Local Newspapers

1. We welcome the BBC's proposals to increase the number of external links on their websites. We recommend that every local BBC website should link to the local newspaper websites for that area. (Paragraph 37)

While this is a matter for the BBC, the Government would welcome any changes to local BBC websites which enabled local people to easily access a range of local information from different websites .

2. The long term impact of the recent loss of advertising income streams on local newspapers remains to be seen. The economic downturn shows signs of recovery, and this should manifest itself in some recovery of advertising revenues for local newspapers. However the adverse impact that the growth and popularity of the internet has had on newspaper purchasing and advertising does not look set to reverse. There is a significant generational shift in reading habits, and the internet is fostering a younger generation of electronic news consumers on which newspapers need to capitalise. (Paragraph 40)

The Government recognises the challenges facing local newspapers as a result of fragmenting audiences and shifts in advertising revenues. This challenge is increasingly being met head on by some newspapers who are seeking to commercialise or change their distribution patterns and traditional business models. The Government recently accepted Ofcom's recommendation to relax the rules on cross media ownership and intends to go further in helping local newspapers adopt new cross platform business models that demonstrate robust viability in the digital age.

3. Local newspapers have recently suffered from an unprecedented downturn in revenues. Some local newspaper publishers have profited from diversifying their online presence with advertising websites such as Jobsite and Fish4, however, the industry is still in a precarious position. The state subsidy of national and local newspapers, as has been seen recently in France, is not the solution. Newspapers should remain independent of state funding and control and attempt to profit from diversifying their online presence as best as they can. (Paragraph 41)

Newspapers at all levels have an important role in the democratic process in the UK. The Government agrees with the Committee that newspapers should remain independent of state funding and control and does not intend to subsidise newspapers.

4. The evidence we have heard from local media groups about the need to modify the merger regime and cross-media ownership rules is persuasive. We welcome the recommendations made by Ofcom in their report to the Secretary of State on media cross-ownership rules, and urge the Government to implement them. However we believe more far-reaching reform is needed. In order for local newspapers to survive in a changing economic and technological world, they need to be regarded as competitors in a multi-media landscape. Despite the evidence given by the Office of Fair Trading, we believe that the current media merger regime does not fully reflect this. We recommend that the Government re-examine the arrangement by carrying out a consultation on a possible multi-media merger regime. (Paragraph 57)

The Government is bringing forward secondary legislation to liberalise the cross-media ownership rules at the local level as quickly as possible following Ofcom's recommendations and the Secretary of State's speech on 8 June. The Government agrees with the Select Committee and is currently examining whether further liberalisation of media merger rules should be implemented at a local level.

5. There is a real problem with local authority newspapers and magazines that needs to be addressed. While it is clear that most of these publications, such as Portsmouth City Council's Flagship, are legitimate communications from a council to its citizens, this cannot be said for all local authority publications. Publications such as Hammersmith and Fulham Borough Council's H&F News effectively pose as, and compete with, local commercial newspapers and are misleading to the public. It is unacceptable that a local authority can set up a newspaper in direct competition to the local commercial newspaper in this way. Nor should any council publication be a vehicle for political propaganda. (Paragraph 73)

6. The current DCLG guidance in this area is currently being breached. The DCLG should set up a system to monitor this situation closely. However we believe these guidelines, even if adhered to, do not go far enough. There should be specific, detailed guidance for local authority newspapers and magazines which should state that it be mandatory that all publications of this type make clear, not only on the front page but throughout the publication, that they are a local authority publication. (Paragraph 74)

Councils should be at the heart of providing innovative and better value services to the public. Local councils are under a duty to communicate with their local communities on matters such as planning applications and other statutory notices. In addition, many councils choose to communicate with the local public in innovative and engaging ways that reduce costs for the council tax payer. Good communication between a council and its community is an essential part of ensuring an informed democracy.

However, plural independent local media are essential to hold locally elected politicians to account.

The Coalition Agreement states that the Government intend to impose tougher rules to stop unfair competition by local authority newspapers. The Government is consulting interested parties about these concerns and decisions will be announced in due course.

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

The Office of Fair trading may consider any issues of genuinely novel or unresolved issues of competition law. However, it is open to local newspaper groups to take legal advice on such matters accordingly.

The Office of Fair trading has stated that if it were approached by newspaper groups with evidence of commercial or consumer harm it would investigate further.

8. The importance of reporting on local institutions and local democracy cannot be overstated; without it there is little democratic accountability. This reporting must be independent and good quality in order to inform the public and maintain their confidence. (Paragraph 87)

9. Therefore we welcome the Press Association's proposals for public service reporting and the launch of their pilot project. This model could alleviate some of the pressure on local newspapers and could well be a solution to the gap that has emerged as local papers are increasingly too under-resourced to report on the daily activities in courts and local authorities. (Paragraph 88)

10. Despite the bleak reports we have heard about the future for local newspapers, we believe they will still be relevant for some time to come, not least because there is still a population of newspaper readers as well as digital 'have-nots'. However, to survive local newspapers need to innovate and invest in new technologies. Now more than ever people are turning to the internet and digital media for their news, providing an opportunity to for local newspapers to capitalise on their positions as longstanding local content providers. (Paragraph 89)

11. For a long time local newspapers have made relatively little change to their business models. Now, along with the other traditional media platforms of television and radio, they face a vast array of digital and internet services, providing relatively easy market entry, all vying for advertising revenue and readerships. While some economic factors are cyclical, other changes of a structural nature are likely to be permanent. As is clear from the evidence we have heard from local newspapers themselves, local newspapers must innovate and re-evaluate the traditional model of local print media in order to survive in the new digital era. (Paragraph 90)

12. It is anachronistic to distinguish between broadcast and non-broadcast journalism. There is a convergence towards multi-platform news journalism and therefore access to video footage of national events, which often have a local or regional angle, should not be exclusive to broadcasters. The BBC, ITN and Sky are all able to use the broadcast pool content online as well as on television and it is against the public interest to deny local and regional newspapers this opportunity. (Paragraph 96)

13. There needs to be clarity regarding who has access to footage from, what are currently, single camera assignments. If the members of the broadcast pool are not prepared to make the content available to the Press Association at a reasonable cost, then the Government should ensure the right of access for the Press Association digital pool reporters alongside the broadcast pool at national events. (Paragraph 97)

The Government agrees with the Committee that plurality in news is vital because it provides a range of voices and perspectives that people need and value. News and journalism help hold to account public institutions such as local authorities, health, education or police authorities and the courts. As this Government seeks to devolve more powers to local authorities and communities, local media will be even more important in holding these to account. The transparency and open data agenda will also give local media more information to consider, especially when councils start publishing all spending over £500.

The Government understands that following discussions, the BBC, ITN and Sky have agreed that all news organisations, including the Press Association, should be given access to broadcast pool material and be able to purchase the footage.

Regional News on Television

14. Existing, and potential further, reductions in regional news on channel 3 have serious implications for the maintenance of plurality of regional news on television. We are deeply concerned that ITV is already running into deficit with its PSB obligations for regional news production, and has suggested that, if left unaddressed, ITV may walk away from these. We welcome reports that the new Chairman of ITV may be reconsidering this strategy, but believe that, to support this, the PSB obligations and other regulatory burdens on ITV need to be reduced, if not removed. (Paragraph 114)

15. The situation with regional news on Channel 3 is in danger of reaching a crisis point that could jeopardise the plurality of regional television news. To protect this, a way of ensuring the continuation of a regional news service on Channel 3 needs to be found, offering an additional and alternative service to that provided by the BBC. It is unacceptable for there to be any situation in which the public is reliant on only one provider, the BBC, for regional television news. (Paragraph 135)

16. We therefore welcome the launch of the IFNC pilots. However, given the lack of cross-party support for IFNCs, their future is highly uncertain. (Paragraph 136)

17. It is vital that there is a continuation of a regional news service on Channel 3 until the introduction of IFNCs, and we are concerned that the time lag until IFNCs become fully functioning in 2013 may lead to a worrying deficit. If it is not financially viable for existing Channel 3 licensees to provide this service because the cost of doing so exceeds the value of their licences then other, non-regional, obligations of those licensees should be partially or completely suspended, in order to alleviate the financial burden and to ensure the continuation of regional news by existing Channel 3 licensees. (Paragraph 137)

18. Given the importance, of regional television news, we recommend that the final regulatory provisions for IFNCs make clear the priority that must be accorded to the replacement of the regional television news service within the respective Channel 3 regions, with provision via internet services and other outlets provided on an additional and complementary basis, although we recommend that the IFNC selection panel favour bids that also contain radio provision. (Paragraph 138)

The IFNC pilot procurement process developed by the previous administration had the benefit of stimulating innovative approaches among media companies. However, this Government believes the IFNC proposition is the wrong intervention. Public subsidy should not be used to prop up either failing business models or trying to meet the costs of regulatory obligations placed on commercial providers. Subsidy for regional news providers will not provide the right incentive for commercially sustainable local media.

Instead, the Government is looking at options for creating commercially sustainable local television as part of a healthy local media sector in the UK. The Government will be looking carefully at the issues around content, technical constraints and regulation as part of this work and intends to bring forward changes as quickly as possible.

Changes to PSB licence obligations and the implications of such changes are a matter for Ofcom in accordance with its statutory duties.

19. We are sceptical about ITV plc's support for IFNCs being contingent on their retaining the advertising in regional news slots as they also argue that there is little revenue to be gained from advertising around news. If the cost of fulfilling regional news vastly exceeds the revenue involved, we can see no reason why this small advertising revenue should not be allowed to help fund replacement for Channel 3 news providers. We recommend Ofcom and the OFT conduct more research on this. (Paragraph 139)

Ofcom are currently reviewing the airtime sales rules which looks at the ways broadcasters sell bundles of airtime for advertising. The outcome of this review will have significant implications for commercial public service broadcasters potentially having greater liberty to maximise commercial revenues from advertising. Ofcom's consultation closed on 7 June 2010 and they will report in due course.

20. The television licence fee is collected in order to fund public service television, which is not confined to the output of the BBC. Plurality of regional news provision is vital in a democracy, therefore we restate our support for the principle of public funding, and note the Government's existing suggestion that this could be met from that part of the income of the licence fee that is currently allocated to the digital switchover help scheme. (Paragraph 146)

21. Whatever the outcome of the discussions with Ofcom, plurality in local media must be the priority in any future partnerships that are forged between the BBC and other media groups. It would not be acceptable for a single news agenda to become the norm in the UK, whether it is driven by the BBC or anyone else. However the sharing of resources and experience in order to make cost efficiencies should be encouraged. The BBC should not expect extra funding in order to do this. (Paragraph 158)

22. We welcome Sir Michael Lyons' acknowledgement that the BBC has a duty to help other broadcasters although the BBC needs to be clearer about what this means in practice. We also believe that such a duty should be included in the BBC Charter However we would not support an expansion of public intervention or funding of the BBC in order for it to help other broadcasters. (Paragraph 159)

The Government welcomes the work the BBC has undertaken in partnership with other broadcasters and encourages the Corporation to seek further opportunities of this nature. The Government has no intention, however, of providing the BBC with any additional funding to support such initiatives.

23. It is unfortunate that the agreement between STV and ITV has deteriorated to the point where it has turned into a legal dispute. This can only be damaging to Channel 3. (Paragraph 167)

24. We regret that ITV did not take up the offer made by Ofcom to arbitrate in these matters. This is now a matter for the courts. Whatever the outcome we hope that it will clarify the network agreement and prevent any legal dispute in the future. (Paragraph 168)

Local Radio

25. We support Ofcom's proposals for deregulation, and support the notion that the localness of local radio is ultimately marked by its output. Local commercial radio stations should be able to co-locate if it is in the interests of cost efficiency and preserving a service to those local areas. (Paragraph 179)

The Digital Economy Act 2010 has relaxed the rules governing the local radio market, with the intention of promoting greater cost efficiencies, whilst retaining the provision of local content which listeners value. These changes have replaced the requirement that local radio stations be located within their licensed area with a much broader requirement to be located within a larger 'approved area'. This relaxation allows two or more local stations to co-locate studios and facilities so reducing the fixed costs of these businesses.

Local stations may also request a reduction in the number of locally made programme hours from 10 to 7 a day, provided they commit to providing up to date local news bulletins throughout daytimes on weekdays. This should have the effect of providing the flexibility to reduce the financial burden of developing local content, whilst safeguarding local news provision, which is highly valued by listeners. We will continue to keep the regulatory burden on commercial radio under review.

26. Striking the right level of localness in the local commercial radio sector is the key to its sustainability. In order to survive, commercial radio stations need to profit from their advertising revenue which will be spread too thinly if there are too many stations in an area or region. The local content of commercial radio is one of its most important attributes. It is worrying that so many smaller stations are currently operating at a loss, although the evidence we have heard suggests that this is in part because of an unsustainable expansion in the industry. Radio stations with coverage of less than 250,000 people are in a precarious position at the moment and we are concerned that this could result in a deficit of local content on the radio. (Paragraph 189)

27. However, the radio platform lends itself to providing hyper-local content in the form of community radio, and this is to be encouraged. The growing number of community radio stations are providing a valuable service that often caters to a specific demographic. We welcome Ofcom's encouragement of hyper-local content on radio and we believe that this will eventually become an important tier of local media. (Paragraph 190)

The Government agrees that a strong local commercial radio sector needs to include content which is specifically relevant to local audiences. Relevant local content remains a key component of the local radio licensing and regulatory regimes.

We also agree that community radio makes an important contribution to the local media landscape and this should, where local markets can sustain such stations, be actively encouraged.

28. It is important that ownership regulation reflects the modern media landscape. We therefore support Ofcom's proposed changes to local ownership rules, and the provisions in the Digital Economy Bill that will take forward changes to the ownership rules for commercial radio. It is in the interests of plurality, and therefore the consumer that local commercial radio stations should have the ability to merge with other media ventures and utilise other platforms. (Paragraph 194)

29. It is undeniable that local commercial radio is a very important source of local news for a lot of people. As with local newspapers, local radio news, on both the BBC and commercial stations, is a training ground for new journalistic talent and provides news content that often becomes part of the national news agenda. The current economic pressures affecting local radio are making the provision of local news quite challenging for local radio stations and urgent deregulation of the ownership rules must be implemented. (Paragraph 200)

The Government has accepted Ofcom's recommended changes to the local ownership rules and intends to bring forward the necessary secondary legislation as soon as possible.

30. The digital switchover should be of great benefit to all levels of local commercial radio. We particularly welcome the development of a new tier of hyper-local community radio that will occupy the FM spectrum to be vacated by larger stations who upgrade to DAB. However we do acknowledge concerns from the industry about local radio stations in rural and/or coastal areas that could struggle to get DAB coverage. We therefore recommend that Ofcom be empowered to make exceptions and that, as and where necessary, the FM spectrum should be shared between commercial and community radio. (Paragraph 209)

At present there is insufficient capacity on some local DAB multiplexes to allow all local and community radio stations currently broadcasting on analogue to move to DAB. It is not the intention that these stations are forced to close as the result of a transition to digital; therefore we are committed to reserving a proportion of FM for small local and community stations with no obvious route onto digital.

31. We welcome the ongoing discussions that the BBC is having with local commercial radio on the possibilities of forming partnerships. Where a partnership would result in cost efficiencies, or technological advancements then it is to be encouraged. However we are sympathetic to the cautious greeting that the BBC's partnership proposals received from the local radio industry. The competition the BBC receives from commercial radio at a local level is vital. What is more important than partnerships is plurality and we believe that some of the deregulatory proposals outlined by Ofcom are the key to preserving this. (Paragraph 215)

The Government agrees it is important that the BBC receives strong competition from local commercial radio. Most recently, the Digital Economy Act 2010 introduced deregulatory measures to strengthen commercial radio at the local level.

32. We are not convinced by RadioCentre's assertions that music licences for radios in the workplace are either being aggressively collected, or are contributing to a downturn in radio listening. Performing artists have a right to earn from their work and the cost to businesses playing a radio is not unreasonable. (Paragraph 218)

Local Media Online

33. We acknowledge the concerns local newspaper publishers have about news aggregation. At a time when there are such significant changes in the way that people consume their news, user-friendly mechanisms that offer consumers the ability to scan headlines from, and click through to, a vast range of alternative news sources must appear to be a targeted threat to the traditional media formats. (Paragraph 236)

34. We are concerned at local newspaper groups' claims that they are unable to undertake any collective industry discussions about the issues raised by aggregators without it breaching competition law. We recommend that this apparent restriction be considered by the Office of Fair Trading and that guidance is given, as appropriate, on the extent to which such discussions can be held without being deemed anti-competitive. (Paragraph 237)

The OFT will consider providing industry with relevant guidance in respect of competition law as and when approaches are made. The Government would welcome such considerations.

35. We welcome Google's recent changes to Google News and Google Web Search regarding the number of articles which can be freely accessed on sites requiring subscription or registration. While Google's success in news aggregation has been achieved through innovation rather than aggression and is not in breach of international copyright laws, its changes demonstrate a welcome awareness of the problems faced by local newspapers and other traditional publishers. It seems clear that Google's business is having a significant impact on traditional publishers' economic models and so we welcome new facilities such as Fast Flip and hope Google is sensitive to the need to maintain diverse, pluralistic sources of local news and information. (Paragraph 238)

36. We agree with the Office of Fair Trading's assessment of Google's position in the media landscape: Google has achieved its dominant status from successful innovation and investment in online technologies and services which has provided significant consumer benefits. (Paragraph 244)

37. Local newspaper publishers have been very critical of Google, yet their criticisms have, in our view, lacked focus. Newspapers can opt out of Google News and Web Search, and Google has made attempts to work with newspaper publishers by facilitating the advertising for their websites, which we welcome. We recognise that the changes being brought in the online world are creating huge disruption to the traditional business models of local newspapers and other media companies, resulting in both threats and opportunities. Where there are clear problems that can be addressed by public policy changes and regulatory intervention, we can recommend that action be taken. However we have not heard any evidence that suggests this is the case with the complaints from newspaper publishers about Google. (Paragraph 245)

38. The benefits of online technologies for consumers are considerable, and the appeal of the internet for advertisers is only likely to increase. The competition for readers and advertising revenues on the internet is fierce given the lower costs of entry into the online world, compared with entry into print media. (Paragraph 251)

39. However there are encouraging developments that could help local news publishers to become multi-platform news providers. IFNCs could offer a shared skill and resource base that would help local newspapers make the transition to becoming online publishers as well as print publishers. We also note that some publishers are experimenting with different business models for the provision of online content. (Paragraph 252)

40. Hyper-local blogs and websites can offer a valuable service to local communities. Their greatest qualities are their interactivity with their readership and the exchange of local information and discussion that they facilitate. At a time when some local newspapers are struggling to survive, some local blogs are beginning to fill the gaps that a receding local press is leaving behind. Hyper-local websites can potentially also be good for maintaining local identity and can provide healthy scrutiny and discussion of local democracy and local issues, which is to be encouraged. (Paragraph 261)

41. Local newspapers can learn from many of these innovative websites, and in some cases there is an argument that local newspapers should be working alongside them. However this is not to say that local newspapers are no longer relevant. There is still, and will always be, a need for local professional journalism. Local newspapers will retain a role and a relevance particularly for the segments of society that do not, or cannot, use the internet. (Paragraph 262)

42. We endorse the sentiment that it is local journalism, rather than local newspapers, that needs saving. The two are far from mutually exclusive, but newspapers need to be innovative in the way they train their journalists to work in a multi-platform world. (Paragraph 263)

The Government believes that local journalism and local content remains fundamentally important for our society. The Government wants to see local television services emerge on a commercially sustainable basis and across media platforms. There is huge scope for innovation at this level with opportunities for citizen involvement and the development of skills and training. The Government intends to develop these proposals over the coming months and consult on this in due course.



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