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Submission to the Cairncross Review

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1. Introduction

This paper sets out our thoughts on the issues being considered by Cairncross Review concerning how to secure a sustainable future for high-quality journalism in the UK. The authors have drawn on their experience of working on a range of recent consultancy projects in the news sector, including substantive work on media plurality and developments in digital news markets. The views expressed are those of the authors alone, and do not represent the views of Communications Chambers or any of its clients.

We begin by taking a long-term perspective on the state of the newspaper business, both before and after the advent of the internet. We consider changes in readership, advertising and competition, and draw on both UK and international evidence. Against this background, we then focus on the specific impact of the of digital platforms. Finally, we venture some thoughts on what can be learned from successful and developing news business models in in other countries.

We note that the Cairncross Review is addressing both press and high-quality journalism. We agree that it is right to distinguish between the two. There are various sources of high-quality journalism in the UK in addition to newspapers, notably the broadcasters and a growing range of online-only players. While our analysis in this submission is primarily of newspapers (since this is where the challenges are currently greatest), we don't mean to suggest that securing a financially sustainable future for high quality journalism necessarily means securing the financial health of newspapers.

Our broad conclusions are that:

- The challenges facing traditional news providers are long-standing, and reflect in part major changes in consumer behaviour, which may be difficult to reverse.
- The advent of the internet heightened competitive pressures, in both the markets for readers and for advertisers, offering new and more convenient ways for consumers to access news, and better, more efficient means for advertisers to reach their target audiences.
- The internet has also unbundled the non-news components of newspapers' offer, offering specialist competition for (for instance) share prices, TV listings, celebrity gossip and so on
- Most recently, digital platforms such as Google and Facebook have added to the competitive challenges faced by

news providers but should not be viewed as having “taken away” revenues which “by rights” belonged to news providers. Further, even if hypothetically the platforms were to cease to exist, commercial news provision would still face severe challenges.

- Platforms have also enabled new providers of news to enter the market and have enabled traditional news providers to access those audiences who might not otherwise have chosen to read their publications.
- Nevertheless, a combination of factors means that future commercial provision of high-quality journalism on the scale to which we have been accustomed in past decades is at risk.
- While some sustainable digital business models are likely to emerge, we think there will be continuing challenges across the sector, and especially to the commercial provision of local news.
- A polarisation could occur in which those most interested in and able to afford to pay directly for news are well served with a wide range of in-depth, investigative and global coverage, while many others are left to rely on “commodity” news headlines alongside entertainment and celebrity news.
- While many of these fundamental structural changes are difficult to reverse through policy or regulation, there may exist a range of modest measures which could help target areas of particular concern or provide transitional support to the sector during a challenging period.

The Call for Evidence asks how “we will know we have been successful in 2028”. It seems to us that key outcomes should include:

- Sufficient resourcing to support high quality journalism which is widely available and read, at local, national and international levels
- Plurality of provision across several dimensions: including ownership, funding model, and perspective
- Markets which are open to innovation, entry and exit
- A framework of transparency and accountability on the basis of which audiences can form their own judgements about the trustworthiness and reliability of the news they choose to consume.

Rather than supporting specific types of news provider, policy and regulation should be framed with these broad outcomes in mind, and focus on the areas most at risk – which we think include certain aspects of local news and investigative journalism.

2. A long-term perspective on the newspaper business

Where we are today

It is worth beginning by taking a clear-sighted look at the current state of the UK market for news and journalism.

On the positive side:

- The UK enjoys multiple national TV news providers, which are both widely consumed and highly trusted, and which are relatively well resourced. Licence fee funding has enabled the BBC in particular to maintain a strong presence in news and journalism
- Radio news is also well served, with both commercial broadcasters and the BBC offering regular bulletins, discussion of current affairs and so on
- The UK also has a wide array of national newspapers, serving a variety of demographic and political niches (in contrast to some other markets which are more dependent on local and regional titles)
- Almost a thousand local newspapers provide local news across the UK
- The advent of the internet has enabled:
 - citizens to enrich their news diet by consuming from a wider array of sources
 - new providers, both generalist and specialist
 - direct engagement (via social media) between citizens and the subjects of news, notably politicians.

On the negative side:

- Newspapers have historically been important providers of journalism, but their business model is fundamentally threatened
- While there is vigorous exploration of new business models to sustain newspapers, it seems likely that the market may ultimately support far fewer titles than exist today
- Further, even if newspapers secure new revenue streams, it is not clear that it will make sense for most of them to reinvest that income in high quality journalism.

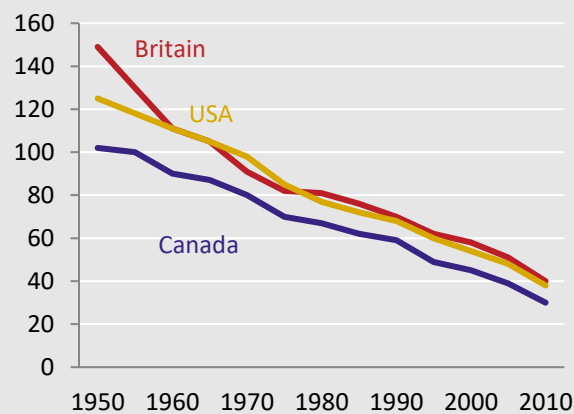
We now turn to an analysis of the trends which have created these threats to the economics of commercial provision of high-quality journalism, many of which have been evident over several decades.

Long-run decline of traditional print news

Long run circulation declines

A fundamental challenge for traditional newspapers is that print circulation has been in long term decline across most developed markets. For example, Figure 1 shows the contraction relative to the number of households for Britain, the US and Canada between 1950 and 2010. (Note that for Canada and the US, where household formation has been strong, *absolute* circulation peaked around 1990). As we will see, there has been an acceleration in the decline in more recent years, but print's problems clearly predate the internet.

Figure 1: Daily national newspaper paid circulation as a percentage of households¹



Rise of alternative providers

There are several underlying causes for the early years decline, but likely one of the most fundamental is the rise of television news. In the 1950s, TV news lacked credibility, but in the 1960s came to be much more valued. (In the US, the 1960 presidential debates and the assassination of Kennedy in 1963 are seen as watershed TV events). TV news also grew more sophisticated, and 24-hour channels followed.

Writing in 1999, the *Economist* cited an array of alternatives and distractions that may have contributed to declining circulation:

“The problem is competition—not specifically from any other medium, but, more generally, for people's time. Over the years, technology and economics have produced more and more ways of occupying people's leisure hours: more television channels, more magazines, more theme parks, and now video games, chatrooms and all the other delights of the digital age.”²

Declining investment

There also may have been a ‘vicious circle’. Declining circulation reduced revenues which may have reduced investment and/or prompted cover price increases, which in turn further pressured circulation. Mediatique estimate that in the ten years to 2017, the

¹ Communications Management Inc., *Sixty years of daily newspaper circulation trends*, May 2011

² “Caught in the Web”, *The Economist*, 15 July 1999

number of front-line newspaper journalists in the UK fell from 23,000 to 17,000.³

A need to fill pages (print and web) with fewer staff means that there is growing concern that hard news is being replaced with softer stories, which can be cheaply produced based on content already available on the web.

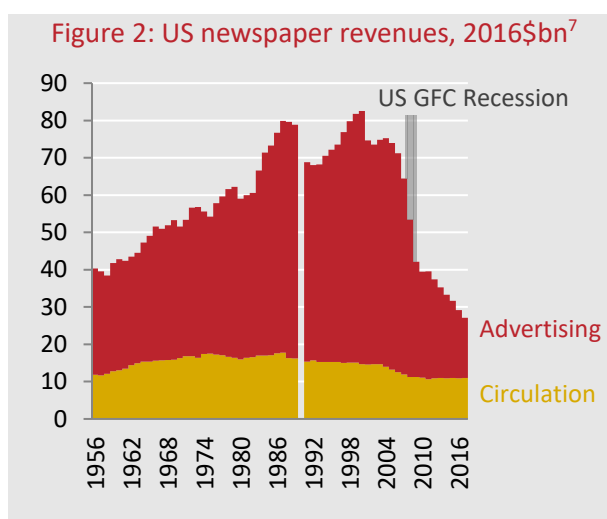
Many newspapers have also cut their investment in overseas news, which is expensive to cover directly (rather than via wire services) and which may have only limited appeal to readers.⁴ For instance, a UK study found a 39% fall from 1979 to 2009 in the number of international stories published by a sample of four newspapers.⁵ Even where staff numbers are maintained, there may be a change in mix to cheaper, less skilled employees.⁶

Newspaper reading is (generally) habitual, and so the impact on circulation of the various effects above has been gradual. But the decline in print readership has been steady and clear.

Long run economic shifts

Circulation declines affect revenues in two ways. They directly reduce income from copy sales, and indirectly act to reduce advertising income. In practice, newspapers delayed the financial impact by increasing prices of both copies and advertising. For example, in the US advertising revenue peaked in real terms in 2000, even though copies sold peaked in 1989 (Figure 2).

In the run-up to the 2008 recession, the print newspaper business also saw significant market entry, so advertising revenue – even if steady overall – was spread across more titles. This market entry was primarily in the form of free titles. Between 2002 and 2006, the number of free dailies in Europe grew from 39 to 161 in Europe, and



³ Mediatique (for DCMS), [Overview of recent dynamics in the UK press market](#), April 2018

⁴ "Retreating from the World", *AJR*, December/January 2011

⁵ Martin Moore, *Shrinking World*, MST, November 2010. Papers analysed were the weekday editions of the *Mail*, *Guardian*, *Telegraph* and *Mirror*, for the first week of March in each respective year

⁶ NCTJ, *Emerging Skills for Journalists*, September 2014

⁷ Pew Research Center, [Newspapers factsheet](#), 13 June 2018; Bureau of Labor Statistics, [CPI-All Urban Consumers](#) [accessed 8 May 2018]

from 27 to 81 in North America.⁸ In the UK, *Metro* has grown to match the *Daily Mail* in readership (and lags only the *Sun*).⁹

Impact of the internet

The internet has increased competition for newspapers in several ways.

Competition to provide news

First, online consumers are faced with many sources of news, with (often) low barriers to switching. In print, consumers are generally habituated to a single title. However, online consumers can and do choose between multiple sources.

Further, more outlets compete directly. Print and TV news are quite distinct as media, with different offers, agendas, time-of-day focus and so on. Online broadcasters' and newspapers' offers are more similar and thus competition is fiercer. Moreover, all traditional players face competition from overseas providers (for instance, a UK consumer getting her US news direct from the *Washington Post*) and from digital natives (such as the Huffington Post or BuzzFeed).

This increased competition fragments readership, erodes audiences' depth of relationship with titles, and forces outlets to work harder to retain their attention. This in turn has led to a partial commoditisation of news online, with some consumers seeing limited distinction between providers and price a key driver of choice.

Competition to provide other elements of the newspaper bundle

Second, online there is far fiercer competition for the non-news editorial components of newspapers. For instance, previously one reason to buy a newspaper would be for share prices, or the weather. Online, there are highly specialised providers of each such category of information, often more searchable, customisable and up-to-date than a newspaper's offering. Certain categories of news (such as business or celebrity) also face specialist competition.

These substitutes are particularly problematic because it seems plausible that these components of the newspaper (along with classified ads) were responsible for a significant share of the profits of the newspapers historically.

⁸ WAN-IFRA, *World Press Trends 2007*, 2007

⁹ NRS, *Newsbrands October '16 – September '17*, 18 December 2017

Finally, newspapers can also be viewed as a bundle of content which consumers use simply as a way to pass the time. In this wider sense, there are many digital alternatives (such as online games), with news occupying less 7% of internet minutes in the UK.¹⁰

Competition for classified advertising

The internet has also created new direct competition for newspapers' advertising revenue, which would have been problematic even if papers' print readership had held steady.

First to be affected was classified advertising. Historically classified ads (for cars, jobs, real estate and so on) were an important part of newspaper revenues, particularly for local titles. In 2007, classifieds represented 68% of regional and 20% of national newspaper ad revenues in the UK.¹¹ Since then, newspapers' classified revenues have fallen by more than two-thirds.¹²

Marshal McLuhan (writing in 1964) said:

“The classified ads (and stock-market quotations) are the bedrock of the press. Should an alternative source of easy access to such diverse daily information be found, the press will fold.”¹³

However, the internet is just such an alternative. It provides serious new competition for newspapers classifieds, capturing share and reducing newspapers' pricing power. Each category of classifieds has seen numerous entrants.

The rise of online classifieds has also been a challenge to newspapers regarding audiences. Classifieds were once a reason for a home, car-buyer or job-seeker to purchase a paper. Now she has no need to.

Competition for display advertising

As with classifieds, the internet has challenged newspapers' display advertising (even before considering the platforms). In part this is because online advertising has a number of significant advantages over print display advertising:

- It can be **highly targeted**. Rich data captured about users allow ads to be shown to very specific audiences, based on demographics, recent shopping behaviour, location, time of day and so on

¹⁰ Communications Chambers analysis of figures from UKOM, [UK Digital Market Overview, June 2018](#)

¹¹ Advertising Association, *The Advertising Statistics Yearbook 2009*, 2009

¹² WARC

¹³ Marshall McLuhan, *Understanding Media: The Extensions of Man*, 1965. Quoted in Communic@tions Management Inc, [Requiem for the Print Edition](#), 30 November 2017

- It is **low friction**. It is comparatively easy to create and place online display advertising
- There are **low entry barriers**. Very small budgets can be used initially (or for a specific narrow campaign)
- It allows **interactivity**, enabling a user to respond immediately and simply to a call to action
- It has **flexible pricing options**, including cost per impression, per click or per transaction
- It provides precise **metrics of performance** (views, clicks)
- It enables **experimentation** (deploying two or more versions of an ad simultaneously, and shifting to the more successful one in real time)
- It provides **greater reach**. As print readership has contracted, it becomes a less effective way to reach large audiences.

These advantages of online are enhanced by ad networks and ad exchanges. Ad networks are companies which place ads across a portfolio of websites they represent to reach a target audience specified by an advertiser. Ad exchanges are closer to a stock exchange, with constant real time auctions to match available ad inventory with the buyer willing to pay the highest price for the impressions in question.

Both networks and exchanges are important in enabling small publishers to participate in the ad market and to compete with major publishers for ad spend. Networks and exchanges assemble high reach by combining the audiences of many such small sites, and obviate the need for them to have in-house salesforces and.

A further effect of networks and exchanges is to commoditise online advertising purchase. Often advertisers using such services may not even know which sites their ads are appearing on – they are simply interested in the audience they reach, regardless of *where* they reach that audience.

Intermediaries and information about users also greatly increase the competitive intensity of ad sales. Previously an advertiser looking to reach (say) high income individuals would gravitate to broadsheet newspapers. It would be wasteful for BMW to buy space in a tabloid, where most readers were likely to be lower income. Moreover, since people generally read only a single print newspaper,¹⁴ an advertiser wishing to reach a broad swathe of high-income readers would need

¹⁴ For example, in the UK the average reader of national print newspapers reads 1.18 different titles on a typical day. Put another way, over 80% read only a single title. Communications Chambers analysis of data from NRS, [NRS Print results \(Oct 16- Sep 17\)](#)

to advertise across all the broadsheets. Each paper effectively had a short-term monopoly of newspaper advertising to its own readers.

However, online ads can be shown to those high-income individuals wherever they may be (assuming they can be identified via cookies). This means that tabloids can now compete with broadsheets for BMW's adspend – but more generally *any* website with at least some high-income users can compete. Instead of a quasi-monopoly, newspaper ad salesforces face literally thousands of competitors.

In a highly competitive market, we would expect price to drop to the marginal cost of production, and this too is problematic for newspapers, since it seems unlikely that they are the low-cost producer.

Newspapers generate viewer impacts by hiring journalists, photographers, copy editors, picture editors and so on. They also pay for wire services, stock imagery and the like. These various inputs enable content to be created, which papers hope will attract eyeballs. However, they now compete with other content creators who may have far lower costs bases, particularly those who rely on user generated content to attract audiences. Thus, online newspapers face fierce competition for online display advertising from rivals who may be more efficient (in the narrow sense of how cheaply they can generate impacts).

Conclusion re wider commercial context

The traditional newspaper industry was facing significant challenges even before the advent of the internet, notably the multi-decade decline in print readership, and (more recently) the entry into the market of free newspapers.

The internet presented a set of further significant challenges, providing a host of specialised competitors for elements of the newspaper offer that were previously bundled. It also enabled significant innovation in advertising, threatening both the classified and display ad revenues of newspapers. These effects were well developed even before digital platforms, which we turn to next, rose to prominence.

3. Impact of platforms on newspapers

Some newspaper publishers have argued strongly that digital platforms are materially responsible for their declining revenues (or at least for their inability to grow digital revenues sufficiently). There is no question that the platforms have had some impact – but in general we feel that this impact is overstated, and thus here we primarily set out some of counter-arguments.

Note that not all arguments apply to all platforms. For instance, issues of revenue share apply primarily to Facebook, not Google.

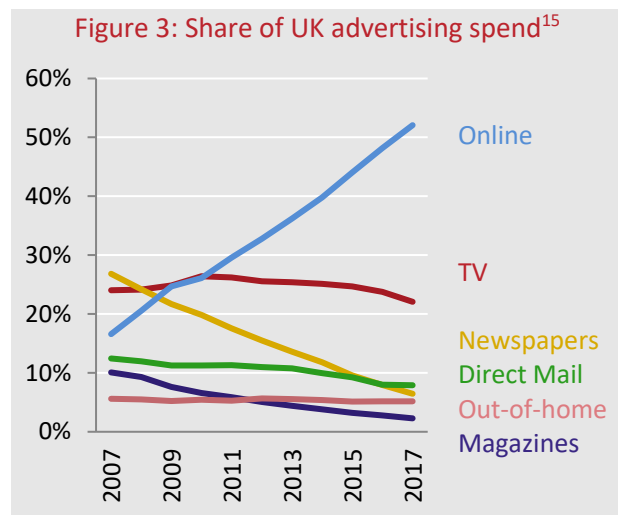
The cases made for the impact of platforms

Advertising “taken away”

It is argued that growth of digital platforms’ ad revenues have shifted spend away from print (or newspaper online) advertising.

Certainly, internet advertising has grown its share significantly over the last decade, and conversely newspapers’ share has fallen. Figure 3 shows share of advertising for the UK. Over ten years, online’s share has grown from 17% to 52% while print newspapers have fallen from 27% to 6%, and print magazines from 10% to 2%.

Further, much of digital advertising flows to the platforms. Google and Facebook are estimated to capture just over half of UK digital spend.¹⁶



However, there are several important caveats to consider before taking the view that online (and the platforms in particular) have ‘taken’ this revenue from newspapers.

First, as we have seen, newspapers have faced rapid circulation decline, which would likely have resulted in declining advertising revenue quite aside from the rise of the internet.

That newspapers’ problems are, at least in part, specific to their situation is supported by the relative stability of most other media (magazines aside). TV has lost just two points of share over a decade, from 24% to 22%. Out-of-home has dropped from 5.6% to 5.2%.

¹⁵ WARC. Radio (3% share) and cinema (1%) omitted

¹⁶ Ben Bold, “Google and Facebook dominate over half of digital media market”, *Campaign*, 18 September 2017

Second, the growth of online advertising in part derives from attracting new advertisers into the market. These businesses could not have profitably advertised in mass media, but search advertising in particular enables them to reach their target customers efficiently. Thus unknown portion of internet advertising derives from customers who are completely new to advertising, and in no sense were taken from newspapers or other media.

Third, even amongst existing advertisers, spend on online may be incremental rather than a transfer from budgets for traditional media. A 2017 survey of US advertising professionals found that 36% of respondents said ‘new spend’ was a source of funds for growing internet ad spend, while 52% cited print and 38% cited TV.¹⁷

Fourth, a significant portion of newspapers’ lost ad revenue relates to classifieds. While the *internet* has undoubtedly been critical to this loss, the *platforms* have not. Neither Facebook nor Google carry material volumes of classified advertising. Rather, such spend has shifted to specialist sites such as LinkedIn, Rightmove and so on.

Given the above, even in a hypothetical case where the platforms suddenly disappeared, it seems highly unlikely that ad spend with newspapers would rise back up to historic levels.

News on platforms substitutes for consumption on providers’ sites

Platform providers offer various news aggregation services – notably Google News, but Apple News is also significant. Such services bring together multiple news providers, at a single site or app

News aggregation is a double-edged sword for news publishers. On the plus side, it can drive substantial traffic to news websites, when users click on stories. On the minus side, it may substitute for consumption of the underlying sources, if users satisfy their interest by reading the headlines or snippets, without clicking through.

However, an Ofcom survey conducted in 2016 found that just 10% of UK respondents reported using Google Search or Google News “for news nowadays”.¹⁸ Further, within this group, 72% were using other online sources in addition to Google, suggesting that Google was at most only a partial substitute.¹⁹ Put another way, less than 3% of respondents were *only* using Google.

¹⁷ RBC Capital Markets, [Internet: The Inflection of Mobile & Video; Recapping Our 9th Marketer Survey](#), 27 March 2017

¹⁸ Communications Chambers analysis of Ofcom, [News consumption in the UK - 2016 data](#), 13 February 2017

¹⁹ Ofcom’s survey depended on consumer recall. Thus if a Google News user clicked through to (say) the Mail, but did not recall using the Mail, this would be omitted from the results. Consequently, the 72% may be an underestimate.

This does not mean that Google has no substitution impact, but rather that it may be limited, particularly since it seems likely that consumers whose interest in a story is satisfied by a headline and a snippet are not likely to be the heaviest news consumers anyway.

Platforms weaken the relationship between audiences and news brands

If consumption of news via platforms erodes consumers' awareness of the provenance of stories, this may have two adverse consequences for platforms.

First, if consumers do not know they are consuming news from (say) the *Telegraph*, it may make it harder for the *Telegraph* to persuade consumers to engage directly with their site and potentially become subscribers – it would be roughly analogous to giving out free samples in unmarked wrappers. Second, if consumers do not know the provenance, they may be less well equipped to ascertain reliability. This creates an increased opportunity for fake news.

A Reuters study technically tracked UK users' path to news stories, and then asked those users if they could recall where they had read them. Of those who had arrived at a story directly (i.e. from another page within the publisher's website) 81% could remember the publisher's brand, compared to just 37% for those arriving via search and 47% for those from social media.

Thus, while social media may be introducing new sites, and *some* of these may be recalled, a material part of this incidental usage may be 'lost' for brand building purposes.

However, this needs to be seen in the context of opportunity cost. If the user would not have visited the publisher absent the referral from social media, then the lack of brand attribution is unfortunate, but at least the publisher is receiving the traffic.

Overall it seems likely that social media has somewhat eroded brand attribution for the larger players, but this is in part offset by the increased traffic social media brings smaller players.

Distribution of free news threatens subscription models

Publishers argue that the availability of free news on platforms makes it more difficult for them to sustain a subscription model. They further argue that platform policies exacerbate the problem.

For example, Google's First Click Free policy required that publishers with a paywall who wished to appear in Google search results must provide a certain number of free articles per day (if reached via search). Since this gave consumers a way to bypass paywalls, it may

well have acted to reduce the number of subscriptions taken out. Google has since changed this policy, to 'Flexible Sampling', which allows publishers to set the number of free articles, including to zero.

Platforms are taking other steps to be more supportive of subscription models. For example, 'Subscribe with Google' will allow users to subscribe to newspapers using their Google account, and to be automatically logged in on all their devices.²⁰ Google will retain 5-15% of subscription charges.²¹ Facebook is piloting a 'Local News Subscriptions Accelerator' a \$3m program to help metro newspapers secure digital subscriptions.²²

Regarding the impact of free news on platforms, we make two observations. First, a given publisher has the option to withdraw their content from platforms. However, this comes with an associated loss of traffic, and will not fundamentally change the fact that free news (from other providers) will continue to be available on the platforms from other providers.

Second, regardless of whether free news is available on platforms, there are substantial news providers who are most unlikely to move to a paid model. For example, most broadcasters have traditionally been entirely ad-funded, and are unlikely to move their websites to a paid model.

This suggests that even if (hypothetically) no free news was available via platforms, free news would likely still be available directly from several significant publishers, representing a price constraint on those newspapers pursuing a subscription model.

Ad revenue share for consumption of news on platforms (notably Facebook) is inequitable

Consumers can consume news via platforms in a variety of ways. They may find a link on an aggregator or social media site, click it and then consume the news on the underlying provider's site.

Alternatively, they may consume the news within a platform site or app, without ever visiting the underlying providers' site. An example of such embedding is Facebook's Instant Articles. To monetise Instant Articles, publishers can either embed their own advertising, or allow Facebook to sell the space, in which case 70% of Facebook's revenue will be passed through. Is this an equitable share?

²⁰ Google, [Introducing Subscribe with Google](#), 20 March 2018

²¹ Gerry Smith & Mark Bergen, ["Google Sweetens Deals With Publishers"](#), *Bloomberg*, 20 March 2018

²² Sara Fischer, ["Exclusive: Facebook to launch a Local News Subscription Accelerator"](#), *Axios*, 27 February 2018

One perspective is that the revenue per use that newspapers would regard as satisfactory might be greater than the cost to Facebook to generate that usage by other means. (for example, by creating new features for the platform). If this is the case, then it would make sense for Facebook to forgo the news content and invest elsewhere.

For example, we estimate Facebook's global revenue per hour of usage at US\$0.11. Given that it has an operating margin of approximately 50%, its cost per hour of usage will around \$0.06. In comparison, the Mail Online's revenue per hour \$0.36, and its costs likely similar, given that it is approximately break-even.²³

This is not an exact comparison. For instance, the Mail's usage is primarily in the UK, which might be higher-value than Facebook's, which includes substantial usage in developed markets.²⁴ However, it does suggest the Mail would have to accept substantially lower revenue if it were to be cost-competitive with Facebook's other means to generate traffic.

Further, as we discuss later, Facebook has recently taken the decision to reduce the amount of news content in its News Feed. This suggests that at the margin, Facebook believes news is unprofitable content.

Another perspective on this issue comes from the potential uplift in revenue for publishers if the 70% share was increased. As of June 2017, Facebook paid out more than a million dollars a day to publishers through Instant Articles.²⁵ This is a global figure, for all content types, not just news. If we assume a \$400m figure per year for news, then uplifting the publishers' share to 100% (an extreme case) would bring them an extra \$170m annually.

This is not particularly significant – if compared to global newspaper advertising revenues of \$68bn in 2016.²⁶ This suggests that there may be limited economic logic for Facebook to materially increase the share, and even if they did, it might only have limited impact on the financial health of newspapers.

²³ Communications Chambers calculations and estimates, based on Facebook investor filings and calls, DMGT investor presentations and ABC certificate

²⁴ Facebook's annual revenue per user is \$6.08 globally, and \$8.71 in Europe. Volume of usage will vary by geography also. Facebook, [Facebook Q4 2017 Results](#)

²⁵ Facebook, [Expanding Monetization Opportunities on Instant Articles](#), 8 June 2017

²⁶ WAN-IFRA, [World Press Trends 2017: Facts and Figures](#) [accessed 25 May 2017]

Traditional providers are handicapped by the limited user data they receive from platforms

User data is significant for newspapers' online business in a variety of ways. It:

- Enables targeted advertising
- Supports estimates of overall reach
- Supports customised subscription offers
- Supports editorial decision making

However, for consumption via a platform, much of this data is in the gift of that platform. Indeed, this rich data is fundamental to their competitive advantage and market success. For precisely this reason, they have limited incentive to share it with publishers. (Put another way, one of the disadvantages of publishers vis-à-vis the platforms is that consumption of news inherently reveals less about the user than does consumption of search or social media).

That said, the financial impact of the absence of this data for consumption via platforms is reduced by the fact that newspapers increasingly use third parties for ad targeting anyway. Such third parties have a variety of sources of data to use for ad targeting, not just information received from the publisher website in question. Consequently, the revenue newspapers receive may be less affected.

Regular changes to the types of news given prominence on platforms create an uncertain investment environment for news providers

The platforms have become an important source of traffic for news providers. This means that providers increasingly adapt their product to maximise the prominence they receive in on the platforms.

However, this makes publishers vulnerable to changes made to the search and social media algorithms. For example, in early 2018 Facebook announced that planned to somewhat downplay news in its News Feed,²⁷ and this hit news publishers. In its H1 2018 results, DMGT (the publisher of the Mail Online) reported a 9% drop in its daily unique visitors, which it attributed to a decline in indirect traffic from social media and search.²⁸

Thus, news organisations are dependent on platforms for a growing portion of their traffic, but the amount of traffic received can be volatile as those platforms continually refine their own business strategy and technology. This volatility is amplified since there a relatively few major platforms.

²⁷ Mark Zuckerberg, [Facebook post](#), 19 January 2018

²⁸ DMGT, [Half Year 2018 Results](#), 24 May 2018

This problem arises in part because the platforms are more important to the news providers than vice versa. In 2017 news made up just 5% of the Facebook News Feed, and the company plans to reduce this to just 4%.²⁹ Google News carries no advertising, though it may serve to enhance its overall brand.

Looking ahead

Looking ahead, there are several issues that will influence newspapers' interaction with platforms, and their business online more generally.

Interaction with platforms

On the upside, platforms are increasingly conscious of their impact on news providers and are starting to take steps (substantive or otherwise) to address these, including: support for subscription models, tackling fake news and various funds and initiatives. These seem likely to continue, at least for the time being. Note however that these are not prompted by the platforms reassessing their narrow commercial interest, but rather by increased scrutiny and a desire to be seen to be supportive.

There is also a risk that platforms decide news is more trouble than it is worth. As a form of content, it comes with significant risk – hostility from news providers themselves, social and political concern re fake news, accusations of political bias and so on. Platforms have shown themselves willing to reduce or drop their news provision - see Facebook's recent decision to reduce news content in its News Feed by 20%. Google walked away from Google News in Spain in the face of copyright changes.

This risk that platforms decide to down-grade news (to the detriment of news providers) becomes greater if the value balance between the platforms and the publishers shifts in the latter's favour. If (for instance) newspapers were to secure a higher revenue share for news content, the platforms might decide there were cheaper ways to secure audience attention. This acts as a natural break on any commercial value redistribution from platforms to newspapers.

Allied with this issue is the challenge that the platforms are already highly efficient engines to capture attention. As we have seen, Facebook's cost per user hour is far below the Mail Online's, for example. Moreover, the platforms are rapidly innovating in a set of businesses that are still relatively young.

²⁹ Mark Zuckerberg, [Facebook post](#), 19 January 2018

Existing platforms are also expanding the scope of their operations. From the publishers’ perspective this is a mixed blessing. For instance, Amazon is growing its advertising business, putting it in more direct competition with both other platforms and publishers.³⁰ Conversely, Apple appears to be expanding its news aggregation service, which may provide additional traffic to newspapers, and (potentially) increase their negotiating leverage with platform intermediaries. In conclusion,

Figure 4 summarises our view of the key threats to each component of newspaper value, and highlights platforms where relevant.

Figure 4 Challenges to Newspaper value creation

Component of value		Threats
Value to audiences	<i>News content</i>	<ul style="list-style-type: none"> • Long run print circulation declines • Free newspapers • Intensified competition between existing providers online • New news entrants online • News on platforms • Fierce competition for attention online, including from platforms
	<i>Non-news content</i>	<ul style="list-style-type: none"> • Long run print circulation declines • Free newspapers • Plethora of specialist providers online • Fierce competition for attention online, including from platforms
	<i>Classified ads</i>	<ul style="list-style-type: none"> • Long run print circulation declines • Plethora of specialist providers online
	<i>Distribution</i>	<ul style="list-style-type: none"> • Distribution via platforms can results in revenue share, weakening of customer relationship and volatility
Value to advertisers	<i>Audience attention</i>	<ul style="list-style-type: none"> • Long run print circulation declines • New news entrants online • News on platforms • Substantially lower time spent with newspapers online vs offline • Fierce competition for attention online, including from platforms
	<i>Targeting and ad provision</i>	<ul style="list-style-type: none"> • Targeting decoupled from publisher online • End of quasi monopoly of each publisher’s audience • Value capture by ad tech cos (incl platforms) • Richer audience data held by platforms
	<i>Context</i>	<ul style="list-style-type: none"> • Advertisers may have revalued downward the significance of context (though still wary of worst cases)

³⁰ Shareen Pathak, [“Amazon grows its programmatic ad business”](#), *Digiday*, 29 August 2017

4. Successful business models

We now turn to evidence from international markets for the emergence or otherwise of sustainable news business models.

New revenue models - advertising

First, there is still some life left in advertising. Around 25% of UK newspapers' advertising revenue now comes from digital.³¹ (In the US, the figure is 31%)³². It is plausible that digital ad income might increase as more of a publisher's core readership switches from print to digital. It is also possible that some advertisers will continue to value an association with trustworthy media brands with a highly engaged readership. This could benefit those news publishers with loyal readers who are also an attractive demographic for advertisers.

But scope for significant improvement in digital yields will be limited (as noted above, the price of news-related advertising will be constrained by the overall price of advertising across all digital content). Ad-blocking is another factor negatively affecting the digital advertising market³³.

The Reuters Institute 2018 "digital leaders" survey (which includes many key publishers) found that almost two thirds of those questioned thought advertising would become less important (in funding news) over time, and 10% said they were actively planning for a future with little or no display advertising³⁴. Taking all these factors into account we think that news publishers must be prepared for a further fall in core advertising revenues over the next 5 years.

In response, news publishers might work harder to grow the number of "eyeballs" viewing their content – for example, by working closely with digital platforms and/or by maximising international readership of digital content. Publishers such as DMGT (Mail Online) are taking this route³⁵. But such expansion will bring challenges for smaller, less well-resourced national publishers. Alternatively, if there are fewer news publishers in any specific market (e.g. as a result of closure or consolidation) then surviving publishers might be able to secure a

³¹ WARC, *UK advertising spend rose 5.9% to £5.7bn during Q1 2018*, 31 July 2018

³² Pew Research Center, *Newspapers factsheet*, 13 June 2018

³³ 24% of online users claim to use ad-blocking software (Reuters Institute, *Digital News Report 2017*)

³⁴ Nic Newman, *Journalism, Media and Technology Trends and Predictions, 2018*, Reuters Institute, January 2018

³⁵ Mail Online has achieved scale in the US, UK and Australia, and generated 15m unique browsers a day. In 2017, DMGT reports that digital advertising reached £119m (up 20% over the year before), which it partly attributes to new video formats and close working with Facebook, Snapchat and Google. DMGT, *Annual Report 2017*, 11 December 2017.

larger share of that market, which would help offset the impact of overall decline.

Ancillary advertising/other revenues

Given the limited scope for a step change in the yield per user of mainstream digital advertising, news publishers are all looking for alternative sources of commercial revenues. These include:

- Branded content and native advertising – advertisements created in the style and format of a publication, which build brand awareness or promote a particular product or service
- Videos and video advertising – which aim to enhance both consumer and advertiser value
- E-commerce - retailing and other transactions (such as ticket sales, holidays and events) which publishers promote through their titles
- Wider diversification into new enterprises- US local newspapers, for example, are selling back-office skills such as website design to local SMEs, others have diversified into marketing services, content management and other advisory services.

While these may generate some additional revenues, it is less obvious that any offer a solution to news sustainability.

Native advertising and branded content have several obvious drawbacks. They may engender reader resistance if the content is too overtly promotional, and in the longer-term may call into question the overall trustworthiness of the publisher.

E-commerce, merchandising and events share similar characteristics – they involve publishers entering a new, albeit related business area, in which they would need to build expertise and reputation, while competing against others who are already established in the market – from the biggest such as Amazon, to local retailers. While many publishers are enthusiastically pursuing this sort of diversification³⁶, it is hard to see how such activities could amount to much more than a useful side-line in building reader loyalty.

Diversification into new enterprises may help publishers survive as commercial businesses but will not necessarily secure the long-term future of news as part of those businesses. Indeed, if (say) holiday sales are financially successful, it seems likely that the proceeds

³⁶ See for example, a wide range of case studies in, WAN/IFRA, [Alternative Revenue Streams for Publishers](#), 6 April 2016

would be reinvested into related content and development rather than investigative journalism.

In sum, advertising will continue to play a role for some publishers, especially if they can maintain scale, a trusted brand (which will be attractive to certain types of advertisers) or clear audience targeting (again of some potential value to advertisers)³⁷. But the price at which such advertising can be sold will be set in a more competitive digital advertising market and will not generate income per user levels seen in pre-digital times. Diversification, while an understandable response by publishers to decline in their core market, will not guarantee the sustainability of news and journalistic content which underpins that core.

New revenue models – paid for content

Many mainstream news publishers have now introduced paid-for digital content alongside advertising. While there are some clear success stories at the premium and specialist end of the market, the experience to date in other market segments is best described as mixed.

Subscription

Traditional print subscriptions/copy sales are in long term decline, although sustained price increases over a series of years have been used by many publishers to offset falling print readership numbers³⁸. Received wisdom until recently was that the market for online news subscriptions would be limited to high value or specialist (niche) publications. However, many larger, more generalist local or national publishers are now exploring subscription as an option (some would say as a measure of last resort), hoping that the extra value generated per subscriber will more than offset losses due to any fall in readership/advertising.

According to Reuters Institute research³⁹ in six European markets, 66% of newspapers surveyed in those markets now operate a pay model for their digital content. This contrasts with digital-born news media (97% free access) and broadcast news (all free). In its 2018

³⁷ Advertising funding may be better suited to mass audience, populist titles than serious or specialist titles. In the UK, for example, the tabloid Sun tried a subscription model, but has since reverted to a free advertiser-funded website, while its sister paper, the Times, has a hard paywall. In Canada, the Toronto Globe and Mail operates a premium paywall, but its more populist competitor the Toronto Star has dropped its paywall and now claims the most used news website in Canada.

³⁸ In the US, for example, between 2000 and 2017, weekday daily newspaper circulation declined from 55m to 31m, but paid-for print revenues remained steady at around US\$11bn. Pew Research Center, [Newspapers factsheet](#), 13 June 2018

³⁹ Cornia, Sehl, Simon & Nielsen, [Pay Models in European News](#), Reuters Institute, May 2017

Trends and Predictions report, the Reuters Institute predicted a further “pivot to subscriptions”, reporting that almost half of publishers surveyed see subscriptions as a very important source of digital revenue⁴⁰. In the US, a survey from the American Press Institute observed that of 98 newspapers surveyed, 77 (over three quarters) had some form of paywall – 62 used meters, 12 opted for Freemium, and 3 had hard paywalls.⁴¹ A recent Tow Center report on small-market newspapers in the US noted the predominance of paywalls even for smaller news publications⁴².

Subscription rates vary widely by market and type of news content. Business newspapers and newspapers “of record” can charge higher rates than general interest mid-market or tabloid publishers.

Digital-born news providers are also exploring subscription models and alternative funding sources such as donations. While established players are still largely advertising-funded, newer and often more specialist digital-born news providers are accessing a wider range of funding.⁴³

Features of successful subscriber models

Examination of current approaches suggests several features which are common to successful news subscription models.

First, there is a clear set of what could be termed “premium” national (and increasingly international) news publishers, who have been able to persuade readers that they should pay for access to content they value. They include, for example, the *Financial Times*, *New York Times*, *Washington Post*, *UK Times*, *Wall Street Journal*, and several European flagship papers such as France’s *Le Monde* and Italy’s *Il Corriere della Sera*. The *NYT* now has 2.2m paid digital subscribers, the *Washington Post* has exceeded 1m subscribers, and the *FT* has 714k⁴⁴. All deliver a wide range of in-depth reporting, comment and analysis. More recently, the *Guardian* has joined this group, as it has switched strategy to adopt a range of direct payment models.

In the US, subscription seems to have worked for those news publishers which have switched from their original metropolitan focus to build a national presence based on strong brands, larger

⁴⁰ Nic Newman, *Journalism, Media and Technology Trends and Predictions, 2018*, Reuters Institute, January 2018

⁴¹ Alex Williams, *How digital subscriptions work at newspapers today*, American Press Institute, 29 February 2016

⁴² Ali & Radcliffe, *Small Market Newspapers in the Digital Age*, Tow Center for Digital Journalism, 15 November 2017

⁴³ See, for example, the discussion in Nicholls, Shabbir & Nielsen, *Digital Born News Media in Europe*, Reuters Institute, December 2016

⁴⁴ Annual Reports and corporate news releases

audiences, and extensive coverage of national and international news.

In Europe, the picture is broadly similar, although complicated by variations in the size of national markets and their distinct languages⁴⁵. In smaller countries with less competition in the local language, subscription appears to work quite well for national titles. Reuters, for example, found that a larger share of newspapers and news weeklies opted for some subscription funding for their digital content in those markets where there are only a limited number of incumbent publishers, or where the digital display advertising markets is small.⁴⁶

By and large, subscription seems to work best for those brands which offer a wide range of more serious or highly valued content. But there are examples in Europe of more populist or tabloid-style titles which have successfully introduced subscription – often helped by the availability of highly valued content such as football highlight video clips⁴⁷. (Of course, such a model may result in increased investment in sports rights rather than journalism).

There are also signs that younger audiences may be more willing to consider subscription for online news than older readers. Recent econometric analysis suggests that young people are more likely to express a willingness to pay for online news than older groups, arguably because they already have a reference price of above zero for other forms of online content.⁴⁸

Overall, caution is warranted. According to the 2018 RISJ Digital News Report, a relatively low proportion of current digital news consumers – 14% - currently say they have paid for online news content in the past year. The highest proportion is in Norway (30%) and the Benelux and Nordic countries together report 19%. The figures for the US and UK are 16% and 7% respectively. While this is worrying for the UK in the short term, it does at least suggest there is the possibility of growth.

⁴⁵ Major European newspapers that have introduced paywalls more recently include France's Le Figaro, Germany's Sueddeutsche Zeitung and Italy's Il Corriere della Sera. See Media Briefing, [Europe's Successful Paid Content Strategies](#), Jan 2017, and various Reuters Institute research reports

⁴⁶ Cornia, Sehl, Simon & Nielsen, [Pay Models in European News](#), Reuters Institute, May 2017

⁴⁷ For example, Bild, the German mass market tabloid has amassed 344k subscribers by offering exclusive content, which includes access to Bundesliga video.

⁴⁸ Fletcher and Nielsen, ["Paying for Online News"](#), *Digital Journalism*, 28 October 2016

New revenue models – donations, philanthropy and public support

Where commercial provision of high-quality news looks uncertain, initiatives to encourage voluntary or philanthropic support for news are being explored in the US and across Europe.

In the US, there is a strong tradition of philanthropy (not just for news), and public service broadcasters have long relied on both corporate and individual donations for their survival. In Europe, there is emerging evidence of the use of charitable support and crowdfunding for news, especially online.

There may be limits to the contribution that such approaches can make to news sustainability, however:

- Although some philanthropic support for news emphasises independence and accuracy of journalism, other funding supports highly partisan news sites which arguably may not contribute greatly to the wider public interest
- The scale of that support, compared to resources available to commercial news providers, is still relatively small – according to the Reuters Digital News Report, 2018, the percentage of people donating to news organisations is small – 1% in the UK and Germany rising to 3% in the US. However, Reuters reports, younger readers are more likely to consider donations than older readers, and there is an incentive to donate in markets where free and independent media seem under threat.

Outside the US, direct public funding of news (alongside other content) via public service broadcasting/online services remains much more important, in terms of scale and scope, than philanthropy. Like commercial news provision, though, PSB also faces pressures to cut costs in the face of likely constraints on future funding.

A recent study from the Shorenstein Center and Northeastern University⁴⁹ has examined the role of not-for-profit journalism in the US in more detail, and in particular its sources of foundation funding (donations from family and private foundations and trusts). While highlighting the growth and innovation in not-for-profit journalism, it also identified some challenges.

⁴⁹ Nisbet, Wihbey, Kristiansen and Bajak, *Funding the News: Foundations and Nonprofit Media*, Shorenstein Center and Northeastern University, June, 2018

In particular, foundation funding is much less than the amounts that would be required to replace the decline in commercial news provision in recent years. Further, many foundations seek to make a public policy impact with their funding, perhaps calling into question journalistic independence and integrity, or raising concerns that foundation funding reflects “elites talking to elites”.

The report concludes that a better understanding of the foundation sector and its motivations is crucial to determining the future effectiveness and funding of not-for profit news.

Costs and quality

News publishers have adopted a range of cost strategies in response to these challenges, including:

- Cutting back resources - over the past decade, job cuts seem, on various estimates, to have reduced staffing across the board by 10-20% in national news publishers and over 40% in local news.
- Organisational change – re-structuring of news rooms to be all digital or digital-first, cutting back on overseas and regional bureau, moving to seven-day working etc.
- Streamlined processes – e.g. centralisation of resources (for local news groups). Johnston Press, UK local news publisher with 198 titles, notes its core strategy of centrally created content, including a central lifestyle team and a central investigations team⁵⁰
- Reducing print and distribution costs – cutting back on print editions or reducing pagination and sections of newspapers. The *Independent* in the UK, the *Pittsburgh Times* and *Seattle Post-Intelligencer* are examples of titles that have moved online only.⁵¹ Others have cut print frequency to weekends only or 3 times a week, or have dropped special supplements and magazines
- Collaboration with other publishers – for example sharing printing presses, joint sales and marketing initiatives etc.
- Draining titles of resources and cash, with eventual closure or fire sale as the end game – some US publishers are accused of acquiring local/metro newspapers to milk them

⁵⁰ Johnston Press, [2017 Annual report](#), 27 April 2018

⁵¹ KPMG, [Stop the Presses](#), 2016

as cash cows, while running down capital investment and cutting journalistic resources.⁵²

Retrenchment affects some areas of journalism more than others. Local content is replaced by centralised or syndicated content. Expensive investigative journalism and in-depth reporting can no longer be sustained at levels previously taken for granted. Foreign coverage is delivered via press agency reports rather than from a news publishers' own correspondents. Local publishers can no longer provide extensive coverage of local government legislative sessions or court cases. Opinion, being cheaper than reporting, becomes more attractive, as does sponsored content, or content which can directly attract adjacent advertising. Junior reporters are employed to rewrite stories carried in other news media and online.

A sustainable model would be one which continues to attract subscribers and/or advertisers and generates enough income to cover costs of provision and an acceptable profit margin. Such a model is not guaranteed to exist – it is possible that, even if new revenue streams can be found, they require a level of content investment which is unaffordable. There may be limited historical precedent for serious news to be provided profitably on a standalone basis rather than part of a much wider bundle. This is especially likely to be true if much of news (such as the day's headlines) is seen by most users as a commodity – and one which many are prepared to provide free of charge.

Emerging business models

In sum, we are most likely to see a range of approaches for future news provision, depending on the type and cost of journalism offered, the size of the market for that journalism, and the nature of its audience (niche or generalist). Some appear more promising than others.

Many will try to adopt a hybrid advertising/subscription model. But it's unclear how much revenue can be added via this route for most generalist news providers. Premium players and specialist niche publishers may well prosper, but there is no guarantee that it will work more widely, even if it is the only option left on the table.

The future of local and community journalism is hardest to predict. Local newspaper groups which publish a large number of titles can benefit from economies of scale which arise from centralising

⁵² See for example various articles about US publisher Digital First Media and its newspapers, especially the Denver Post, at [Nieman Lab](#) (the Nieman Foundation at Harvard).

editorial resources, digital development etc. But they may find it harder to retain readership if the local nature of their content is diminished. Locally-owned or run community papers on the other hand must look for alternative routes to sustainability which might involve public funding or local philanthropy, with some additional income from paywalls.

And only a minority of consumers will choose to subscribe to the high-quality news providers. Reuters among others warn of the potential of a two-tier news and information system developing – if more high-quality content disappears behind a paywall, there is a danger of widening the current disconnect between the elites and the rest of the population. “We could potentially see a situation where those who can’t afford to subscribe are subject to the lowest quality journalism and the highest amount of disinformation”⁵³

News business models with most potential

These are the models we think most likely to deliver medium term sustainability:

High -end, premium content brands

- Subscription-led (but with advertising in support), with relatively hard paywalls
- High value content across a range of news and journalism
- Strong brands, well-resourced and high profile
- Affluent readers, able and willing to pay

Specialist, niche publishers

- More focused news and journalism, often in specialist area e.g. finance or technology
- In-depth reporting and valued opinion
- Clear target markets, with audiences who value content
- Subscription-led, but may tap into other commercial and philanthropic income sources

(Some) mass audience, populist brands

- Largely advertiser-funded
- Less likely to succeed with subscription models – insufficient unique value, much free competition
- Need to attract eyeballs drives editorial towards more populist content
- Need to drive down costs affects ability to sustain quality journalism

⁵³ Nic Newman, [Journalism, Media and Technology Trends and Predictions, 2018](#), Reuters Institute, January 2018

- Survival may ultimately depend on scale (leading players in large national market or even global?)
- Last man standing (e.g. after mergers, closures) could be the key to longer term survival

Those with less certain future

Other models are likely to face tougher challenges and will only work if competition diminishes or costs can be further reduced. They include mid-market generalists, digital-born generalists, freesheets and many local news providers. Possible exceptions include titles which can take advantage of cultural distinctiveness (for example some of the northern European news providers which are developing subscription models), smaller local news providers, who may be able to exploit philanthropic support, and other not-for-profit enterprises.

5. Future policy options

Commercial news provision on the scale we have been accustomed to is under threat. Much of this is down to the competitive challenges posed by the internet and more recently by the effectiveness of digital platforms in developing more efficient ways of providing and selling advertising. In most markets, this would be seen as the beneficial working of competition – with disruptive new entrants providing better services for consumers and for advertisers.

In the market for high quality journalism, however, there is a potential social cost, namely the risk to the effective working of democratic civil society if there is a significant decline in the availability and quality of news and other journalism.

It is easier, though, to identify what should not be done about this than what should.

What should not be done

In our view, the apparently easy answer, which is to require the digital platforms to contribute more financially to the support of journalism, is not sensible:

Digital platforms have arguably contributed to only a small part of the overall decline of newspaper revenues in recent decades. Even if they *were* primarily responsible for that decline, it would not follow that they should compensate for it (anymore than - say - car makers were expected to compensate railways).

Moreover, in practical terms, it would be hard to design an effective mechanism to coherently and equitably transfer value from the platforms.⁵⁴ The platforms and their relationships with news providers are highly heterogeneous and in great flux, and thus any generalized approach would almost certainly break down. A further challenge is determining which news providers should benefit. There is a risk of substantial market distortions, and potential barriers to entry for both new platforms and new providers of journalism.

Neither would it be sensible to introduce measures which benefited traditional news providers in preference to new digital providers – again, the risk would be to distort competition and harm innovation.

Finally, it will be challenging to ensure that any subsidy for news providers (traditional or new) actually supports investigative

⁵⁴ For the avoidance of doubt, we are not arguing against (say) an intervention to address a future abuse of market power by a platform vis-à-vis news providers

journalism, the area of greatest need. As we have seen, newspapers are already choosing to invest in other areas, and if (say) they benefited from some form of subvention from the platforms, these funds might also be invested in sports rights, events promotion and so on.

What can be done

Identifying priorities for investment

We believe the first step to policy development should be a rigorous assessment of where the threat to journalism is greatest and matters most. It is the preservation of journalism, not certain news organisations that is the goal, so policy must start from this perspective.

As noted above, headline news, celebrity and entertainment news, and all shades of opinion are likely to remain widely available – whether provided by traditional newspapers or in completely new digital formats. In other areas, there may be scope for further cost savings to reduce duplication. For example, there are currently 443 registered lobby correspondents in the UK. Even if this number fell somewhat, it seems unlikely that this would cause material harm to the depth and breadth of coverage of Parliament. Conversely, shortfalls in other areas seem more worrying. In-depth local reporting (in particular of councils) is already weak. Similarly, investigative journalism may be vulnerable at a national level.

Any interventions need to take account of these differences, so that the areas of greatest need can be identified, scaled and targeted.

Grants for investigative journalism

One such intervention might build on the precedent of BBC support for local news stories used by newspapers, and the approach of the Pulitzer Center in the US. (The Pulitzer Center provides grants for specific pieces of investigative journalism).⁵⁵

In this scenario, a pool of government funds⁵⁶ would be used on the Pulitzer model to fund specific investigations. Ideally funds would also come from donations from other organisations (which would be beneficial financially and for independence).

⁵⁵ Pulitzer Center, [Grants](#) [accessed 11 September 2018]

⁵⁶ Possibly an endowment, along the

Grants would be targeted at the areas of greatest need (as discussed above). They might be made to individuals or organisations, but in either event a distribution plan would be essential

Clearly independence and confidentiality of this process would be critical, since (for example) an investigation might be of a local council of the same party as the government. One option would be for the grant making body to be sponsored by the BBC, to give greater distance from Westminster. The members of the granting body would come from news backgrounds across broadcast, print and online, both commercial and publicly funded.

While some concerns re independence and confidentiality might remain, we note that the purpose of this body would not be to fund all investigative journalism. For a highly politically sensitive investigation (such as the MP's expenses scandal), newspapers or other outlets would be free to self-fund an investigation.

We do not recommend public funding lightly. However, news (of certain types) clearly brings substantial societal benefits. Equally clearly – despite 20 years of experimentation – we have not yet identified a durable commercial model to fund some types of news in the internet era.

Limiting unhelpful regulatory interventions

Even with such public funding, a great part of news gathering will be commercially funded. To ensure the this is as effective as possible, great care should be taken with any regulatory interventions that impose inefficiencies or undue cost on the sector.

For example, while media plurality is highly desirable, if pursued too ardently it can result in burdensome fragmentation of the industry, by blocking the mergers and exits that might otherwise have allowed economies of scale and other efficiencies.

Securing trust in journalism

The Call for Evidence asks how we will know we have been successful. Much of the focus of this submission has been on the availability (and consumption) of news based on solid journalism. However, this is not enough. Such news must also be *trusted* – unless consumers regard it as credible, it will not serve to inform.

Building trust is of course in large part the responsibility of the news providers. Regulatory mechanisms (such as the self-regulation of the press, and the statutory regulation of broadcasters) act to support this.

However, platforms have a role too. On social media reliable news providers (traditional or otherwise) may be drowned out by fake news. Moreover, fake news providers may quite deliberately seek to undermine trust in reliable providers. The platforms are best placed to mitigate this potential harm, and indeed are already taking steps to do so. However, this will be an important area to have in mind for future policy development.