Evidence of the News Media Alliance for the Cairncross Review on Sustainability of High-Quality Journalism in the United Kingdom

The News Media Alliance (the “Alliance”) is a nonprofit organization that represents the interests of more than 2,000 news media organizations in the United States and around the world. The Alliance diligently advocates for newspapers before national governments and international organizations on issues that affect today’s media organizations, including protecting newspapers’ operating models, intellectual property, and long-term viability globally.

The Alliance welcomes the opportunity to provide these comments in response to the call for evidence with respect to the Cairncross Review on Sustainability of High-Quality Journalism in the United Kingdom (the “Review”), requested by the Department of Digital, Culture, Media and Sport in March 2018. We commend the UK Government’s commitment to identifying new and innovative approaches to protecting high-quality journalism and local news, and the selection of Dame Frances Cairncross as the Chair of the advisory panel.

The Alliance acknowledges that the Review is a UK-led exercise to inform decision making by the Government and the UK electorate. To inform this effort, the Alliance wishes to provide insights into the news media landscape in the United States that may help the Review to identify issues and approaches applicable to the United Kingdom.

Sustainable High-Quality Journalism Depends on a Level Playing Field and Healthy Competition

The Review seeks feedback to determine how far and by what means the UK can secure a sustainable future for high-quality journalism, particularly for news. Looking ahead to 2028, the Review asks how to measure whether the efforts have been successful in relation to publishers and consumers. Establishing objective criteria for evaluating whether the efforts to secure a sustainable future for high-quality journalism have been successful ten years from now is
difficult due to the ever-changing nature of news media, technology, and consumer habits. However, some overall principles and benchmarks can be used as markers for whether the ability of the citizenry to access high-quality information is preserved and news organizations retain their ability to act as sustainable and competitive conveyors of that information.

With regards to news publishers, the Alliance believes that its member-publishers’ long-term sustainability and profitability depends largely on how governments manage the rebalancing of the digital ecosystem to respond to new challenges. Considering the dominant position of online platforms that benefit from news content while dictating the rules of the online ecosystem, the long-term success of news organizations depends on leveling the playing field. While this may require the government to take strong action, the overall criteria to evaluate success is the ability of news organizations to monetize content, invest in investigative journalism, and respond to local community needs.

Similarly, from the consumers’ viewpoint, sustainable high-quality journalism is evidenced by the availability of and access to a variety of news outlets from local to national media that provide high-quality journalism on multiple devices. Having a diverse news media ecosystem guarantees that consumers can choose their news source depending on their interests, while also receiving nonbiased and accurate information on local, national, and world events. If the government is successful in leveling the playing field for publishers, news organizations will be better placed to develop and deliver such content on their own terms, thereby providing consumers with a wide range of high-quality options.

**News Publishers and High-Quality Journalism Need New Approaches and Regulatory Freedom to Survive**

The Review asks what it can learn from successful business models in other sectors or other countries. News organizations around the world are struggling with many of the same issues that affect the future of high-quality journalism and the dissemination of real, fact-based information. In the United States alone, physical newspaper circulation dropped by over 10% between 2016 and 2017, and although some news organizations witnessed large increases in digital subscriptions, overall digital circulation too dropped by 9% on average. At the same time, however, over the last five years, digital audience for newspapers increased 21% from 2015 to 2016 and remained effectively the same from 2016 to 2017: While this considerable increase in audience has led to increased digital advertising revenues, it is often not enough to offset the reduced physical advertising and near-stagnant digital and physical subscription revenues. News organizations in the United States and around the world are therefore forced to rethink their operating models while trying to survive the digital transformation with drastically reduced resources.

Based on research on the American newspaper experience, in preserving and attracting new subscribers, news organizations should focus on quality, even at the expense of short-term profit

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2 Id.
Subscriptions rely on the news publication’s accuracy, willingness to admit mistakes, and fair treatment of all sides of an argument. In many cases, this requires significant investments from the news publisher, who might otherwise be tempted to reduce costs and cut back on newsrooms, thereby threatening the long-term viability of the publication. Similarly, regardless of the size of the news publication, it is vital that the news organization carves out a place for itself in the community, with the desire to be connected to a community the main factor in why people subscribe to news publications in the first place.

Securing subscribers by anchoring a publication to the community and providing high-quality journalism requires significant investments. It is therefore important that the regulatory framework supports the provision of high-quality journalism. In the United States, federal media ownership rules have for long inhibited the financial viability of local journalism. However, in late-2017, the Federal Communications Commission repealed the Newspaper/Broadcast Cross-Ownership Rule, which prevented the common ownership of a daily print newspaper and full-power broadcast station in the same community.

While it is important to preserve multiple voices at local level, the repeal of the cross-ownership rule is unlikely to lead to more consolidation. Instead, it allows potential broadcast owners who are deeply involved in their communities to invest in their local newspapers that play a critical role by reporting on local matters and events that affect the everyday lives of the people in the communities.

Balancing financial viability and economic benefit with the availability of multiple and varied options and viewpoints is difficult but also necessary to support and enable high-quality local journalism, and help secure it for the next generation. This is particularly important at a time when news deserts are spreading at a higher rate than ever, with at least 195 counties, representing 3.1 million people in the United States, having no weekly or daily newspapers.

Partly as a result of this development, in 2017, the newspaper industry employed only just over 39,000 editorial staff members, down by 45% from 2004.

Many of the communities with the least access to local news outlets are less affluent than the national average, and more reliant on national news that may not respond to their concerns or issues facing these communities. According to recent research, less than half of local news content is original, and only less 12% of news items in local news outlets are locally produced, on a local topic, and address a critical information need.

While there have been some attempts at creating hyperlocal news publications that address these communities, their long-term viability and effect on local discourse are highly contentious.

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Regulation of Online Platforms Needed to Address Inequalities between Publishers and Big Online Platforms

The Review asks what changes might be made to the operation of the online platforms and/or the relationship between the platforms and news publishers, which would help to sustain high-quality journalism. As noted in the Mediatique report commissioned by the Department to inform this review, in their attempts to develop new and alternative business models and revenue streams, news organizations are further contending with a digital advertising and distribution ecosystem that is largely controlled by a select few online platforms, including Google and Facebook. In this ecosystem, too often, news is clumped together with the term “digital content.” However, high-quality journalism is much more important than that – inaccurate information can be dangerous and immediately destructive. Platform dominance gives the dominant platforms incredible viewpoint control and economic power over news publishers, many of which do not have the capability or leverage to negotiate or push back against practices imposed by these platforms, whether it comes to directing traffic, handling data, or digital advertising technologies.

Despite unprecedented audience growth, newspaper publishers have not been able to adequately monetize content through digital advertising revenue. In the United States, Facebook and Google account for 73% of the online ad market, including 83% of all digital advertising growth. Total newspaper advertising revenue (print and digital), meanwhile, is estimated at $18 billion, down from $49 billion in 2006. The digital share of newspapers’ advertising revenue has increased from 20% five years ago to 31% in 2017, but still only totals $5.22 billion. Digital advertising increases combined with circulation increases – which have witnessed modest increases (3% between 2016 and 2017) – are unable to offset the losses in print advertising revenue.

The platforms also unilaterally control the algorithms that are used to determine how and which news articles are delivered to users, and therefore, which news organizations have an advantage in the digital marketplace. They also often control user data, while requiring news organizations to collect consent from users for its use and collection without fully disclosing how the platforms plan to use this data. These unilateral decisions by the platforms – often taken without consultations with other stakeholders, including news organizations – particularly affect small, community newspapers who struggle with declining revenues and the lack of resources more than more established, national news organizations.

As demonstrated by numerous recent developments – ranging from the proliferation of fake news to breaches of consumer data privacy – the internet ecosystem, and particularly the online

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11 Id.
platforms that dominate it, are not designed to foster responsibility over the integrity of content or the advertising that supports it. With regards to news, platforms exercise immense viewpoint control, making them *de facto* regulators of the news business. The platform algorithms, often confidential and under unilateral control, decide which news articles reach consumers, and how readers interact with them. Platforms can also largely decide how users reach news content, whether that is through directed traffic to publisher websites or through publishing platforms developed by the platforms themselves. All of this control leads to a situation where the platforms are not neutral arbiters of information, regardless of their arguments to the contrary, but active participants in the editorial process. This situation is true both in the United States and internationally, and treating the platforms as anything else compromises the integrity of the online news ecosystem. The UK’s Competition and Markets Authority (CMA) should examine the dominance of the tech companies and the role of intermediaries in the digital advertising supply chain and their impact on consumers, advertisers and other media players, leading to effective remedies.

The dominant role of the online platforms harms not only news publishers but the general public and their trust in the media. Currently, 35% of US consumers have a negative view of the news media, while 56% believe the news media is headed in the wrong direction. News publishers work diligently to ensure the fairness, accuracy, and reliability of their news content as well as the integrity of the advertising that appears next to it. Newspapers have spent decades – if not centuries, like the London Gazette – to create and nurture their brands. The dominant position of the few online platforms as intermediaries between consumers and the press make these efforts more difficult and weaken these long-developed brands, often confusing consumers.

Not only do the platforms make it harder to identify who to contact when things go wrong – with newspapers, consumers know where to send complaints if they notice an inaccuracy or have feedback on the content in general – they also drive the commoditization of news and erasure of news media brands. Facebook and Google have long developed content services that force news publishers to display their content in a uniform, homogenized format that eliminates distinctions between brands and makes it difficult for consumers to tell high-quality news from “clickbait” or fake news. It is therefore not surprising that the proliferation of fake news coincided with the rise of the online platform as intermediaries of news content.

There are various ways in which governments can try to counter these developments. The policy options range from those identified in the recent Culture Committee report on combating fake news, including algorithmic auditing and changes to liability standards, to stricter copyright and antitrust enforcement. In the United States, the Congress is currently discussing various ways to enhance the position of news organizations relative to the online platforms and to fight fake news. Many lawmakers have raised the prospect of increasing online platform liability by removing or weakening the immunity provided by Section 230 of the Communications Decency Act, which immunizes online service providers who are not publishers from most civil and some criminal claims resulting from third party content. These are all important developments that have the potential to improve the sustainability of high-quality journalism in the long term.

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In addition to the proposed solutions to address the imbalance between online platforms and news organizations, the US House of Representatives is also currently considering a bill that would grant a one-time antitrust exemption for news organizations to engage in talks with each other while negotiating with online platforms for terms of use for online news content. H.R. 5190, The “Journalism Competition and Preservation Act of 2018,” which was introduced by Rep. David Cicilline (D-RI), ranking member of the House Antitrust Subcommittee, would address one of the most important challenges facing news media organizations when dealing with online platforms – the inability to coordinate and develop common approaches and responses when negotiating with considerably larger and powerful companies.13

High-quality journalism and viable news publishers are vital for the preservation of democratic systems and for providing citizens information about local and national issues that affect them the most. However, news organizations are struggling with the digital transformation both in the United States and around the world. This struggle is exacerbated by the dominant position of a few online platforms that define the terms on which news are distributed to consumers in today’s digital economy. It is important that governments examine and adopt new approaches to tackling this problem, and the News Media Alliance commends the UK Government from commissioning this important study. We appreciate the opportunity to provide comments, and look forward to continuing our engagement in the process as needed.

Sincerely,

David Chavern
President & CEO
News Media Alliance