



# »» LOCAL IRELAND

## SUBMISSION TO FUTURE OF MEDIA COMMISSION



January 2021



## INTRODUCTION



**LOCAL IRELAND**

YOUR LOCAL NEWS | PRINT | ONLINE | MOBILE



**L**ocal Ireland, the representative body for 42 paid-for regional newspapers across the country, welcomes the establishment of the Future of Media Commission and wishes its members well in their deliberations.

It is both appropriate and a matter of urgency that the Commission should examine the future of media in Ireland, including print and online media platforms.

Media provides a vital public service for our society. We, the publishers of local newspapers and related digital content, are a unique and critical part of the media landscape - we report, inform and campaign for our communities.

The circumstances created by the COVID-19 pandemic epitomise the role, value and importance of regional newspaper publishers.

We are frontline communicators of public information from Government, the HSE and other vital agencies and support groups. We inform our communities, promote social responsibility, showcase positive stories and hold those in breach and those in authority to account. We are in the vanguard of trusted public service, reporting at town, village, parish and townland level. The depth of our coverage provided by our local network of reporters, photographers, columnists, correspondents and our unique parish notes providers is not matched or served by any other media.

At the same time, COVID-19 has had a huge economic impact on so many Irish businesses with temporary and permanent closures, particularly local businesses. These local businesses are our clients, our friends and our partners and their plight has had an enormous impact on our sector with the consequent dramatic fall in advertising. Circulation has been hit by restrictions of movement, cocooning and the severe contraction of the local economies where we live, work and serve.

In this submission, we will detail the current state of the local newspaper sector, the measures and innovations we are undertaking in print and online to survive the challenges we face and the urgent Government supports we need to continue to perform our part in providing trusted, quality local news and information.

  
 President, Local Ireland  
**David Ryan**

  
 Executive Director, Local Ireland  
**Bob Hughes**

TABLE OF CONTENTS	
<b>• Executive Summary</b>	PAGE <b>02</b>
<b>• Local Newspapers - A Unique Public Service</b>	PAGE <b>06</b>
<b>• Economic Realities - The Current State Of The Local Newspaper Industry</b>	PAGE <b>08</b>
<b>• Initiatives Needed For The Survival Of Local Newspapers</b>	PAGE <b>18</b>
<b>• Appendices</b>	PAGE <b>24</b>

## EXECUTIVE SUMMARY

### A SECTOR IN CRISIS

The newspaper industry is in crisis, both globally and in Ireland. Revenues from advertising and circulation continue in a downward spiral. The industry is reeling from three tsunamis, the global recession in the first decade of the century, the massive migration of advertising spend to the tech giants in the second decade and now the COVID-19 pandemic.

The future is also bleak with advertising and circulation set to decline further. PWC's Media Outlook 2020-2024<sup>1</sup> outlines challenging trends for newspaper publishers, predicting falls in global advertising revenue from €40.11 billion in 2019 to just over €28 billion in 2024, a decline of more than a quarter – 27% — over five years. PWC also forecasts a decline in global circulation revenue from €48 billion to €41 billion over the same period.

### CUTS AND CLOSURES

Local newspapers in Ireland have suffered greatly in what is now a fight for survival. Over the past decade 16 paid-for weekly newspapers across Ireland have closed, with more losses among free newspapers. There have also been redundancies and lay-offs as a consequence of closure or hard but necessary business decisions. The reality is that the average local newspaper now employs 50% of its 2000 staffing levels.

### COVID IMPACTS

The systemic financial challenges have been compounded by the effects of the pandemic, which, according to our own membership audit, has seen a staggering fall of 22% or €6.38 million in advertising between April and November 2020. Clearly these accumulated losses are not sustainable, and immediate action is required from Government to prevent further closures and redundancies.

COVID-19 has had a disproportionate impact on local newspapers as opposed to other media. Some 91% of advertising revenue for local newspapers comes directly from local businesses. The devastation wreaked on the tourism and hospitality sector has created a black hole in local publishers' finances. The closure of pubs and restaurants and the cancellation of entertainment and other events have resulted in an abrupt halt in revenue from those local advertisers. The void that has been left has been only partially offset by Government spend on public information advertising and the renewed emphasis on local services and local information as the country is encouraged to stay local and shop local.

### PUBLIC SERVICE TO COMMUNITIES

Paradoxically, the importance of local newspapers to their communities has never been so acutely realised as in the current pandemic. Local newspapers — in print and online — provide community information at an immersive level, unparalleled by any other media. Moreover, the quality of service of this public interest journalism to the general public has been reflected in the trust they continue to inspire in their readers and audiences.

<sup>1</sup> <https://www.pwc.com/gx/en/industries/tmt/media/outlook.html>

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## TRUST

The Reuters Digital News Institute analysis of the Irish media in 2020<sup>2</sup> reported a 71% trust factor for local newspapers, while the level of distrust among readers was the lowest among all media on all platforms at 9%, a figure only equalled by The Irish Times.

Not only do local newspapers provide trusted content for readers, they are also a mine of stories at national and international level and an important source of talent for all media. Some of our best journalists began their careers in local news and some of our best journalists have remained in local news, providing high quality content as standard bearers of best practice journalism in terms of accuracy, impartiality and truth for those they mentor and inspire.

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## DEMOCRACY AND DIVERSITY

The quality of service provided by local newspapers has been built up over decades and in some cases, centuries. They are the lifeblood of our communities and offer the closest democratic scrutiny for our local representatives in the promotion of their policies and accountability around their delivery. As well as news, local newspapers are a treasure trove of information around Irish culture, entertainment, sport and diversity within our communities. Many publications trace their foundation to the eighteenth and nineteenth centuries and their archives provide a valuable resource for historians, folklorists and language scholars.

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## PAYING FOR DIGITAL CONTENT

Google, Facebook and other tech giants like Apple should be paying directly for the content created by Irish news publishers. The major platforms rely heavily on the trusted content we create. They pay nothing for it yet they make significant commercial gain by using it.

Many jurisdictions are securing arrangements for Google and Facebook to pay for the content that is on their sites. The Irish Government needs to move on this swiftly as this will define the future of Irish media.

Google has already signed deals with publishers worth a combined \$1bn in Germany, Canada, the US, the UK, Brazil and Argentina. Google has also agreed a deal with French publishers.

The UK government also announced recently that it is to set up a Digital Market Unit to ensure there are payments for stories and video, backed up by punitive fines for any breaches.

Australia has forced the tech giants to the table - they now have to pay news organisations for the content they use.

Irish news publishers are currently missing out. We are calling on Ireland's government to help expedite progress with the increasingly common-place step of securing payment from the platforms to our country's established news publishers for the use of our content and to ensure that the source of same content is recognised as the trusted content our readers have come to expect.

Irish weekly newspapers provide an immense resource of news and information online. The results of an online search of local towns and areas using major platforms will reveal results dominated by content sourced from local newspapers.

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<sup>2</sup> <https://www.digitalnewsreport.org/survey/analysis-by-country/2020/ireland-2020/>

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## DIGITAL INNOVATION

The 42 local newspapers that make up the membership of Local Ireland have taken many digital initiatives both to secure new revenue and to reach new and younger audiences with an appetite for new methods of delivery. Our members have developed subscription-based e-newspapers, websites, apps, podcasts and a strong presence on multiple social media platforms. In a typical month, Local Ireland publishers attract nearly 8 million unique global users and more than 25 million page views.

These are important initiatives but the challenge for local newspapers is that their very local nature means that their scalability is limited and the digital revenue created is not going to achieve the business results essential for survival.

Our members have also broadened their scope in terms of local partnerships around events and have been creative in identifying opportunities for monetisation around advertising campaigns.

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## INTERVENTION URGENTLY NEEDED

Local newspapers have shown their resilience throughout the crises that have beset the industry but in order to continue to serve their communities they need additional help and support from Government. Some of our members have had to take hard business decisions to ensure their survival. Lay-offs and redundancies are a last resort but even these measures have not been sufficient to prevent closures.

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## MEDIA MERGERS

We would seek an urgent review of legislation relating to media mergers in the Irish local newspapers market. Some local media owners of printed newspapers and digital news channels face ongoing losses - they face the threat of administration and potentially closure. In order to save local jobs and to keep local journalism, swift action will be required. Other media groups or other independent owners can save these titles due to their economies of scale and could potentially continue the life of those businesses and, vitally, the jobs of journalists. The pandemic will inevitably see casualties. The cost of securing Competition and Consumer Protection Commission approval (currently €8,000 to make the application plus further professional fees) should also be addressed, notably for low value transactions.



SPECIFIC SUPPORTS REQUIRED	
1.	Newspapers in the UK and several other European countries pay 0% VAT compared with 9% here. We are seeking a reduction to 5% with a view to an eventual zero rating. This move would help subsidise the financial challenges of news publishers and ease pricing pressures for the reader.
2.	A Digital Tax, like that being introduced in the UK and France and which is set to be introduced across Europe, would compensate our publishers for the content they produce - content that provides revenue for the tech giants but not for ourselves.
3.	Google, Facebook and other tech giants must pay for the content provided by news organisations, including local media in Ireland.
4.	<p>A new Media Charge to replace the Licence Fee which would support all news organisations offering public service content, including those in print and with digital platforms, in the same way that the Broadcasting Authority of Ireland Sound and Vision Scheme supports broadcasters.</p> <p>For example, the new Media Commission could provide the following:</p> <ul style="list-style-type: none"> <li>i. Emergency support under a Community Journalism Fund for local publishers in the same way in which the BAI provided €2.5 million for Local Radio stations for COVID coverage. Local newspapers have to date had no support for their coverage from Government.</li> <li>ii. A Digital Innovation Fund to support investment.</li> <li>iii. Funding for In-House Training for new-entry journalists to create a valuable bridge between the working environment and third level courses.</li> <li>iv. Funding for Cultural Content research, features and reports for areas such as local history and the Irish language.</li> </ul>
5.	Increased Government, local authority and state body advertising to redress the imbalance with other media.
6.	We would request an urgent review of legislation relating to Media Mergers in the local newspaper market.
7.	Reform of the Defamation Laws, which have a chilling effect on journalism and freedom of expression.

Finally, Ireland has no direct subsidies for newspapers, although they are extensively available in other European countries. Any subsidies administered through a third-party independent body such as a Media Commission should ensure the editorial integrity and independence of the media and support the values of truth, accuracy and impartiality. Direct Government subsidies exist in many other countries. These subsidies can be based on factors such as size of circulation, numbers employed and investment in innovation<sup>3</sup>.

## CONCLUSION

- Local newspapers perform a unique, vital and trusted service to our communities but they are in crisis and battling for survival.
- Local Ireland members are doing everything in their power to support and sustain their businesses.
- They need urgent additional support if they are to continue to survive and provide the same level of service that the people in our communities require and deserve.

<sup>3</sup> See Appendix 3

## LOCAL NEWSPAPERS – A UNIQUE PUBLIC SERVICE

No local media source provides a comparable service to their communities than local newspapers.

Some of Local Ireland's 42 titles date back to the 18th century and all of them hold a unique place at the heart of our towns and villages.

Local newspapers provide a One Stop Shop for news, culture, sport and information and their in-depth coverage frames the identity of the people they serve.

The granular detail about local issues is found nowhere else and without local newspapers there would be a serious void in terms of knowledge and information. No other medium provides coverage across regions at local and townland level in both rural and urban communities.

Local newspapers are also the key forum for local democracy, not only reporting the policies and activities of local politicians but also providing a platform for scrutiny and accountability.

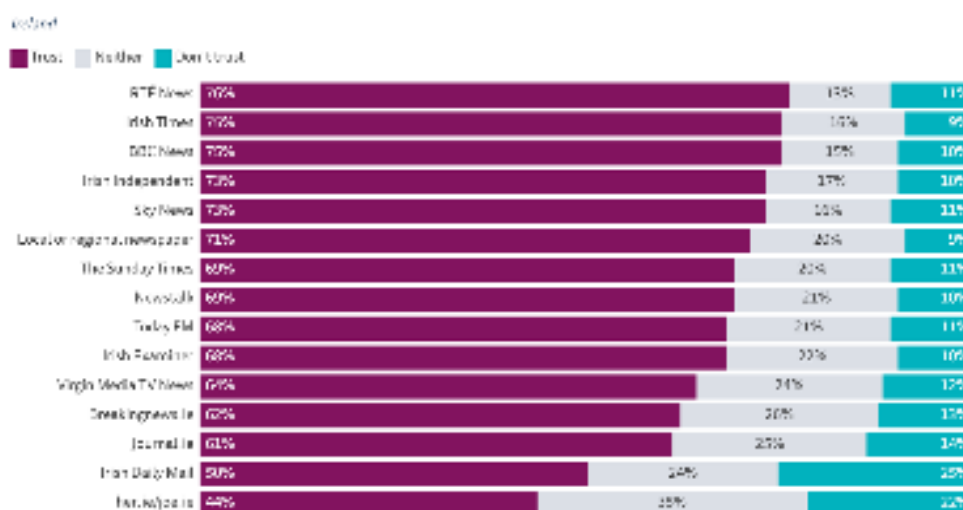
The value of local newspapers was reflected in the Digital News Report Ireland 2020, published by the Reuters Institute for the Study of Journalism in conjunction with FuJo – the Institute for Future Media and Journalism at DCU – and the Broadcasting Authority of Ireland.

The report established the strength of consumer support for local newspapers, with 87% expressing an interest in local news and 79% saying they would miss their local title if it went out of business.

The report also notes that “the ongoing relationships between local business and local newspapers is a mutually beneficial cornerstone of the industry,” adding that the closure of many businesses at the start of COVID “shut off” an important revenue stream. It notes however that “Irish news users’ dedication to local news offers a glimmer of hope for recovery.”

In terms of trust, the Digital News Report Ireland research showed that local newspapers enjoyed 71% trust among Irish consumers. This high level of trust was further reflected by a distrust level of only 9%, the lowest of any other media platform, traditional or digital, within the Irish market and only equalled by The Irish Times.

### BRAND TRUST



Source: Reuters Institute Digital News Report 2020

**The high level of trust combined with the unique offering that local newspapers provide in terms of the range and depth of news, information, culture and sport underlines the vital need for Government to intervene in order to save the sector from devastation.**

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## CONTENT

Local newspapers provide a high level of public service coverage and are a vital source of news, not just for readers but for all other media.

Staffing levels have put diary event markings under pressure but our member titles continue to be the only media to consistently cover local authority meetings, district and circuit courts, inquests, health board meetings, Education Training Boards, Joint Policing Committees and a huge range of sporting and cultural activities. No other media provides such in depth coverage, nor indeed has the resources to do so.

Local newspapers play an essential role in ensuring that every community is properly informed with trusted content. In the era of fake news, it is vital that this content creation is protected and nurtured. So much of Irish life would not be captured or recorded if the local newspapers did not cover these markings.

Community organisations, sporting groups, cultural bodies and schools all use local newspapers to publicise their activities and bring their message to their communities, to gather support, to highlight concerns and to raise issues that are directly relevant to people's lives.

Local newspapers play a key role in highlighting areas that are economically and socially disadvantaged. Ireland suffers from regional imbalance, particularly between urban and rural, east and west, high speed broadband regions and areas with poor or no connectivity. Local publishers bring these important issues directly into the public agenda.

Many stories start life as local newspaper stories and are then picked up by local radio, national newspapers and national media. At general election times, national media look to the local newspaper newsrooms for insights on the local issues, constituency issues, the likely outcome and for detailed results.

Local newspapers provide democratic accountability, extensive cultural content, forensic coverage of social issues at townland level and the main venue for detailed reporting of local sports, events and activities. Many useful hyperlocal sites and pages on platforms like Facebook are appearing on digital platforms. These often provide useful additional information but they lack the breadth of coverage and depth of resources to offer a service other than on an ad hoc level. They are however undermining potential advertising revenue for professional local publishers.



## ECONOMIC REALITIES – THE CURRENT STATE OF THE LOCAL NEWSPAPER INDUSTRY

### OVERVIEW

The following is an excerpt from a February 2017 submission to the Broadcasting Authority of Ireland as part of its investigation into media ownership, requested by the then Department of Communications. The author of the submission was the Head of Journalism and Communications at NUIG, Mr Tom Felle:



*Traditionally local newspapers in Ireland have worked on a simple economic model of advertising and circulation to fund themselves. Readers bought newspapers for a variety of reasons, but in the main to be informed, educated and entertained, and the cost of production was in part paid for by the cover price. **Running a newspaper was, then, a relatively simple business.** Papers made their money from selling ads, and from circulation sales. Journalists produced strong content that readers wanted to read, held local public bodies to account, reported on important issues like courts, as well as entertained people with fashion, features and tales of Titans battling on the hurling and football fields. Not so anymore, however. Local newspapers in Ireland are in crisis. **A perfect storm of changing consumer habits, pressures from digital media and a declining advertising market means that without significant investment, a number of them are in danger of closing within a decade.** If local newspapers cannot sustain themselves the consequences for local democracy in Ireland are significant – the accountability role that local newspapers play in local democracy will be lost forever. National newspapers, RTE and local radio do not come close to replicating the sort of accountability role that local newspapers play. Local newspapers must find a way to pay for themselves in the digital era, but a sustainable economic model has yet to be found. **In my view half of all local newspaper titles in Ireland will close within a decade unless a way is found to sustain them.** Significantly, what happens to local communities when their local newspapers disappear?*

*Tom Felle: Head of Journalism and Communications at NUIG, submission to Joint Oireachtas Committee on Communications, Climate Action and Environment (Feb 2017)*

### CLOSURE OF TITLES

Tom Felle's warning of local title closures in 2017 proved prophetic as later that year, the four titles operated by Wexford Echo Limited and owned by the Landmark Media Group had a provisional liquidator appointed and were shut down. In total, over the past decade, there have been 16 local newspapers of the paid circulation model closed with even greater losses among the free newspaper model, which is not represented by Local Ireland.

CLOSURE OF TITLES	
<i>The list of 16 closed cover-price newspapers extends countrywide and includes:</i>	
Carlow People	Navan Weekender
Clare People	Munster Express Weekend edition
Connacht Sentinel	Naas Newbridge Nationalist
East Cork Journal	New Ross Echo
Enniscorthy Echo	Roscommon Champion
Gorey Echo	The Kingdom
Limerick Chronicle*	Waterford People
Longford News	Wexford Echo

\*The Limerick Chronicle is now a free publication distributed with the Limerick Leader.

## CONSOLIDATION TRENDS IN LOCAL PUBLISHING

In reality, the economic tsunami that hit the Irish economy in 2007 was felt deeply in regional newspapers and has been followed by two further waves of substantive financial challenge.

### 2000-2009...

- » Major M&A activity up to 2006.
- » Large UK media firms buy in.
- » Pricing multiples of >12X leads to over €600m spent on local titles.
- » Johnson Press acquires 12 titles from two investment groups in ROI.
- » Celtic Media Group formed by Scottish investors and buys 5 titles.
- » Alpha Group buys 4 titles and launches a 5th.
- » Thomas Crosbie Holdings buys 10 local titles.
- » River Media Group launches 6 new titles and buys 6 more.
- » Independent News & Media buys Sligo Champion.
- » Voice Group sets up 10 titles in 2005 but all closed by 2008.
- » Family-owned titles sell for pricing multiples of 12X and higher.

### 2010-2019 ...

- » Recession leads to distressed sales.
- » Consolidation increases.
- » Major migration of advertising from print to digital - notably to Facebook & Google.
- » Pricing multiple reduces to 3X and under.
- » Closure of many start-up free newspapers.
- » Johnson Press sells to Iconic Newspapers at much reduced price (2014).
- » Local management buy Celtic Media out of receivership in 2012.
- » Celtic Media buys Connaught Telegraph out of liquidation in 2014.
- » Alpha closes 3 titles in 2010 and sells two remaining titles to Iconic in 2019.
- » TCH closes Kingdom title; sells another (2011).
- » TCH closes 4 Wexford Echo titles in 2017.
- » TCH (now Landmark) is sold to Irish Times in 2018.
- » River Media goes into receivership in ROI in 2011.
- » Restructured group sold to Iconic (2019).
- » Independent News & Media national and local titles are bought by Mediahuis in 2019.
- » 8 independently-owned titles remain in cover-price local sector
- » 16 cover price titles have closed since 2010. Covid crisis and digital migration is certain to lead to more closures.

The second and most enduring wave was the launch of the *iPhone* in October 2007 which heralded the exponential growth of the digital behemoths – Facebook & Google – and the degree to which they have dominated the new online revenue platforms ever since.

The third and most immediate financial shock wave is the Covid Pandemic which, according to an audit of Local Ireland member titles, resulted in a 22% or €6.38m fall in advertising and circulation revenues in the April to November 2020 period.

The dynamic in terms of Mergers and Acquisitions (M&A) since 2000 is best illustrated by the above graphic on consolidation trends in the Irish local publishing sector. The initial seven years up to the onset of recession saw over €600m invested mainly by UK media companies such as Scottish Radio Holdings and then Dunfermline Press and Johnson Press in buying up largely family-owned local titles.

Thomas Crosbie Holdings, owner of the Irish Examiner, also acquired titles at high multiples, along with Alpha Group, owned by Ulster MEP John Taylor. Investor Niall Mellon, from the property sector, funded start-ups such as The Voice Group but was the first to close its titles in 2008 when the advertising revenue tap was turned off.

The past decade has been dominated by restructuring and distressed sales leading to consolidation into larger groups and the exit of the titles listed above, and others from the free newspaper sector.

Johnson Press, Alpha Group and River Media are no longer involved and sold their titles to Iconic Newspapers. Celtic Media Group was bought out by its local management in 2012. TCH, later known as Landmark, was acquired by The Irish Times Limited in 2018. Independent News & Media was sold to Mediahuis in 2019 and is now known as Mediahuis Ireland.

Since 2008, the major consolidation has been around printing and distribution, pre-press and back office functions. Most regional newspapers in Ireland now operate on skeletal editorial and advertising staff, with all other functions either outsourced or consolidated within groups.

## LONG ESTABLISHED BRANDS BUT SUFFERING CONSISTENT REVENUE DECLINES

There are two strands to the dynamic involved in local news publishing. At one level, the local title is probably the longest-established, most trusted retail brand in its county area with a legacy dating back over 175 years in several cases.

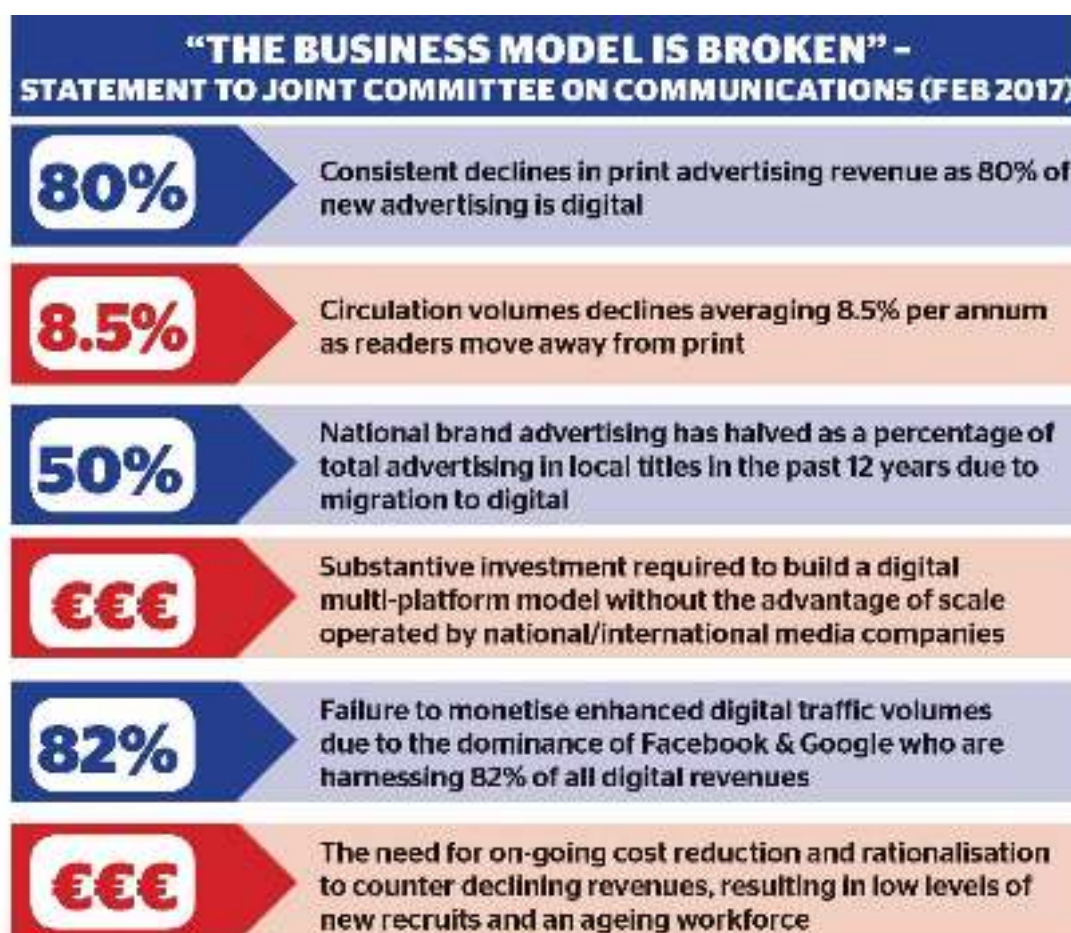
It has been there as the “custodian of the community” right through famine times; wars of independence; world wars; past recessions as well as much happier times of family celebration, sporting victories and all that is involved in the life of urban, rural and regional Ireland.

Local titles have innovated down through the decades. They were ahead of national titles in moving to colour in the 1980s and are now working to build a digital model to take them further into future decades.

However, the other strand is one of major threat to the financial sustainability of each local title with average operating margins down 80% in the past 12 years (taking 2008 as the base line); advertising revenues down 65% in that period and circulation volumes down, on average by 55%.

The Joint Oireachtas Committee on Communications, Climate Action and Environment was told by one of the sector’s main players in February 2017 that there is a “broken business model for local newspapers”.





Since 2012, other sectors of the economy have recovered, but local newspapers have not. The reality is that local newspapers are now caught between a rock and a hard place. Advertising and circulation are in decline; newsrooms are running with fewer and fewer staff but investment is needed to upskill journalists on a regular basis in order to remain competitive and dynamic in a digital environment. Yet our titles are in competition with the digital duopoly and, locally, for advertising and sponsorship with radio stations that are receiving state support, including the Licence Fee funded Sound and Vision Scheme.

## THE “BROKEN BUSINESS” MODEL FACING PUBLISHERS

The traditional newspaper model is no longer commercially sustainable. This has resulted in profit margins which largely are making the sector “non-investable” and will result in even more consolidation into larger groups which will continue to drive out costs inexorably.

Such cost reduction strategies will inevitably reduce the level of coverage for markings such as local authority meetings, courts and sporting, community and cultural events.

The table below reveals profitability within a typical local title being at one-fifth of its 2008 level. Many are operating at a loss and most are struggling to find the investment required for a sustainable, remunerative digital model.



PROFIT & LOSS DYNAMIC WITHIN A TYPICAL LOCAL TITLE 2008 compared to 2020		
Income trend taking 2008 base as 100		
Year	2008	2020 as % of 2008
Advertising	100	35
Circulation	100	45
Payroll	100	70
Profit	100	20

There have been significant job losses in the sector over the last 16 years, with the average newspaper's staff numbers at 50% of the levels enjoyed 20 years ago. Nevertheless, Local Ireland newspapers directly or indirectly employ up to 2,000 staff across Ireland, including journalists, correspondents, columnists, camera men and women and advertising, commercial and administrative staff.

Our publishers offer a vital support to local newsagents and retailers, for whom the weekly paid-for newspaper is a door-opener. Our staff are spread throughout every county in Ireland and they are at the core of our local communities in cities, towns and villages.

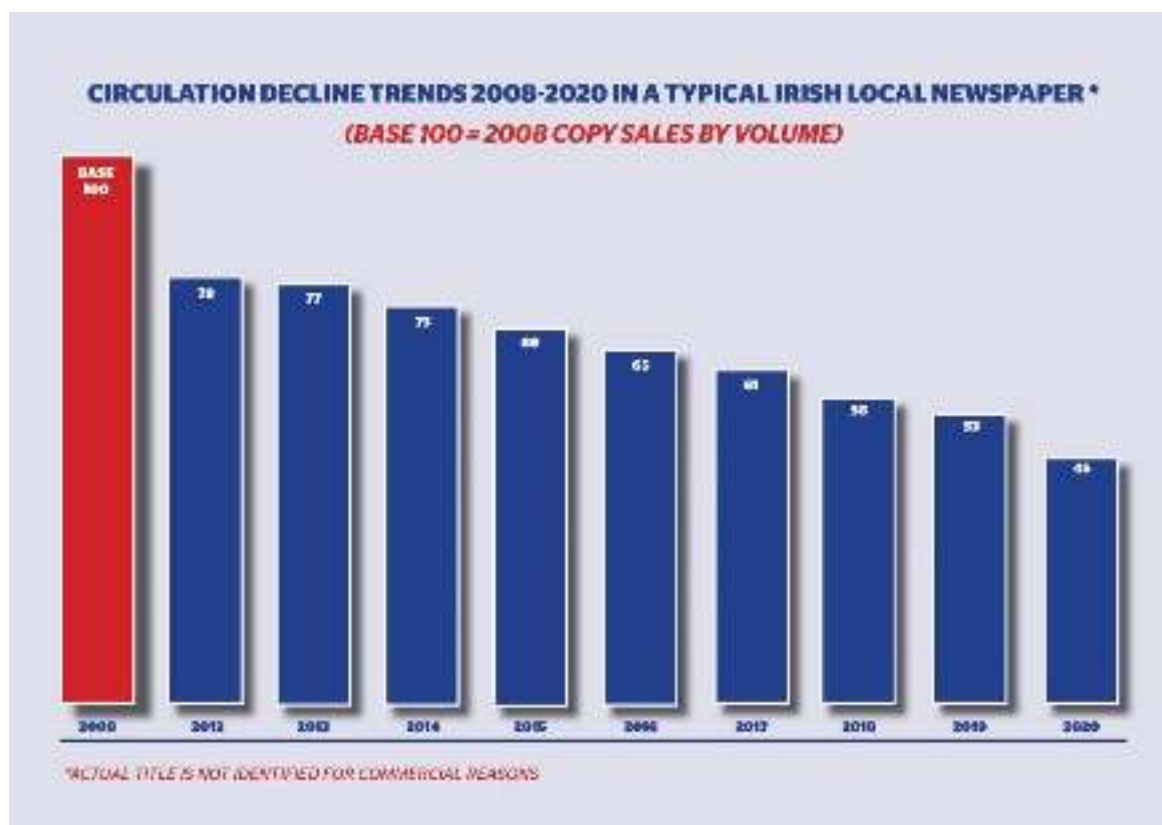
All regional newspaper groups in the State have undergone significant rationalisation processes in the past two years, with consolidation and aggregation now seen as the only route that may provide a short to medium-term future for professional news gathering.

← TYPICAL STAFFING RESOURCE FOR A LOCAL TITLE →	
	Full-Time
Editor	1
Sports Editor	1
3 Reporters	3
10 Columnists	Contract Fee
3 Freelance Photographers	Contract Fee
45 Local Notes / Local Sports	Contract Fee
Sales Manager	1
3 Sales People	3
Admin	1
General Manager	Shared Resource
Total Staff	10 Full-Time + c. 60 Fee-Based Others

Renowned media commentator Professor Roy Greenslade observed in the Media Guardian (Nov 5, 2015) that there will not be a moment when newspapers go over a cliff – the demise will be slower than that.

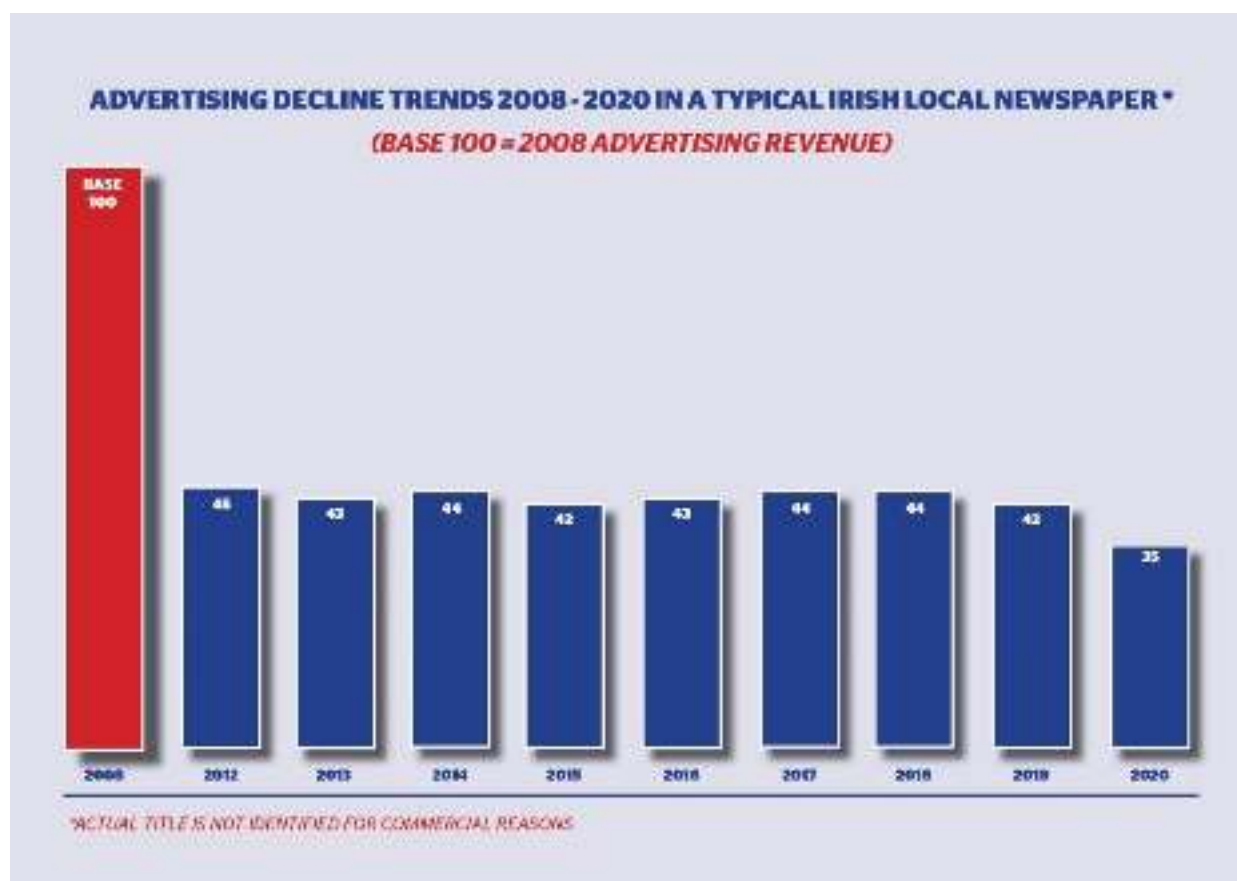
He added: "All print advertising will not suddenly vanish . . . the grim reaper's scythe will strike down some titles much sooner than others. We can already see in the UK that daily regional papers will go before local weeklies, for example.

“What has taken many by surprise during the slow agonising death of newsprint has been the extraordinary ingenuity of owners in managing to continue turning a profit amid the wreckage of their business model.”



It should be noted that local titles have had to be reasonably aggressive in their cover price strategy – mirroring that of national titles – and most are now priced in the range of €2.30 to €3 per copy. This strategy has added a further 1-2% decline in the number of purchasers of the weekly title but is deemed essential to offset the consistent 7-9% decline in circulation being experienced because of the migration away from print purchase. The impact of cover price increases has mitigated the loss of revenue compared to 2008 to c. 30% in a typical local title, as opposed to the more than 50% volume fall.<sup>4</sup>

<sup>4</sup> See also Appendix 2 on Circulation Decline



Advertising revenues used to account for some 80% of total revenue in a local title back in 2000 and indeed continued at a high level up to the recession. The collapse in advertising – as illustrated in the 2008-2020 comparator for a typical local publisher – has meant that advertising now accounts for little over half the total revenue (55-60%) whereas the importance of circulation revenue has doubled from about 20% of the total in the 2000-2008 period to a range of 40-45% now. It must be highlighted that each of those contribution levels is on an overall advertising revenue that has more than halved since 2008.

## RESPONDING TO THE DIGITAL CHALLENGE AND RELATED OPPORTUNITY

### *So where have readers gone? And where has advertising revenue (to support the production of newspapers) gone?*

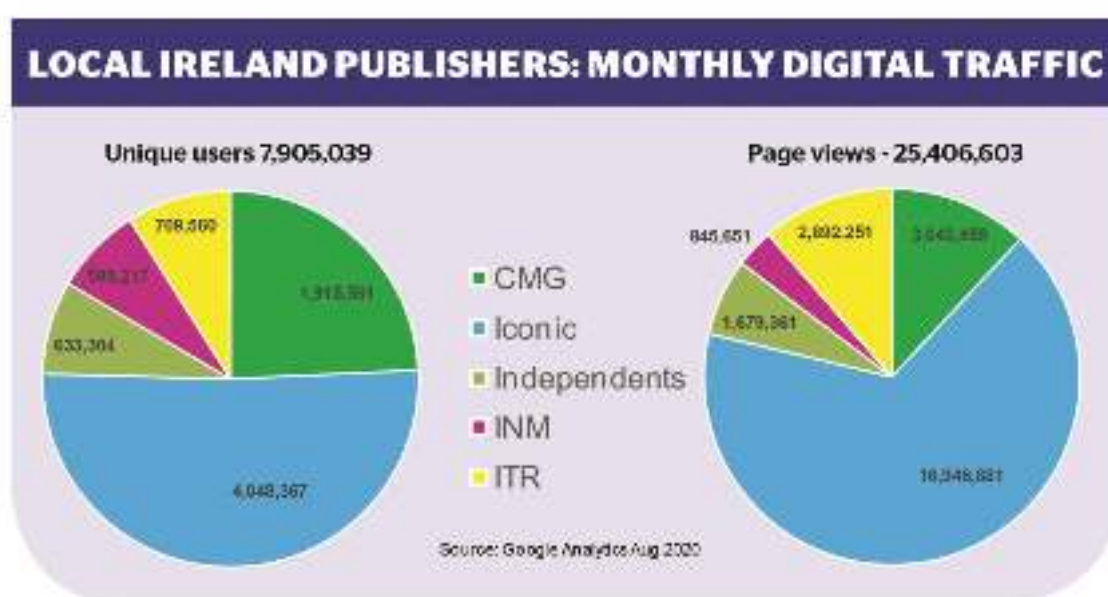
Increasingly advertising is going online – to Google, Facebook and other large multinational social media brands. Changing readership habits mean that readers are ‘snacking’ rather than reading and taking news and information from a variety of sources. Readers now expect to get news for free, oblivious to the fact that verified, trusted and balanced news reporting costs money to produce.

National news brands such as The Irish Times and Mediahuis Ireland are engaged in longer term strategies to have paywalls but for most other brands, paywalls have failed. Local newspapers operating alone cannot offer the scale required to make digital advertising models financially viable, so advertising agencies and SMEs are advertising digitally as marketing campaigns focus on Facebook, Google and other internet giants to promote brands and grow businesses. Smaller advertisers (classified ads) are on Done Deal, eBay or similar sites.

A strong digital strategy is key to the economic survival of any local newspaper. However as regional newspapers have been forced to pare back editorial staff to cut costs, there are fewer journalists available to produce digital content. And digital innovation requires investment – money these newspapers do not have.

In many cases there is also a significant dearth of skillset, in particular around multimedia reporting, SEO and analytics, social video and data driven journalism. But the biggest hurdle, even if all other issues were solved, is scale. Local news brands simply do not have the scale on their own to make digital pay enough to fund the production of quality, reliable and local newspapers.

The following slide represents a typical month's digital traffic (August 2020) generated by the member titles of Local Ireland, represented by Iconic Newspapers; Celtic Media Group; Irish Times Regionals, INM plc (now Mediahuis Ireland) and the independently owned titles. These are global figures that include diaspora users and use of multiple devices to access content.



The figures are indicative of a sector that has high levels of trusted digital content which it is resourcing from its newsroom but for which it attains low levels of monetisation.

To compound the challenge, the digital content being expensively produced is currently freely available to competitors – whether local as in local radio; local community websites or social media, or national as in RTE and the national titles.

To support local titles in building a remunerative digital model, this submission seeks to have Local Ireland members benefit from a tax on the tech companies and a digital transformation fund to allow them progress faster on the route to a “digital first”, and eventually “digital only” positioning.



WHO ARE THE MAIN COMPETITORS TO A LOCAL TITLE?	
NATIONAL LEVEL ADVERTISING	LOCAL LEVEL ADVERTISING
1 Google/Facebook	Google/Facebook
2 National titles	Local radio station
3 RTE and its websites	Competitor print title (if exists)

The potency of local radio stations as a competitor for advertising to local titles has increased due to a diminished local spend (noting that local advertising accounts for 91% of all advertising in a title). The reality that local radio is also benefitting from direct government aid via the Sound and Vision Scheme and other sector-specific supports during COVID has further impacted on the sustainability of local titles in the current environment.

Another factor is identified by the digital publishing software company Twipe, which noted a trend in the United States that will inevitably become increasingly relevant to the Irish market. It stated:

*“Over the years, we have seen more and more publishers prioritise owning the relationship with their audience directly, rather than being at the mercy of the platform. Local publishers especially have distinguished themselves as being the only source of vetted, quality journalism in the community.*

*“Edward Roussel, chief innovation officer for Dow Jones, argues that this will change in 2021. As local newspapers continue to struggle, technology platforms focused on local communities such as Citizen and Nextdoor will swoop in.*

*“The relentless shuttering of local newspapers will continue, but in parallel a handful of tech-savvy mobile apps will raise substantial funding and aggressively close out a process of creative destruction sweeping the industry, opening across all major American cities.”*

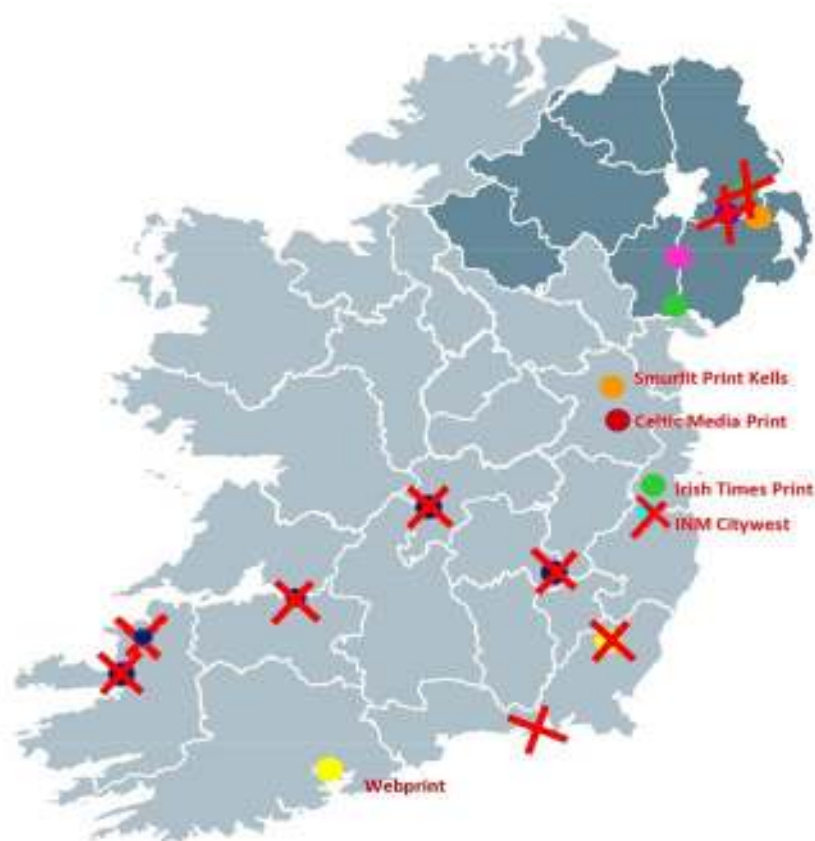
The trend underlines the significant need for Government support for digital innovation by local publishers.

## PRINT SERVICES TO LOCAL TITLES

Ninety per cent of regional newspapers are now printed in four print centres, with all the four main groups and many of the independent titles utilising centralised pre-press production services either as part of a group or via a third-party provider. The four print centres in the ROI are the Irish Times plant in Citywest; the Smurfit-operated plant at Kells, Co Meath; Webprint in Cork and the Celtic Media Group plant in Navan. These each print national and local titles, while two plants in Northern Ireland, Newry owned by Mediahuis Ireland and Portadown, newly acquired by DMG Media, print significant numbers of local titles for publishers in the Republic.

# Structure of the Irish Print Sector

12 print plants in ROI have reduced to 4 in last 10 years



## SUMMARY

The sustainability of local publishers has been impacted to an ever-increasing degree since 2008. Recession has been followed by migration to digital platforms - despite the best efforts of the sector to develop its own monetised strategy - and the third wave of threat has arrived due to the Pandemic. There has been more than a decade of major retrenchment with significant loss of titles and jobs. The Future of Media Commission must step in now to prevent the final erosion of a vital contributor to the fabric of regional Ireland.

## INITIATIVES NEEDED FOR THE SURVIVAL OF LOCAL NEWSPAPERS

Newspapers need support to play their part in society, to keep society informed and to provide a forum for trusted news. Support can be broken down into two categories – Support Common to National Titles (items 1-3) and Support Specific to Local Newspapers (items 4-6):



### A REDUCTION IN VAT RATE ON NEWSPAPERS – COMMON REQUEST WITH NATIONAL NEWSPAPERS

National and local newspapers are seeking a reduction in VAT on newspapers from the existing 9% to an initial 5% and ultimately 0% as a support mechanism. This is an issue that has been addressed by many governments across Europe. Twenty countries across Europe have lower VAT rates on newspaper sales than Ireland. This can easily be implemented and would allow publishers the option of offering a reduced cover price to consumers or to use the financial VAT component of the existing cover price to reinvest in quality journalism to the benefit of the reader.



### VAT RATE ON NEWSPAPERS ACROSS EUROPEAN COUNTRIES

	COUNTRY	RATE		COUNTRY	RATE
1	Belgium	0.0%	16	Netherlands	6.0%
2	Denmark	0.0%	17	Portugal	6.0%
3	Norway	0.0%	18	Sweden	6.0%
4	United Kingdom	0.0%	19	Germany	7.0%
5	France	2.1%	20	Poland	8.0%
6	Switzerland	2.5%	21	Estonia	9.0%
7	Luxembourg	3.0%	22	Ireland	9.0%
8	Italy	4.0%	23	Lithuania	9.0%
9	Spain	4.0%	24	Slovenia	9.5%
10	Croatia	5.0%	25	Austria	10.0%
11	Cyprus	5.0%	26	Czech Republic	10.0%
12	Hungary	5.0%	27	Iceland	11.0%
13	Malta	5.0%	28	Latvia	12.0%
14	Romania	5.0%	29	Bulgaria	20.0%
15	Greece	Greece	30	Slovakia	20.0%

The table above illustrates the disparity in VAT rates on newspapers across Europe

### DIGITAL TAX ON MAJOR PLATFORMS - COMMON REQUEST WITH NATIONAL NEWSPAPERS

Google and Facebook collected an estimated 40% of total advertising spend in the Republic last year and 81% of the online ad market, according to marketing group Core, who forecasted that the duopoly would continue to increase their share of the market in 2020, after securing about €425 million in Irish advertising revenues in 2019 (Irish Times Mar 3, 2020). This revenue has been taken from the marketplace with no reinvestment.

One of the biggest costs in newspaper publishing is the cost of sourcing and creating content. We have teams of full-time reporters, freelancers, columnists, photographers and local notes correspondents who generate original content for our products. As the tech giants continue to take our content without remuneration, the business model has become unbalanced with the cost of creating content falling on the newspaper publishers, while the related digital advertising revenue is channelled to the major platforms. It makes the traditional model of financing local journalism through advertising and cover price revenue impossible to sustain, leading to reduced coverage, less staffing and a threat to the survival of local newspapers.

We believe that a proportion of revenue from the Digital Tax should support our business in terms of a contribution towards the content we create and also in terms of a Media Fund to support the training of journalists and to promote innovation throughout our sector. This would be critical to the maintenance of quality journalism and the survival of vital local news services in our communities.

The concept of a digital tax is coming via the European Union. OECD discussions are set to resume early this year to include the US Government. France has already taken an initiative in introducing a digital tax so it is important that Ireland is correctly positioned on this. The introduction of a Digital Tax would prevent the use of our publishers' content without payment, allow us to introduce licensing agreements for valuable online content and develop healthy relationship between creators and platforms. We would urge the Department of Enterprise Trade and Employment to transpose the EU Copyright Directive into Irish law to strengthen the ownership rights of content creators.



## **MAJOR DIGITAL PLATFORMS TO PAY FOR LOCALLY-CREATED CONTENT – SPECIFIC REQUEST FOR LOCAL NEWSPAPERS**

The traditional model for publishing was simple – we gathered content, sold advertising, printed and published our newspapers sold them to support the business. One of the biggest costs to publishers is the investment in journalists and correspondents to create content. However, the traditional model has been broken by tech giants like Google and Facebook, where they take the content from publishers without payment, yet they sell digital advertising around that content without any benefit for the creators. Publishers not only bear the cost of content creation, they also carry the risk of libel and the cost of subbing and photography. The model cannot be sustained where the cost falls on publishers and the tech giants get the revenue.

## **GOVERNMENT ADVERTISING – SPECIFIC REQUEST FOR LOCAL NEWSPAPERS**

Local newspapers have a unique relationship with their readers and communities. With local newspapers being weekly publications, they tend to stay longer in households than daily or Sunday newspapers and unlike TV and radio, the reader can easily go back and read the advert many times.

The COVID-19 pandemic resulted in the need for various government departments to embark on a significant communication project with the population of Ireland. Various channels were used – national and local radio, TV, national newspapers, online, social media and local newspapers.

However, local newspaper publishers did not receive government business with the same frequency as other media. There have been many changes to the national and regional levels attached to COVID-19. Local newspapers have not been on as many schedules as other media.

As well as providing a key communication channel to get government messages to the wider population, the use of local newspapers is a direct support mechanism to help local newspaper publishers retain staff and continue to publish during the pandemic.

The inclusion of local newspapers on government advertising campaigns endorses the medium, provides financial support to publishers and gets critical information to regional audiences. We would apply the same argument for local Government and state body advertising.

## **CREATION OF A COMMUNITY JOURNALISM FUND – SPECIFIC REQUEST FOR LOCAL NEWSPAPERS**

Local newspaper publishers are looking for the creation of a Community Journalism Fund. This would be structured similar to the Sound & Vision Fund operated by the Broadcasting Authority of Ireland (BAI) which helps support the television and independent radio sector in Ireland. In 2020, the Sound and Vision Scheme provided critical funding to the radio and television industry.

In January 2020, the BAI announced more than €1.3m allocated to five projects under the latest round of Archiving Scheme 2 to encourage and promote the development of an archiving culture in the Irish broadcasting sector, contributing to the safeguarding of Irish heritage.

In April 2020, the BAI announced a further round of the Sound and Vision Scheme which saw €7.02m allocated to 126 radio and television projects. A total of 36 television projects were awarded €6.41m, while 90 radio projects were awarded €650,000.

In June 2020, the BAI announced the allocation of €2.5m to independent commercial radio stations across the country supporting public awareness and understanding of COVID-19. Funding recommendations range from €40,000 to €95,000.

In July 2020, the BAI announced €669,092 for the Community Radio Fund: A total of 22 community radio projects provided for a range of programming made by community stations, groups and individuals across the community radio sector.

Also in July 2020, the BAI announced €4.5m funding for Round 37 for the sector. This subsequently became €5.58m for 55 projects (23 TV projects €5.3m and 32 radio projects €289k). The allocation of €5.58m included additional funding support of €1m secured by Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media, Catherine Martin, TD. Successful projects covered such areas as Irish culture, heritage and experience, Irish history, natural environment, and traditional and contemporary arts.

Separately, the BAI announced details of additional funding supports under Sound & Vision for 2021, including the operation of rounds to allocate a further €3.9m secured by the Minister for the broadcasting sector. Anticipated rounds include a focused round for commercial radio (€2.5m). Another open round is planned for later in the year along with a focused round for community radio.

Local newspaper publishers believe that this type of support has been hugely helpful to the local radio sector. We are advocating for the creation of a Community Journalism Fund to help local newspapers maintain staffing levels in local newsrooms and allow local newspapers to send journalists to cover stories in local areas and communities that would not otherwise be covered. There is a clear cost in sending journalists to district and circuit courts, local authority meetings, Joint Policing Committees, inquests and public hearings in the planning process.

Very often the cost of covering these stories or markings would not be covered by incremental newspaper sales but these types of markings are the epitome of public service journalism, covering stories of public interest and ensuring that key aspects of our local government and democracy are reported in a public forum.

The proposal is to finance the employment costs of two journalists. A mid-career Journalist with 5-9 years of experience earns an average total compensation of €32,572 ([www.payscale.com](http://www.payscale.com)). Add to this employer PRSI, pension costs, travel and out of pocket expenses, the cost of having a journalist in the field is approximately €50,000 per annum. Local Ireland represents 42 newspaper titles and proposes the establishment of the Community Journalism Fund at a rate of €4.2m (2 journalists @ €50k = €100k x 42 titles).

The Broadcasting Authority of Ireland (BAI) administers the Sound & Vision Fund for television and local radio applications. The government has announced that the BAI will be replaced with a Media Commission. We believe that the Community Journalism Fund could be administered by the Media Commission along similar lines as the Sound & Vision Fund. However, we understand that the replacement of the BAI with the Media Commission will not happen until the end of 2022.

We cannot afford to wait that long to secure funding for local journalism and we respectfully suggest that the Minister for Media, Tourism, Arts, Culture, Sport and the Gaeltacht would make funding available in 2021 and 2022 to launch the Community Journalism Fund. It should be noted that both the Minister and her predecessor allocated additional funds for their department in 2020 to the Sound & Vision Fund to allow additional projects be undertaken by television and local radio and provide support during the Covid-19 pandemic.

The Community Fund would be reviewed on an annual basis, pending the establishment of the new Media Commission.

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## CREATION OF A DIGITAL INVESTMENT AND TRAINING FUND – SPECIFIC REQUEST FOR LOCAL NEWSPAPERS

Digital journalism is a key part of the publishing mix. Our titles have a range of digital channels, e-paper editions, social media channels and websites as well as the traditional newspaper.

National newspapers have built very large digital audiences and are capable of selling digital advertising campaigns to national agencies. Many have paywalls in place. There are few paywalls in local newspapers and the advertising model of local newspapers is 91% local advertising. There is no local newspaper in Ireland that has a digital model that could finance their newsroom operation.

To help develop the digital skillset and help local newspapers develop, grow and move more of their operation online, we are seeking the creation of a Digital Investment and Training Fund. Local newspapers employ approximately 650 people directly between journalists, sales teams, production and administration. We propose an ongoing annual fund of €1.3m (€2k x 650 employees) – subject to review – to provide proper mobile equipment and training that would equip staff to be professionally qualified as multi-platform publishers. The fund could also support investment projects around digital innovation.

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## **REVIEW OF MEDIA MERGERS LEGISLATION – SPECIFIC REQUEST FOR LOCAL NEWSPAPERS**

An urgent review of legislation relating to Media Mergers is needed in the local newspaper market. Some local media owners of printed newspapers and digital news channels face the threat of administration and potentially closure because of ongoing losses. In order to save local jobs and to keep local journalism, urgent action will be required. Other media groups or other independent owners can save these titles through economies of scale and could potentially continue the life of those titles and the jobs of their journalists.

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## **REFORM OF THE DEFAMATION LAWS – COMMON REQUEST WITH NATIONAL NEWSPAPERS**

Ireland's defamation laws are among the most restrictive in Europe and throughout the English-speaking world. They result in having a chilling effect on the media's role as the public's watchdog and its ability to reveal matters of important public interest.

### **Need for Review**

The current Defamation Act 2009 was due for review by the Department of Justice in 2014. However, the review did not commence until November 2016. To date, the review has not been completed. We need the Department to complete this review as a matter of urgency.

### **Serious Harm Test**

The new Defamation Act should include a Serious Harm Test. This test, already successfully in operation in the UK, discourages trivial claims that can chill free expression and inundate Irish courts with lengthy and costly court cases. Claimants who do not meet the test have the option to take their case to the Office of the Press Ombudsman.

### **Cap on Damages**

Damage awards in Ireland are much higher than in other countries – often multiples of the equivalent awards in Europe. The Act should set a cap on court awards as is the practice in actions for personal injuries.

### **Abolition of Juries**

Defamation is virtually the only civil action that continues to be decided by juries. The use of juries considerably lengthens the duration of the trial, thus increasing legal costs, and can result in unpredictable levels of awards.

The above recommendations will provide a more balanced and fairer process for the resolution of defamation claims. They will ensure freedom of expression and, crucially, that reputations can be protected in a manner available to everyone, not just the rich and powerful.



**IN CONCLUSION ...**

We believe that all of the above initiatives are essential to secure the future of local newspapers that provide a unique service to their communities in terms of news, information, culture, sports and democratic accountability.





## APPENDICES

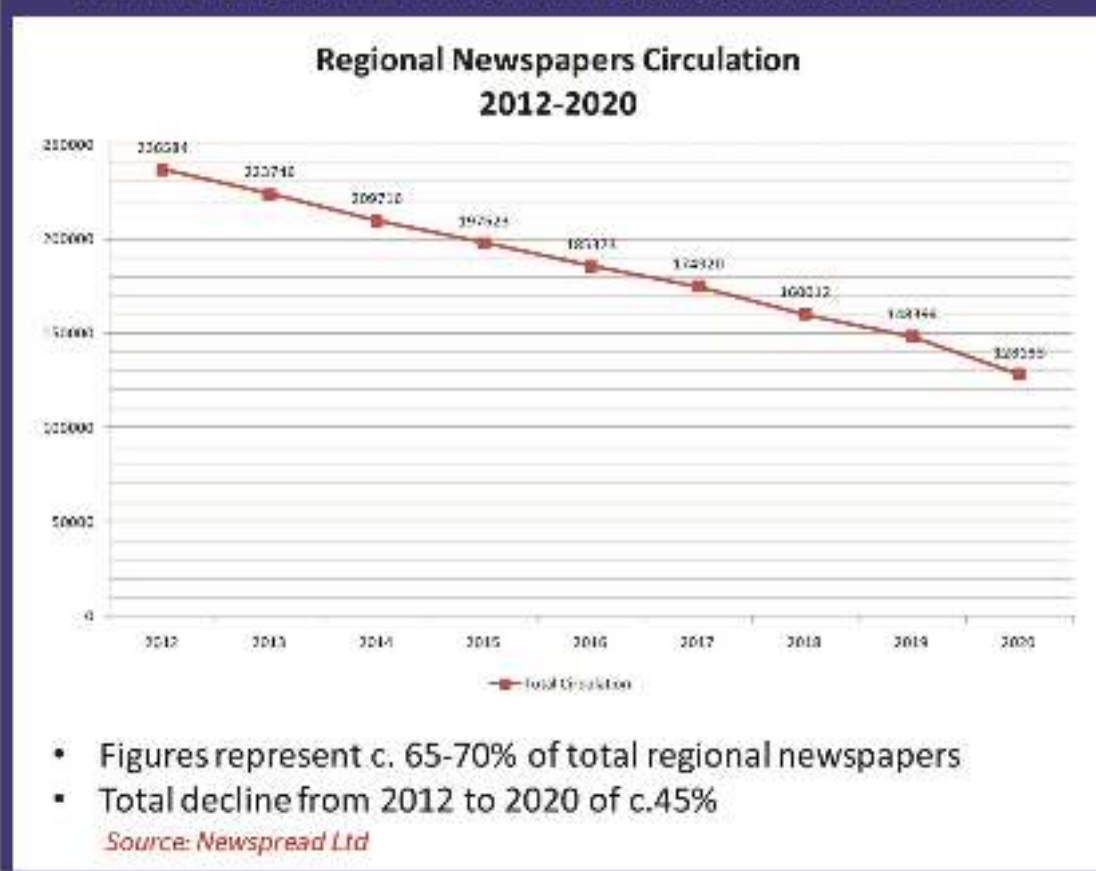
### Appendix 1

#### LOCAL IRELAND CONTENT ANALYSIS

Culture	Averaging 8 pages per edition	Content includes; Arts, drama, music – Traditional and other –exhibitions, book reviews, local entertainment, social history, Irish language (in some titles, not all) and religious commentary.
Markings	Every week Local Ireland titles report on all aspects of Local Government, Health, Education, business and sport	Weekly markings include; Local Authority meetings, Courts – District and Circuit – Educational and Training Boards (ETB) meetings; Health Board meetings; Policing Committee meetings
Digital - Audience has grown exponentially in the period 2018-2020	Local Ireland titles currently enjoy 8m month Unique Users	25.6 million monthly pages Impressions

### Appendix 2

#### WEEKLY REGIONAL NEWSPAPERS CIRCULATION 2012-2020



## Appendix 3

## MEASURES TO SUPPORT THE GLOBAL NEWSPAPER INDUSTRY



The above graphic is indicative of disparities between individual countries in terms of supports. The UK now has a 0% VAT rate for print and digital publications. Ireland's rates remain at 9%.



## Appendix 4

## LOCAL IRELAND NEWSPAPERS

The Nationalist	<b>GUARDIAN</b>	The Connaught & Telegraph
Donegal Democrat	<b>NEW ROSS STANDARD</b>	<b>THE WESTMEATH INDEPENDENT</b>
<b>DUNDALK DEMOCRAT</b>	The Sligo Champion	Westmeath Examiner
Kilkenny  People	The Corkman	The Anglo-Celt
Leinster Leader	 The Kerryman 	<b>CONNACHT TRIBUNE</b>
<b>LEINSTER Express</b>	<b>Wicklow PEOPLE</b>	<b>Galway City Tribune</b>
Leitrim Observer	<b>Wexford PEOPLE</b>	
<b>LIMERICK LEADER</b>	Western People	<b>The 175 Herald</b>
Longford Leader	Roscommon Herald	<b>THE Mayo News</b>
Tipperary Star	<b>Kildare Nationalist</b>	The Clare  Champion
<b>BRAY PEOPLE</b>	Laois <b>Nationalist</b>	The Southern Star
Drogheda <b>Independent</b>	<b>The Nationalist</b>	The Munster Express
<b>THE ARGUS</b>	<b>Waterford News &amp; Star</b>	The Northern Standard
<b>FINGAL INDEPENDENT</b>	<b>The Meath Chronicle</b>	<b>DERRY PEOPLE DONEGAL NEWS</b>
		<b>the north Guardian</b>