

David Baines

21.1 The UK News Media Ecosystem

Britain has a complex, mature media system (Bromley 2010). It has two publicly owned public service broadcasters: the BBC, which is funded by a compulsory licence fee and governed by a board of Trustees, and *Channel 4*, a publicly owned corporation whose board is appointed by broadcasting regulator *Ofcom*, in agreement with the *Secretary of State for Culture, Media and Sport*. The commercial terrestrial broadcaster ITV is publicly quoted, as is satellite broadcaster BSkyB, in which *News Corporation* has a 39 % controlling stake. At the time of writing, broadcast regulator *Ofcom* was in the process of awarding licences to organisations to run local digital terrestrial television services.

In the United Kingdom, there are 11 national daily and 10 Sunday newspapers and some 1,100 regional and local newspapers.¹ Both sectors have endured a long period of slow circulation decline, accelerated by the global financial crisis, and the regional press has undergone a prolonged period of concentration of ownership (e.g. Temple 2008).

There is a public perception that the British press is not subsidised. In fact, it enjoys zero-rated VAT on newspaper sales: a 20 % relief in 2012. Nielsen and Linnebank (2011, p. 8) reported that this subsidy was worth 748 million euros to the UK press in 2008, and the UK Newspaper Society, representing publishers of regional and local newspapers, the specific focus of this article, claims that zero rating for VAT is worth 120 million euros a year to its members.² The minority Welsh language press is also subsidised by the Arts Council and Welsh Assembly to

¹ The Newspaper Society, <http://www.newspapersoc.org.uk/>.

² See <http://www.newspapersoc.org.uk/importance-of-ns-membership>.

D. Baines (✉)

School of Arts and Cultures, Newcastle University, Newcastle upon Tyne NE1 7RU, UK
e-mail: david.baines@ncl.ac.uk

sustain cultural and linguistic diversity (Jones 1999). Humpreys (1996), in his survey of the media in Western Europe, listed no further form of subsidy for UK newspapers (p. 105). But Anderson et al. (2012), addressing the US context, noted that: "... *subsidy, in the sense of support granted to work seen to be in the public good, comes in many flavors. It can be direct or indirect, and it can come from public or private sources. Citizen donations are as much a subsidy as government grants*" (pp. 4–5).

Tunstall (2002) noted "*the general rule about 'purely political' journalism has always been that it needs subsidy*" (p. 229). Witschge et al. (2010) pointed to the failings of a purely commercial model for local media and highlight the promise that greater engagement between civil society and the local media offers for a "*journalism that purports to be for the public good*" (p. 37). This would suggest that the situation in Britain is likely to be more complex, more nuanced, than it appears to be, but processes of public support for the press are not transparent and discussion and debate are often foreclosed. Indeed, Freedman (2005) found that attempts to explore alternative strategies to maintain a sustainable, pluralistic media are frustrated by the exclusion from policymaking circles of media trade unions, campaign bodies and civil society groups and the lack of transparency of such policymaking processes which arises out of a "*continuing and intimate relationship between key corporate interests and government policymakers, a relationship whose bonds are rarely exposed to the public*" (p. 14).

This chapter argues that, in Britain, subsidies "in many flavours" are in place, but remain unacknowledged, and in consequence some public goods that might be expected in return are not forthcoming. Furthermore, debates which might concern a wider role for civil society in sustaining a *press for the public good* are foreclosed as policymakers privilege corporate and commercial interests over public interests.

21.1.1 Focus: Local Perspectives

This chapter focuses on the local and regional press and political campaigns they have undertaken to preserve their hegemony in the local media sphere. In defending their interests they have deployed discourses which emphasise their independence and role in democratic processes: holding to account local political actors. But this article argues that these discourses have obscured the range and extent of processes of public support and subsidy from which the local press benefits. It argues that we need to adopt a more nuanced consideration of their relationships with the public sector than their discourse constructs. The chapter then reports on a case study of a North-East England regional newspaper organisation which illuminates significant unacknowledged channels of support for the industry from the public purse, and public itself. Where Currah (2009, p. 10) argued that *further* public support should be conditional on the industry reorientating its commercial goals towards more explicit civic goods, this article argues that *current* public support is sufficient to warrant delivery of more explicit civic goods.

Britain's regional newspapers recently launched campaigns to defeat two perceived threats to their hegemony: a plan by the BBC for online video news services

at town and city, rather than regional level, and local government tendencies to communicate with electors and taxpayers by publishing their own “newspapers”. The industry persuaded policymakers that publicly funded competition with commercial newspapers was unfair and jeopardised media plurality and diversity and the papers’ abilities to deliver democratic oversight.

21.1.2 Local Conflict

Local newspapers in Britain enjoyed high profitability from 1995 to 2007 with typical margins of 25–35 % (Baines 2012b, p. 131). During the last 5 years, however, this sector suffered a circulation collapse among the worst in Europe: 29 %, against a European average of 12 % (Chisholm 2012, p. 8). Long-term economic, social, cultural and technological factors affecting circulations since the 1960s were exacerbated in 2007/2008 by the global financial crisis and profit margins have since fallen to 12–18 % (Sweney 2012; *Trinity Mirror* 2012). But many publishers continue to concentrate on margins rather than sustainability.

During the last 30 years, local paper ownership concentrated in national and multinational corporations (Aldridge 2007; McNair 2003; Murphy 1998; Williams and Franklin 2008). At the time of writing, Britain’s *Trinity Mirror* publishes more than 120 regional daily and weekly newspapers; *Johnston Press*, 18 dailies and 245 weeklies; *Northcliffe* 77 regionals.³ In November 2012, *Northcliffe* sold its titles to *Local World*, for 65,1 million euros and a 38,7 % stake in the new group.⁴ *Gannett* has 81 US Community Publishing outlets and its UK subsidiary, *Newsquest*, more than 200 local titles.⁵ Such groups funded acquisitions through heavily leveraged borrowing and had to maintain high margins to service debts and shareholder expectations (Engel 2009, p. 60). They aggressively maximised income and minimised costs, primarily by cutting staff (Baines 2012b, p. 130; Franklin 2009, p. 3). When advertising abruptly fell this business model came under stress. Publishers which performed best had remained local, rather than regional, had grown organically, were least indebted and, often, had continued in family

³ Currency values in this article are given at the rate of exchange on December 10, 2012, at 1 euros = GBP 0,81, 1 GBP = 1,24 euros. However, currency values fluctuated significantly during the period 2008–2010. In January 2008, 1 euros was worth GBP 0,75; GBP 0,98 in December 2008; 0,85 in June 2009; 0,93 in October 2009; 0,82 in June 2010; 0,85 in December 2010. Source: *European Central Bank*. Historic exchange rates are available at: <http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-gbp.en.html>. Accessed on June 24, 2013.

⁴ For details of the takeover, see *The Guardian*’s coverage, November 21, 2012: <http://www.guardian.co.uk/media/2012/nov/21/trinity-mirror-buy-20-percent-local-world>. Accessed on June 24, 2013.

⁵ For details of group publications, see *Trinity Mirror PLC* website: <http://www.trinitymirror.com/our-portfolio/regionals/>, *Johnston Press*: <http://www.johnstonpress.co.uk/jpplc/ourbusiness/>, *Northcliffe*: <http://www.northcliffemedia.co.uk/>, *Gannett*: <http://www.gannett.com/section/BRANDS&template=cover>, *Newsquest*: <http://www.newsquest.co.uk/>, *DMGT*, <http://www.dmgmt.co.uk/news/1020>, *Local World*: <http://www.local-world.co.uk/>. Accessed on June 24, 2013.

ownership (Oakley 2012, p. 64). This led to a resurgence of corporate interest in more local markets. Regional newspapers launched hyper-local news websites (Baines 2010, 2012a, b; Thurman et al. 2011). Critical to this business model was the recruitment of citizen journalists. A former *Johnston Press* chairman said journalists' jobs will be replaced "by enthusiastic amateurs for next to nothing" (Engel 2009, p. 60): a direct subsidy of free labour, content and intellectual property from the community. But publishers also prepared aggressively to defend their declining markets. Regional publishers launched extensive campaigns in 2006 to stop the BBC providing more locally relevant content and, again in 2008, to stop local government publishing information to electors and taxpayers in the form of printed newspapers and magazines.

Local newspapers play a multifaceted role in building networks and maintaining connectivity, generating and reinforcing representations of place, community and a sense of belonging. They create a communicative space of civic, social and cultural engagement. They host spaces for advertising and economic activity. But for commercial local media local communities also become commodities—audiences constructed by the media to be sold on to advertisers (Smythe 1977, 1981; Napoli 2010; Caraway 2011). In an advertising-supported system, "it is the sale of audiences that is the crucial media operation" (Tebbutt 2006, pp. 857–858). Thus, corporate conceptions of and relationships with a community can be determined not by the community's own interests—public good—but the manner by which that community commodity can be packaged and sold. Many British regional newspaper companies and corporations have developed local monopolies (Murphy 1998; p. 82; Franklin and Murphy 1991). When, in February 2009, executives of seven local newspaper corporations, with market control of 72 %, met the then minister for communications, technology and broadcasting "to plead for a loosening of rules to allow them to form even bigger and more powerful combines" (Engel 2009, p. 62), they were seeking more efficiently to commodify their communities. They were also placing their corporate interests ahead of the wider civic benefit of a plural and diverse media. But Murschetz has pointed out that in Britain, press policy relies "on general competition law to protect diversity in the press and [is] thus primarily concerned with the operation of the economic markets rather than with the distinctive wider needs of public policy, in particular the need to ensure the expression of a rich diversity of views and opinions" (Murschetz 1997, p. 23). This conflation of market function with civic good, the acceptance as unproblematic of newspaper groups' claims to be supportive of the democratic process, allows both publishers and policymakers to represent support for the economic interests of newspaper publishers as support for wider public goods and as a defence of the democratic process.

Local video news services offered by the BBC and local government publications were both designed to provide public benefit and fulfil those organisations' obligations to serve the public. Local newspapers argued that publicly funded ventures presented unfair competition and the commercial threat to them, as they faced wider commercial pressures, constituted a threat to the democratic process. These arguments were accepted and both ventures were halted, in the first instance by the *BBC Trust*, its governing body, and, in the case of municipal

authorities, by central government. Both sets of policymakers thus put the newspapers' interests before benefits to the public promised by the BBC and local government.

The local newspaper sector has, however, been held to be in many ways the author of its own ills. *Guardian* research fellow Neil Fowler, an experienced newspaper editor, criticises weak management which failed to innovate or invest in sustainable development (Fowler 2012, pp. 262–263). Mathew Engel of the *Financial Times* accuses them of incompetence and indifference to their staff and communities they serve (Engel 2009, p. 61).

Despite their claim to a public interest function, local paper's corporate owners appear to act primarily in their own interests, and where commercial and public interest compete, commercial interest prevails. Engel cites a former manager with Gannett, US owner of Britain's *Newsquest*, recalling a training seminar: "A corporate executive asked us, 'If you are a Gannett publisher, what is your first priority?' Serve the public, said one of the attendees. Sounds noble, but no, said the executive [. . .]. Make money, said another. You're on the right track, but not quite there, said the executive. Then he told us the right answer: "Your first priority is to make more money'" (Engel 2009, p. 58–9).

21.1.3 A Battle with the BBC

In contrast to newspapers which serve towns, cities and regions, Hargreaves and Thomas reported in 2002 that in Britain "most television news does not even attempt to focus at the truly local scale" (Hargreaves and Thomas 2002, p. 64). The public service, publicly funded BBC, obliged to serve *all* the public, planned in 2006 to recruit 300 journalists to 66 online video news services for town and city-sized audiences. Management had piloted the project from December 2005 to August 2006 and commissioned an independent evaluation from Professor Roger Laughton. This focused on "how the pilot developed the BBC's commitment to building public value" (author emphasis) and reported on whether new local TV and video services could be an efficient and effective use of the licence fee (Laughton 2006, p. 2). He looked specifically at the extent to which the BBC's local broadband model "might encourage or discourage the growth of other local services on all platforms, including broadband" (Laughton 2006, p. 2) and examined the impact on the market for independent terrestrial TV, commercial radio and local newspapers. Laughton concluded that the pilot did serve those public goods which the BBC was bound to uphold, and tended to enhance, rather than curtail, media plurality (Laughton 2006, p. 25). Specifically, it provided evidence that "the BBC can now demonstrate that the position it intends to occupy in local markets is unlikely to inhibit or eliminate opposition". On the contrary, its "market impact will stimulate economic activity such as the employment and training opportunities it can provide and the stimulus to independent production outside London" (Laughton 2006, p. 36). The report said the BBC would take 4 years from autumn 2007 to roll out the proposed services, giving ample time for local newspapers and others to put their own broadband video news in place (Laughton 2006, p. 36). Laughton found

the project offered specific public goods: expanding media literacy, developing relationships with community and civic organisations and enhancing plurality of voice (Laughton 2006, p. 40).

The *Newspaper Society*, which represents British local and regional newspaper owners, maintained its opposition and intensive lobbying and the BBC Trust aborted the project. In a statement, it said: "... although licence fee payers want better regional and local services from the BBC, this proposal is unlikely to achieve what they want. We also recognise the negative impact that the local video proposition could have on commercial media services which are valued by the public and are already under pressure" (BBC Trust, November 21, 2008).

Local communities were denied the benefits outlined by Laughton from a service they owned and were paying for. Hargreaves and Thomas (2002) had noted that newspapers, which can reach small localities, do not necessarily engage with all communities within their circulation areas. They have, for example, "a tenuous hold on young readers and a very weak position among the Black and Asian population" (p. 64). Whereas the BBC proposed a reinvestment in communities of their licence fees, high profit margins of local newspapers transfer resources from those commodity communities to shareholders. Savings through redundancies impose additional burdens of unemployment and narrower work and training opportunities. As converged companies enhance economies of scale, skilled newspaper work moves outside circulation areas (e.g. Luft 2011). Reporters are less likely to be local than graduates recruited centrally to an occupation people pay to enter by funding their own training and undertaking prolonged, unpaid work experience (*Journalism Training Forum* 2002, p. 25; Aldridge 2007, p. 155; Delano and Henningham 1995).

In 2009 ITV, Britain's commercial terrestrial TV broadcaster, indicated that it would not be able to sustain its regional news service beyond 2010 (*Ofcom*, November 2009). In June 2009, the Government *Department for Business Innovation and Skills* and the *Department for Culture, Media and Sport* announced the establishment of independently financed news consortia (IFNCs) to run local terrestrial TV and news online with pilots in Scotland, Wales and North-East England. This involved relaxation of cross-media ownership regulations (DCMS 2009, pp. 153–159) and a 58,28 million euros direct public subsidy. Members of consortia chosen to receive the subsidy to run the pilots included newspaper publishers *Johnston Press*, *Newsquest*, *DC Thomson*, *NWN media* and *Trinity Mirror* (Sweney 2010). The new Coalition Government, however, discontinued the project on taking power and instituted a different structure for local TV which, at the time of writing, was undergoing licensing.⁶ Unlike the press, the funding of national and local television has been subject to periodic review by policymakers

⁶ In December 2012, *Ofcom* awarded a licence to *Made TV* to broadcast in Tyne and Wear and the company announced that it would work in partnership with the *Trinity Mirror*-owned Newcastle newspapers the *Chronicle* and the *Journal*, which are the subject of the case study interrogated later in this chapter. See *Ofcom* announcement: <http://media.ofcom.org.uk/2012/12/06/ofcom-awards-newcastle-local-tv-licence/>. Accessed on June 24, 2013.

[see, for example, Peacock (1986), Collins et al. (1988), *House of Commons* (2010)].

21.1.4 A Battle with Local Government

In July 2008, the *Newspaper Society* turned to newspapers and magazines produced by local councils to communicate with taxpayers and citizens and found cross-party national political support. In a Parliamentary debate (January 20, 2009), Ed Balls, Economic and Business Minister in the then Labour government, and Ed Vaizey, Conservative (then opposition) spokesman for *Culture, Media and Sport*, both attacked local councils for producing newspapers which might compete with publishers for advertising. Economic and Business Minister Ian Pearson suggested relaxing competition law which moderated local monopolies. Labour MP Ashok Kumar suggested allocating government marketing budgets to local press advertising and proposed state assistance for regional press (Hansard Debates 2009, Column 185WH).

The Conservative–Liberal Democrat Coalition took power in 2010 and Communities and Local Government Secretary Eric Pickles announced a *Code of Recommended Practice on Local Authority Publicity* (taking effect in 2011) restricting the content and limiting to quarterly the frequency of council-funded newspapers, which he called “*town hall Pravdas*” (Pickles 2010). Referencing the newspaper once published by the Central Committee of the Communist Party of the Soviet Union, the trope characterised such publications as self-serving political propaganda and commercial newspapers as independent voices delivering essential democratic oversight.

Yet the *Audit Commission*, a public corporation which scrutinises public sector spending, had investigated local council newspapers and in January 2010 concluded that “*the current accountability framework provides adequate safeguards against misuse of public money for political ends*”. It continued: “*Communication is important to inform the public of the services councils provide and the functions they perform. It is also important to explain to voters and council taxpayers the reasons for particular policies and priorities. The Audit Commission encourages the provision of information to improve the accountability to taxpayers for spending The money being spent by councils is not unreasonable*” (Bundred 2010).

Bundred found that few publications appeared sufficiently frequently to attract most advertisers. But they were delivered free to every household, reached communities on which local newspapers had a tenuous hold, informed them of services for which they paid and explained policies and priorities. Richard Kemp, vice chair of the Local Government Association, told a *House of Commons* hearing in December 2010: “*We all have a symbiotic relationship with our local press, but the latter does not reach all the parts we need to reach as a local authority. Therefore, sometimes we do things ourselves*” (HoC Communities and Local Government Committee 2011, Ev2 Q3). Jules Pipe, mayor of Hackney in London and Chair of London Councils, said: “*My local newspaper, which is no longer*

based in the borough - it is two local authorities away in distance out in Essex - now sells only 8,000 copies a week [. . .] and that compares with the 100,000 copies that we publish" (HoC Communities and Local Government Committee 2011, Ev2 Q5).

He said council publications did not pretend to be independent newspapers and the cost of paying the local paper to carry "statutory notices"—matters such as planning applications which councils must by law publish every 2 weeks—was 674,193 euros, against a gross 556,240 euros for 25 editions of the authority's newspaper.⁷ *"We will have to find several hundred thousand pounds' worth of additional savings from other services so we can pay the local newspaper to carry those rather than publish them in our own newspaper"* (HoC Communities and Local Government Committee 2011, Q5) The Committee concluded that there was little evidence that local authority publications were a commercial threat to local papers and, challenging the publishers' discourse of public service, reported: *"The local newspaper industry should be encouraged to continue to strengthen their local presence, to improve what they offer local communities through their independent scrutiny and reporting of local government"* (HoC Communities and Local Government Committee 2011, pp. 28–29).

The publishers, however, gained further advantage. Media analyst Roy Greenslade reported that councils were signing long-term contracts with local newspaper publishers to print the papers to which they had objected. *Trinity Mirror's Fulham and Hammersmith Chronicle*, with a once-paid weekly circulation of 1,500, became a free delivered to 72,000 homes on the strength of the contract (Greenslade 2011). But did it deliver independent oversight? In June 2011, the satirical and investigative magazine *Private Eye* reported that the *Fulham and Hammersmith Chronicle* had edited out a question raised by its columnist, Hammersmith Member of Parliament Andrew Slaughter, over the newspaper's impartiality towards the council (*Private Eye* 2011, p. 12). In 2008, *The Journal*, a *Trinity Mirror* publication in North-East England, signed a 3-year 931,206 euros contract to produce a quarterly council magazine and establish and maintain 27 hyper-local news websites in the council's area. The tender document *"Communications with Communities"* stipulated in relation to the new publications: *"Proposals will need to ensure that the Council's reputation is upheld in all communications with its stakeholders"* (Northumberland County Council 2008, par 4.3.6). The council terminated the contract after 15 months to reduce its communications costs.

But research evidence to support local papers' claims to independence and democratic oversight is at best mixed. Hargreaves and Thomas (2002) reported: *"People feel less adequately informed about their locality than either the world at large, or the UK in general"* (p. 64). *Newspaper Society* communications director Lynne Anderson attributed this to the Local Government Act 2000 which allowed

⁷ The Newspaper Society estimates that statutory notices are worth 43,4 million euros per year to local and regional newspapers. See <http://www.newspapersoc.org.uk/importance-of-ns-membership>.

more secretive executive decision-making (HoC Communities and Local Government Committee 2011, Ev8, Q40). But Franklin's 2004 study of politics and media in Britain linked local newspapers' lack of political coverage to "*growing preoccupation with the 'bottom line' along with continuous cost-cutting and staff reductions*". Challenging independent oversight, he pointed to a dependency for coverage on press releases from local councils (Franklin 2004, p. 108). And this from the news editor of a big city evening paper in 1998: "*It's easier to use a press release, more convenient if the relevant information is summarized than if you have to go out and find it out yourself*" (Franklin 2004, p. 109). And from a council press officer: "It is a case of no press release, no coverage" [Cowley (1996, p. 8), as cited in Franklin (2004, p. 108)].

Franklin and Turk's (1988) study found that of 44 press releases issued by one English county council in 2 months, 96 % appeared in the local press (p. 81). Franklin attributed this willingness to accept "information subsidies" to the skills of press officers (many were former local journalists) and papers' lack of resources. This lack of resources, less transparent council decision-making and reliance on substantial content subsidies challenge papers' claims to deliver independent, democratic oversight.

21.1.5 Unacknowledged Support

In February 2012, Britain's House of Lords Communications Committee report on investigative journalism stated: "*We urge the government to recognise the financial problems facing newspapers and encourage them to think creatively about any tax breaks or other financial incentives which might help the industry through this difficult transitional stage*" (House of Lords 2012).

Yet local newspapers already enjoy substantial channels of public support:

1. Direct payments for advertising and other services.
2. A content subsidy of press releases.
3. Publicly funded information gathering and research services.
4. Newspapers are zero rated for VAT.
5. Increasing usage of unpaid "user-generated content".
6. Unpaid "work experience" by would-be journalists.

21.1.6 Case Study: Subsidies on Company Level

This paper reports on a case study of public support for North-East England newspaper publisher *Trinity Mirror North East*, part of national media company *Trinity Mirror*. The study forms part of a region-wide investigation. Data were collected from company accounts and freedom of information requests from public bodies. To focus on points 1–4 above, these bodies were asked how much they paid publishers for goods and services, which goods and services, how many press releases they issued and coverage generated, value of coverage and how much

they spent on press and communications departments. Requests covered accounting periods 2007/2008, 2008/2009 and 2009/2010, spanning the onset of the global financial crisis in July–August 2007 and the following 3 years. Data were gathered from local government, *National Health Service* bodies, police, colleges and universities and regional development agencies—government bodies established to stimulate economic development. Data gathering took from February 2011 to September 2012. In regard to user-generated copy, data were drawn from a 2009 study by the author of *Trinity Mirror North East's* establishment of hyper-local news sites. In relation to work experience, other publicly available information was accessed.

Although a large amount of data was gathered, it was not comprehensive. Different bodies collated data differently; some had no or partial records as a result of administrative reorganisations. Durham County Council and Northumberland County Council were dissolved and recreated as unitary authorities on April 1, 2009, so much data concerning the county councils for the 3 years were not available, and none was available for the 13 abolished lower-tier authorities. Some refused to supply all data requested under cost of compliance exemptions. Attempts to gather information on advertising, content and research services from central government were unsuccessful. The Central Office of Information which controlled most central government PR and advertising spending was abolished in March 2012 and did not respond to requests for information beforehand.

The available data thus under-represent public sector support for the newspapers. Nevertheless, results are indicative of the range, nature and extent of support. For the current article, the range and extent of support for *Trinity Mirror North East* have been examined. The subsidiary comprises *ncjMedia* in Newcastle upon Tyne and *Gazette Media Company* (GMC) in Middleborough. *ncjMedia* publishes three newspapers and associated websites: the morning *Journal*, evening *Chronicle* and *Sunday Sun*, the free weekly *Extra* series, a monthly *Culture Magazine* and the daily *Metro*, which is jointly owned by *Daily Mail and General Trust* and distributed free on public transport. GMC publishes the *Evening Gazette*, free weekly *Herald and Post* series and advertisement platforms *Jobs North East* and *AdMag*. *ncjMedia* and GMC share presses and editorial content across titles. Contract printing at both centres is operated by TM subsidiary *Trinity Mirror Printing* (TMP).

Company Profile: The following table compares turnover and profit for *Trinity Mirror North East*, TM's regional division and the group as a whole across the 3 years. They use calendar-year accounting (Table 21.1).

The North East consistently and substantially outperforms both group and regionals division in margins. This represents a transfer of substantial sums from the community to investors, yet the region is one of Britain's most deprived (Sutherland et al. 2010, p. 1).

Table 21.1 Trinity media North East—Turnover and profit

<i>Trinity mirror</i> group	2008	2009	2010	Total
Turnover	1,080 million euros	946,5 million euros	944,3 million euros	2,97 billion euros
Operating profit	179,8 million euros	130,7 million euros	152,9 million euros	463,4 million euros
Margin	16,7 %	13,8 %	16,2 %	15,5 %
<i>TM regionals division</i>				
Turnover	491 million euros	375,6 million euros	410 million euros	1,28 billion euros
Operating profit	84,6 million euros	44 million euros	64 million euros	192,6 million euros
Margin	17 %	11,9 %	15,6 %	15,3 %
<i>TM North East</i>				
Turnover	90,1 million euros	72 million euros	65 million euros	227 million euros
Operating profit	24,5 million euros	13,5 million euros	16,2 million euros	54,2 million euros
Margin	27 %	18,6 %	24,9 %	24 %

Source: *Trinity Mirror Plc.*, *ncjMedia Ltd.*, *Gazette Media Company Ltd.*, accounts

The following table lists *Trinity Mirror North East's* cuts in workforce during the period (Table 21.2).

The number of jobs lost is proportionally greater than the wage bill reduction, but both figures represent public burdens: in wages lost to the local economy and social and financial costs of unemployment.

The following table lists *Trinity Mirror's* regional paper circulation revenue and sums which would have been paid in VAT, had newspaper sales not been zero rated (Table 21.3).

In practice, the company might have lowered its cover price and taken a lower profit margin, so this subsidy is maintaining high margins, rather than sustainability. VAT in 2012 is 20 % and the subsidy, with public finances under greater pressure, is higher.

The following table gives circulation figures and VAT subsidy for *the Journal*, *Chronicle* and *Sunday Sun* (Table 21.4).

Trinity Mirror North East accounts do not itemise circulation revenue; however, *Trinity Mirror Plc* gives figures for the three *ncjMedia* titles and, combined with the *GMC ABC* audited circulation figures, these indicate the scale of subsidy which zero-VAT status represents: 14 million euros over 3 years.

Cash For Services: Local government, health, police, education and the *Regional Development Agency* (RDA), which closed in 2012.

Eleven local councils paid *ncjMedia* and GMC 5,033 million euros over 3 years. No data were available for 2 years of payments from *Durham County Council* and *Northumberland County Council*, or the 13 authorities abolished on April 1, 2009. One smaller authority presented its spending on local media as a total sum paid to all local papers, so that was disregarded for this study. Twelve health service organisations paid 524,439 euros. Of the health authorities, one provided no figure

Table 21.2 Trinity media North East: Changes in workforce

TM North East	2007	2008	2009	2010	% Cut 2007–2010	% Cut 2008–2010
Wage bill	23,8 million euros	22,8 million euros	18,7 million euros	16,4 million euros	31 %	28 %
Accumulated savings from 2007 base		-1 million euros	-22,8 million euros	-7,4 million euros		
Staff numbers	1,383	1,352	1,061	892	35,5	33 %
Accumulated jobs cut from 2007 base		-31	-322	-491		

Source: *ncjMedia Ltd and Gazette Media Company Ltd accounts*

Table 21.3 Trinity media—Regional newspaper circulation and VAT subsidy

	2008	2009	2010	Total
Trinity mirror regionals circulation revenue	95,6 million euros	90 million euros	90,8 million euros	276,4 million euros
17,5 %—prevailing VAT rate	16,7 million euros	15,7 million euros	15,8 million euros	48,2 million euros

Source: *Trinity Mirror Group* accounts

Table 21.4 *Journal, Chronicle, Sunday Sun* and *Teesside Gazette*: Circulation and VAT subsidy

	2008	2009	2010	Total for 3 years
<i>Journal</i> 17,5 % VAT at 50p ^a (0,62 euros); cover price	32,811 1,114,300 euros annually	30,147 1,024,000 euros annually	27,185 923,216 euros annually	
<i>Chronicle</i> 17,5 % VAT at 43,5p ^a (0,54 euros); cover price	66,861 1,975,500 euros annually	60,554 1,789,000 euros annually	54,874 1,621,000 euros annually	
<i>Sunday Sun</i> 17,5 % VAT at 92,5p ^a (1,15 euros); cover price	61,634 630,900 euros annually	58,882 602,800 euros annually	52,216 534,500 euros annually	
<i>Teesside Gazette</i> 17,5 % VAT at 42,5p ^a (0,52,5 euros) cover price	46,692 1,347,800 euros	43,937 1,268,300 euros	40,656 1,173,600 euros	
Total	5,068,500 euros	4,684,100 euros	4,252,300 euros	14,004,900 euros

Source: *Journal, Chronicle* and *Sunday Sun*: *Trinity Mirror Group* published accounts for annualised circulation figures. *Teesside Gazette*: Figures for average net circulation per issue provided by Audit Bureau of Circulations for December 2008; 2009 and 2010

^aVAT was charged at a rate of 17,5 % during this period. The calculation adopted a median figure for the cover price charged by each title between January 2008 and January 2011. During this period, the *Journal* remained at 50p (0,62 euros); the *Chronicle* rose in price from 42p (0,53 euros) to 45p (0,56 euros); the *Sunday Sun* rose from 85p (1,05 euros) to £1 (1,24 euros); the *Teesside Gazette* rose from 40p (0,50 euros) to 45p (0,56 euros). For the purpose of this calculation, it is assumed that all sales took place at the full cover price and no account is taken of any discounted sales which the company may have made during this period

for advertising with the companies in the years concerned, but ran several health campaigns and did advertise in the papers. There are three police forces in the area: Durham, Cleveland and Northumbria—one of Britain's largest forces covering metropolitan areas and the large rural county of Northumberland. Northumbria spent 934,322 euros on recruitment advertising, Cleveland 19,840 euros and Durham nothing. Universities and colleges reported payments for services to *Trinity Mirror North East* totaling 783,723 euros, but the largest college, Newcastle College Group, refused this information on grounds of commercial confidentiality. RDA *OneNorthEast* spent 270,489 euros.

The total reported from public bodies, excluding central government, was 7,566.346 euros, which equates to 14 % of *Trinity Mirror North East's* operating profits over that period of 54,2 million euros. The VAT subsidy of 14 million euros represents 26 % of the subsidiary's profits. These figures combined represent 40 % of the subsidiary's profits over this period.

Research and Information: Of the 11 councils which had paid for services from ncjM and GMG, nine spent between them 18,660.431 euros maintaining press and communications offices. But two of those councils together spent almost half: 9,467.216 euros. Two others were unable to provide figures because in one the costs were subsumed in budgets covering contracted-out services and another had reorganised departments. Figures were also affected by unitary authority reorganisation. The 12 health service organisations spent 5,416.705 euros on communications departments. *Northumbria Police* spent 4,336.809 euros, Cleveland 623.566 euros, and Durham 694,760 euros. Universities and colleges spent 2,345.882 euros. The RDA spent 8,002.183 euros. The total reported for all sectors was 31,036.780 euros, which is more than half, 52 %, of the publisher's own wage bill over 3 years.

Content Subsidy: The councils monitored press coverage in different ways. None maintained records of coverage by publication. But some had records of releases issued and these ranged from averages of 250 per year to 700 per year—750 to 2,100 over 3 years. Several reported that 95–98 % resulted in publication, but not necessarily in all titles. Of the health organisations only five gave figures for press releases. One issued 148 and these resulted in 66 stories in the titles concerned, but the area involved was primarily covered by a *Newsquest* title. *Northumbria Police* issued 6,027 (six per day), Cleveland 734 and Durham 313. Three colleges and four universities reported 1,596: in total, more than three a day. *Teesside University* issued 547 leading to 585 reports in the *Trinity Mirror* papers. The 206 by *Newcastle College* in 2009 and 2010 resulted in 313 reports by *ncjMedia* alone. The development agency issued 596.

Labour Subsidy: *NcjMedia* and GMC publish “hyper-local” news and information websites linked to the *Journal*, *Chronicle* and *Teesside Gazette*. In a contract tender document released under freedom of information legislation, *ncjMedia* said GMC's community sites hosted “more than 230 bloggers, or community correspondents”. The Newcastle head office of *ncjMedia* also houses a Press Association Training Centre, which has three cohorts of students every year including 28 *Newcastle University* journalism master's students. While there, students, mainly self-funded or funded by other employers, provide content for *ncjMedia*.

21.2 Discussion

From 2010, *Newcastle City Council* had a 47,500 euros pa contract with *Trinity Mirror* to print its quarterly *City Life* magazine distributed to all homes. Health authority NHS North of Tyne spent 49,600 euros annually sponsoring a weekly *Chronicle* health supplement, more than fully funding the health reporter. While the

public sector clearly derives value from publicity, marketing and media relations departments, and these work with all media regionally, nationally and—in education—globally, this still represents a significant resource subsidising the publisher's labour costs although available data do not allow precise quantification. Several authorities said answering media queries was only part of their work, but in 1995, the *Audit Commission* reported that, typically, media relations occupied at least 40 % of senior local government public relations officers' working time (*Audit Commission* 1995, p. 16) and Franklin (2004) found similar priorities in 2004 (p. 107).

Police PR spending, Northumbria in particular, and press releases reflect local media interest in crime and this service is in constant demand. *ncjMedia's* and GMC's circulation areas include five universities and several colleges. Their services and press releases appeared to be particularly valuable to local papers: *ncjMedia* titles carried 44 reports about *Newcastle University* alone in October 2012. Education press releases had a high "hit rate" and *Newcastle College* assessed the PR value of *ncjMedia* articles in which it featured from August 2009 to August 2010 at 7,94 million euros. The RDA valued regional media coverage from its 596 press releases at 6,764,000 euros. This benefits the organisations, but also represents a substantial content subsidy to publishers. Data did not allow determination of coverage generated, which would require close content analysis, but demonstrated that publicly funded work was equivalent to the labour of several reporters. This subsidy, and free information and research services, allows the publisher to save on staff and transfer to the public purse a proportion of production costs. The North of Tyne Health Authority's 49,600 euros per year contract for a weekly supplement more than covered the costs of a health reporter and the *ncjMedia* contract for the *Northumberland County Council* magazine and websites involved the recruitment of "a three-person content team" (contract tender).

The local news sites established under that contract were based on GMC's model, which, the bid document stated, "*now has more than 230 bloggers, or community correspondents, helping to populate the microsites – with people having the opportunity to respond to every article uploaded. [...] The Council/Journal association would allow us to launch 27 microsites at the same time. [...] We would also use the Council's database of clubs and organizations in each Belonging Community to contact each and every one and get them to nominate a correspondent to provide grassroots content on their activities on a regular basis*" (unpaginated).⁸

Free user-generated content is a supplement to and replacement for paid staff (see the reference above to *Johnston Press*: Engel 2009, p. 60) and as a means to access new audiences and advertisers (*European Newspaper Congress* 2010; Baines 2010, p. 586). *Trinity Mirror North East* developed UGC with both of these aims in mind and it was the latter which led to it continuing the project when the council terminated the contract.

⁸ *ncjMedia's* contract bid document was obtained by the author from Northumberland County Council under the UK Freedom of Information Act 2000 and is not publicly available.

Internships are valued by students and employers. Reeders (2000, p. 206) says they allow students to test learning against real-world problems. But local paper interns are often working for free in a company which has cut employees and there is evidence in Britain that the practice has resulted in a journalism workforce representative of groups who can afford to work for free, excluding most others (Kimball 2012; *Journalism Training Forum* 2002).

Conclusions

If the purpose of public subsidy and support is to maintain sustainable pluralistic local media and democratic oversight, the evident outcomes in Britain are not encouraging. Democratic legitimacy informs discourses from industry and policymakers, but is rarely tested and when it is—by parliamentary committees and academics—a more nuanced, complex reality emerges.

This chapter has made more transparent a number of concealed processes. Rather than embrace strategies supportive of sustainability, the industry continued to cut costs to maintain high returns to the detriment of public goods. It has lobbied to extend local monopolies and restrict plurality. The BBC Trust aborted 66 local video news projects which would have delivered social, cultural and economic public benefits. The government's regulation of council communications encouraged the transfer of public resources to private profit, which in some cases diminished the propensity of the press to maintain an independent democratic oversight (*Trinity Mirror* and Fulham and Hammersmith, *ncjMedia* and the publications contracted by the Northumberland County Council). Policymaking following commercial lobbying has in several cases supported greater commodification of local communities, privileging corporate over communities' interests at the expense of wider civic, social goods.

Subsidies and support for local publishers in Britain emerge as opaque, informal and multidirectional, are not determined by specific criteria and are not conditional on specific civic outcomes. They support the profitability of the publisher by providing direct revenue streams and tax relief (advertising and sponsorship, VAT concessions); content subsidies (press releases) and research services (press offices) which, along with free labour (user-generated copy and internships), transfer a proportion of production costs to the public purse and directly to the public. VAT relief for newspapers is predicated on the assumed public good they bring, but there is a case to be made that this should be conditional on papers demonstrating more explicit civic goals and business models orientated towards sustainability rather than high returns. Were policymakers and media corporations openly to acknowledge this support, a wider, better-informed public debate might take place about alternative models of local media engagement with civil society and the sustainability of media which bring public benefit.

More research needs to be conducted, but by making more transparent these hitherto largely unacknowledged processes, this chapter prepares the ground for making these conditional on "*reorienting commercial news provision towards*

more explicit civic goals” (Currah 2009, p. 10). Such goals could include plurality and diversity of media voices, scrutiny of the political process, the wider provision of training and employment opportunities and recruitment practices which reflect the diversity of the wider community.

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