

## **Stop Press? The Crisis in Welsh Newspapers, and What to Do About It**

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*In this extended essay I look at the political economy of the press in South Wales, and argue that as the subsidy provided to news by commercial advertising diminishes, serious public funding for a new generation of non-profit news outlets may be the only way to salvage public interest journalism at our local and regional papers*

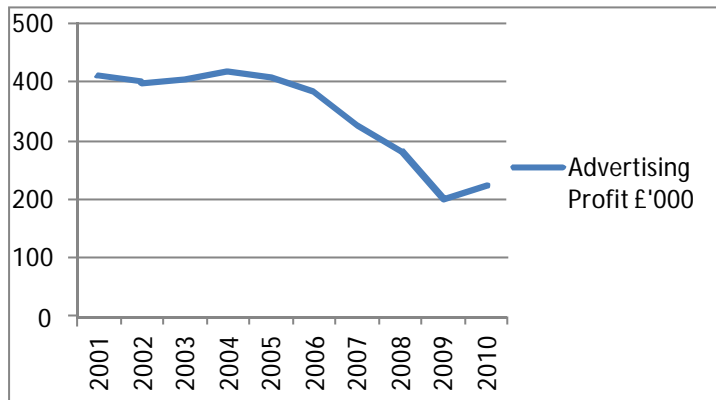
There are a number of reasons for the crisis in our press industry. Newspapers have traditionally made their money in two ways: by selling news to us, and selling us to advertisers. But advertisers are currently leaving newspapers in droves. Quite understandably they no longer find subsidising our news to be profitable, and are migrating to other more lucrative markets (online search engines, social networks, classified ad websites). At the same time, we as readers no longer feel inclined to pay upfront for news. The papers all put it online for free, why would we? There is also the problem that decades of staff cuts have left journalism severely diminished in quality and independence. Perhaps the news just isn't worth what it used to be.

Many critics leave the diagnosis of the problem at that, blaming inevitable and unavoidable changes in the market since the rise of the internet. But there is another cause to this crisis, which can be located firmly in corporate management strategies, and the choices we have taken as societies about who owns newspapers, and how that ownership should be regulated. Even before the rise of the internet, free content, and new advertising markets, newspaper companies had been steadily cutting staff to maximise profits. Since the 1980s there has been a trend in developed media markets towards consolidation: ever-fewer and larger companies buying up more and more papers. This was enabled by a string of UK governments caving in to pressure from industry to relax regulation on media ownership. Consolidation leads to problems with editorial independence and freedom of the press (as we have seen so clearly this summer with the influence of Murdoch), but it also encourages these big companies to cut staff in the name of creating efficiency savings across their media empires, and arguably to prioritise the generation of profits above the production of high quality news; to favour corporate interests over the public interest.

### *The Crisis in Cardiff and the Valleys*

We have not lost a newspaper in Cardiff, yet, but there are places not too far away that have. Port Talbot and Neath were two of at least 60 UK towns to lose their local papers between 2008 and 2009 (Greenslade 2009a). And those of us who live in the Welsh capital should not get complacent. Media Wales, which publishes the *Western Mail*, *WalesOnline.co.uk*, the *Echo*, and a shrinking series of local weeklies in the valleys, do not publish breakdowns of how much they make from advertising, but advertising revenues at parent company Trinity Mirror's regional division are down 43% since 2003 (from £408.5m to £222.5m).

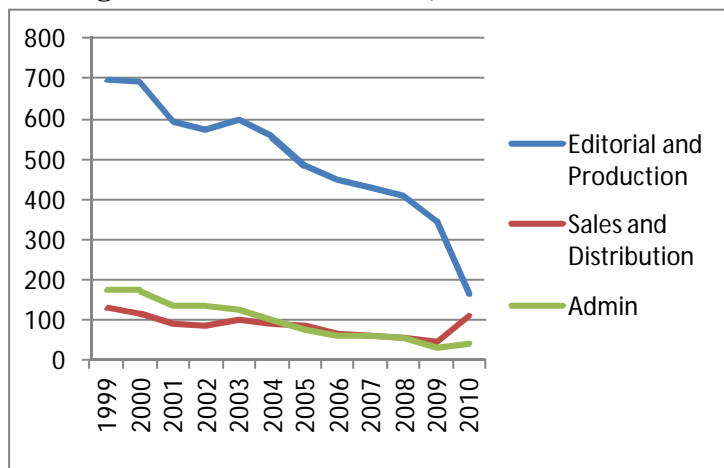
### Advertising Profit at Trinity Mirror Regional Division, 2001-2010



Source: Trinity Mirror Annual Accounts 2000-2010

The number of journalists at Media Wales has also dropped extremely sharply. In 1999 there were almost 700 editorial and production staff at Media Wales, now there are only 136. These figures include the loss of some non-journalists (such as those responsible for page design) but they are still incredibly worrying. Only a fraction of the reporters who produced our South Wales papers 10 years ago are now left. As the almost uniform downward trajectory of the blue line in the graph below suggests, those who have had their jobs cut are very unlikely to be hired back.

### Staffing Levels at Media Wales, 1999-2010

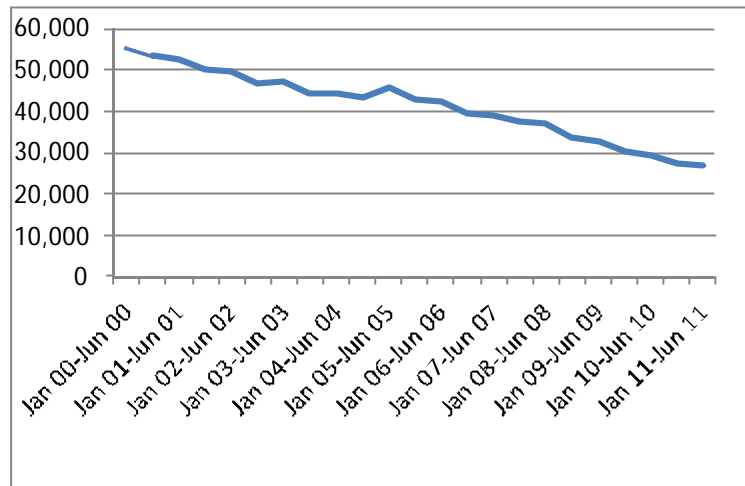


Source: Media Wales Annual Accounts 2000-2010

In 2010 the local Celtic Weekly papers endured yet more restructuring, which ended up with a number of much-needed local journalists being shown the door, and the editorships of some papers being merged. The most recent cuts include 22 journalism jobs axed in July 2011 (Welsh Ramblings 2011), with seven compulsory redundancies announced at the Celtics in August leaving just six senior reporters and five trainees to cover the seven remaining local titles in communities like Pontypridd, Merthyr, Aberdare, Llantrisant, and the entire Rhondda Valleys (Press Gazette 2011).

Not many people are buying the national newspaper of Wales, either: since 2000 circulation has fallen by more than half, from 55,273 to 26,931. If sales fall in similar numbers over the next 10 years there will not be anyone left reading the *Western Mail* by 2021.

### Falling circulation of the *Western Mail*



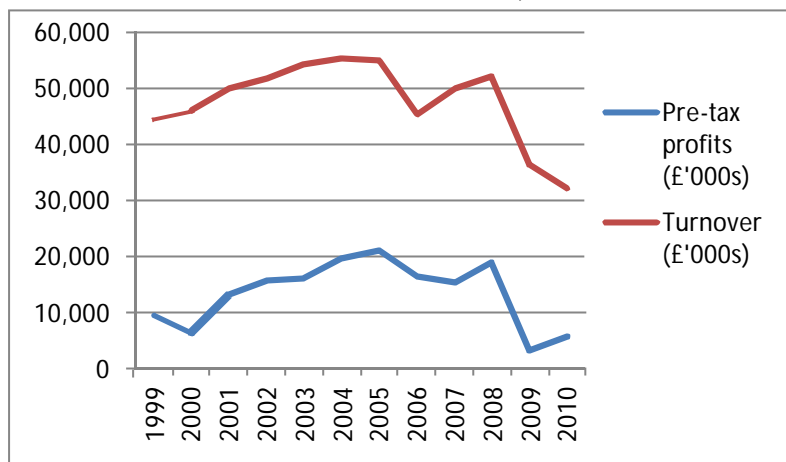
Source: 6 monthly ABC circulation figures 2000-2011

But advertisers pay newspapers for access to readers' eyeballs, and if we are not reading they have no reason to stick around. Commercial advertisers do not subsidise coverage of Welsh politics, Welsh corruption, Welsh crime, Welsh Rugby, or even Catherine Zeta's summer holidays out of the goodness of their hearts. There will surely come a time before long when it is no longer worth advertisers sticking around. The plunging circulation is a serious headache, but not just because it means less cash in the coffers. A crisis point will come when advertisers see the falling sales and figure it is no longer profitable for them to prop up an ailing paper. How far away is this point? A clue that it is threateningly close might be seen in the Cardiff NUJ chapel's reaction to the July 2011 job cuts. Initial talk of a strike ballot (Pugh 2011) evaporated after the union was shown "up-to-date financial information on a confidential basis" (Press Gazette 2011). Afterwards, instead of continuing plans for industrial action NUJ Father of Chapel and senior reporter Martin Shipton was talking about working with management to "make sure this place keeps going", and citing speculation about "the future of the company" (Press Gazette 2011). Things must already be pretty serious.

#### *Who is to blame?*

We cannot simply blame inevitable market forces, the web, or changing news consumption habits for the sorry state of our newspapers, although all of these factors have played a part. Mismanagement and greed by Trinity Mirror executives in London are also clearly to blame. Much of this period of declining circulation and staff cuts came at a time of extreme profitability for Media Wales. Between 2002 and 2008 income was incredibly high: the company consistently turned over between £45m and £55 annually, and posted pre-tax profits of between £15m and £20m.

### Turnover and Profits at Media Wales, 1999-2010



Source: Media Wales Annual Accounts 1999-2010

Profit margins in this period were between 30% and 38%. Margins like this are, of course, rare in most *healthy* industries; for markets in *crisis* or steep decline they are unheard of. At the same time as it was shedding readers at an unprecedented rate, instead of investing significant amounts of its revenue back into producing high-quality journalism the company was cutting reporters. Even at the height of the most serious recession in a generation proportionally decent profit margins were still being squeezed from the Cardiff newsroom: In 2009 it stood at 8.75%, and in 2010 it had shot back up to 18%. Again, this short-term gain was bought at the long-term expense of the workforce and news audiences, and gives us further proof that that Trinity Mirror is more concerned with the financial interests of shareholders and London-based executives than the public interest and the strength of the Welsh public sphere.

#### *What is the Problem? Journalism, the Public Interest, and Democracy*

All of this matters so much, of course, because journalism is not only a commercial product, it is also essential to the health of our society. For most of the last century the democratic functions of journalism were subsidised by commercial advertising. This subsidy has now been completely withdrawn in some places, and in others it is in the process of disappearing. The public interest value of news can broadly be distilled into two main functions: information provision and critical scrutiny.

Ideally news provides us with the kind of accurate, independent, fact-checked, information we need in order to make good decisions as active citizens. This has a direct practical use to us as well as less obvious, indirect, value. News tells us what is going on, but it also defines who that “us” actually is. As well as keeping communities informed, it binds communities together by highlighting common concerns and facilitating discussion, disagreement, and consensus. At their best local and regional papers have been agents of social cohesion, and enablers of civic and political participation, as well as providers of information. They are places where communities can meet and discuss issues of common concern and, like those

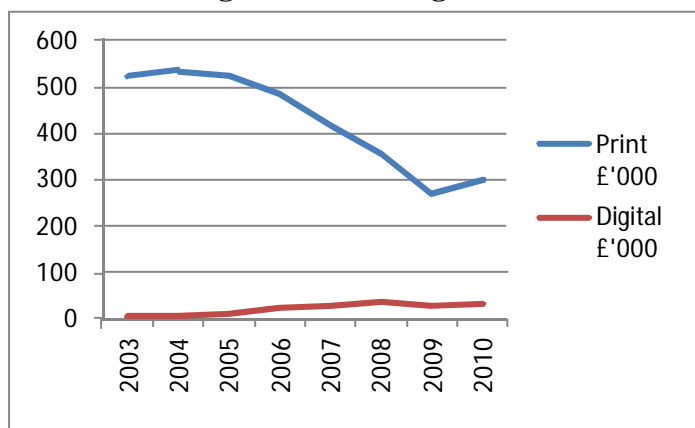
other informal havens of gossip, scandal, and sedition, pubs and post offices, they are disappearing fast. At a time when political participation is in decline we desperately need the democratic debating chamber supplied by well-resourced local and regional news.

Journalism also plays an incredibly important monitorial, scrutinising, role in ensuring that our elected politicians remain accountable. According to the critic and web evangelist Clay Shirky, small and medium sized cities and towns across the US are sliding into “casual endemic civic corruption” because of the newspaper crisis (Greenslade 2009b). The same may be happening here in those towns and villages no longer served by the commercial local news sector. We do not know, because in many of these places there are no journalists left to find out. There are also reasonable concerns that many of those local and regional papers currently suffering a sad and degrading death by a thousand cuts might be missing such critical “fourth estate” stories because so many of them are understaffed by overworked media workers.

### *The Proposed Solutions to the Crisis, and Why They are Inadequate*

There are a number of solutions to this crisis being suggested at the moment. Firstly, the big four news conglomerates are all arguing for less exacting regulation of media consolidation: this would no doubt allow the generation of short-term profits for big media, but it would undoubtedly lead to further job cuts, less media plurality, and weaker journalism. Secondly, there are those that still hope that even though we might lose some titles advertisers will eventually migrate to online news. Despite much talk in the industry of improving digital profits from local and regional news, there is little evidence this will happen in anything approaching sufficient volume. This is starkly illustrated by simply comparing recent revenues from print and digital advertising. For example, in 2003 Trinity Mirror’s regional printed newspapers made £521.5m in profits; by 2010 they were only making £298.8m.

### **Print Versus Digital Advertising Revenue at Trinity Mirror Regionals Division**



Source: Trinity Mirror Annual Accounts 2003-2010

Steady decline in print revenue has been accompanied by *some* profit increases online; in 2003 the company’s local news websites made £3.8m, and last year £32.4m. This is impressive growth, but it is nowhere near enough to provide the resources needed to sustain

public interest journalism on the scale newspapers used to provide. The US Project for Excellence in Journalism declared in 2009, “it is now all but settled that advertising revenue – the model that financed journalism for the last century – will be inadequate to do so in this one” (McChesney and Nichols 2010). There is little reason to believe the situation will be much different in Wales.

Alternatively, some news executives think that online pay walls will convince the public to stump up where advertisers will not. This might be a viable model for suppliers of news to elite niche markets (e.g. the *Financial Times*, the *Wall Street Journal*), but there is very little evidence this can work elsewhere, especially in the often economically deprived areas which have already been abandoned by big newspaper conglomerates.

A fourth solution is that unpaid citizen journalists will fill the void left by the redundant professionals, either in the form of independent blogs, or in collaboration with scaled-down commercial media players. I am a great supporter of the democratic and democratising potential of alternative media and collaborative journalism. But despite the well-chronicled limitations of the mainstream news media I am also extremely sceptical about citizens’ ability to replace professional public interest journalism. Accurate, sceptical, watchdog reporting costs in both money and time, and media workers need to be supported by strong, independent, journalistic institutions which can stand up to political and corporate flak. I know from experience that citizen journalists usually lack both the resources and institutional support to seriously challenge power and vested interests. It also seems that some news companies are currently hoping to exploit citizens as unpaid digital serfs. Hiding behind the rhetoric of community reporting I fear they are actually hoping to use volunteers as cover for further cutting into the professional workforce.

All of these solutions are distinguished by their inability to replace *the scale* of journalism previously underwritten by the advertising subsidy which sustained the old business model for news. Unless this scale can be sustained, restored, and eventually built back up then the quality of information provided to us by the news, along with the scrutiny levelled at public officials and elites, is bound to suffer. The answer to this problem has to lie in no longer seeing this as a crisis in *news business models*, but expanding the parameters of the debate and instead considering it as a crisis of journalism and the public sphere.

#### *The Solution that Dare Not Speak its Name: Public Subsidy and Non-Profit News*

So what to do about this problem? Last summer the editor of the *Western Mail* called me a “one-eyed hyperbolist” with a taste for “quaint 1970s rhetoric” after I outlined the kind of critique I just did here (Ponsford, 2010). I was also accused of making criticisms without understanding the challenges faced by the industry, and without offering solutions for solving this problem. There are no simple solutions to what is an incredibly complicated problem. But unless we debate and discuss radical and effective action to save journalism now, our already ailing democracy, the accountability of our politicians and business elites, and the quality of public debate will suffer, perhaps irreparably.

Over the past few years a trickle of influential figures have come out in favour of public subsidies for the news. Last month one of the most influential figures in world media, the advertising mogul Sir Martin Sorrell, claimed that state subsidies were needed to protect “quality journalism” (Fenton 2011). The former editor of the *Daily Mirror* Roy Greenslade thinks likewise (Greenslade 2011b), as do the former editor of the *Washington Post* Leonard Downie Jr., and a growing list of influential academics (Downie Jr and Schudson 2009, Usher 2011). There will, no-doubt, be opposition from newspaper owners, and some journalists (for different reasons): the former largely because they fear encroachment on their territory and interference in the market, and the latter mainly because they fear political interference with the content of news and a loss of editorial independence. The worries about meddling from policy makers are well-founded, but not insurmountable. We have effective mechanisms in place to protect the independence of public service broadcasters, and some European countries already subsidise the press alongside their broadcast news without much problem (Nielsen and Linnebank 2011).

The exact forms this public subsidy might take needs serious and imaginative debate. But we cannot put this debate off indefinitely. Given the precarious state of Wales’ national newspaper, in the not-too-distant future we, the Welsh public, might have to think about intervening to ensure its continued existence. We need to begin to think through the most effective ways to do this, should the need arise. My own view is that to bail out existing local news conglomerates would be to throw good money after bad, and would probably involve subsidising the City of London rather than quality journalism. I believe a good place to start would be to limit public subsidy to a new generation of non-profit, perhaps co-operatively-owned, news organisations, beginning with existing “news holes” in areas where local papers have closed down.

In some places such organisations are already there, struggling to produce high-quality local news in a sustainable way (Slattery 2011). I should declare an interest here: I am a supporter of a small, non-profit, local news co-op in Port Talbot. A band of recently laid-off journalists from all over South Wales are currently struggling on little or no budget to attract advertisers and replace the local news previously provided by Media Wales’ now defunct *Port Talbot Guardian*. Recently-redundant journalists are not, unfortunately, in short supply. Enabling such committed professionals to staff a series of non-profit community news hubs in Wales would provide much-needed jobs and ensure that the skills of this soon-to-be lost generation of news workers are kept alive.

These news hubs would not be newspapers in the traditional sense. They could also operate as community media centres, offering training opportunities to those interested in truly collaborative journalism. Rather than the “pump and dump” approach to working with audiences employed by so many commercial news organisations, this would facilitate properly-funded skill-sharing between journalists and publics (both individuals, and groups including schools, colleges and civil society organisations). It could address some of the serious skills deficits that exist in so many of our towns, and also improve news content by

allowing reporters to reconnect with young people, local campaigners, and other aspiring citizen journalists. There is little doubt that the long-term future of news will be primarily online. But this does not mean that print should be abandoned. The digital divide is alive and well in Wales: 29% of us do not have broadband. The oldest and poorest of us suffer most: 52% of those over 55, and almost half of those in DE social groups, miss out on fast web access (Ofcom 2011). Until access to broadband has increased substantially, and across all social classes, publicly-funded local news cannot afford to abandon print. There is little point funding public interest news aimed at strengthening local democracy if those publics most in need are unable to access it.

Once given a boost with initial start-up funds these hubs could be run on hybrid business models, part-supported by public money, partly by hyper-local advertising. State or municipal subsidy could be used to fund advertising sales teams to support clusters of local news hubs. A series of small-scale, non-profit, co-operative local news outlets could be built, and just as importantly tested for viability should our larger titles teeter or fall. Wales has a long and proud history of cooperative worker-ownership: it is time this historic commitment to mutual aid and community values replaced the profit-at-all-costs mentality that has dominated the provision of our news for too long.

The US academic Robert McChesney sums up the need to subsidise local papers when he argues that the news is a public good, “something the public needs, but that the market cannot produce in sufficient quality or quantity” (McChesney and Nichols 2010). Another example would be public education – it benefits everyone to live in a well-educated society, even if you do not have children currently in school. The market is currently in retreat; in many towns it has already gone. Soon it may no longer find it profitable to sufficiently subsidise our local news at all. If we want to live in a functioning democracy in which citizens are reasonably informed, and politicians are accountable, we will have to pay for it ourselves, indirectly, with serious and smart public subsidies designed to replace the disappearing commercial advertising subsidy.

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