

Read all about it

Inquiry into News Journalism in Wales

May 2018



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About the Committee

The Committee was established on 28 June 2016. Its remit can be found at: www.assembly.wales/SeneddCWLC

Committee Chair:



Bethan Sayed AM
Plaid Cymru
South Wales West

Current Committee membership:



Mick Antoniw AM
Welsh Labour
Pontypridd



Suzy Davies AM
Welsh Conservatives
South Wales West



Siân Gwenllian AM
Plaid Cymru
Arfon



Neil Hamilton AM
UKIP Wales
Mid and West Wales



Rhianon Passmore AM
Welsh Labour
Islwyn



Jenny Rathbone AM
Welsh Labour
Cardiff Central



Jack Sargeant AM
Welsh Labour
Alyn and Deeside

The following Members were also members of the committee during this inquiry:



Hannah Blythyn AM
Welsh Labour
Delyn



Dawn Bowden AM
Welsh Labour
Merthyr Tydfil and Rhymney



Dai Lloyd AM
Plaid Cymru
South Wales West



Jeremy Miles AM
Welsh Labour
Neath



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Welsh Labour
Llanelli

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Chair's foreword

Thomas Jefferson wrote: “were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter”.

A free press and media has long been the mark of a free society. Without frank and independent journalism the people may not be fully informed of what is done in their name and Governments, and others with power, will not be held to account for their actions.

The decline of commercial news journalism in Wales should therefore concern us all. As in other parts of the world, the circulations of Welsh newspapers have dropped sharply in recent years while online circulation has grown. However, this growth in digital readership has not improved newspaper profitability. Instead, we have seen job-losses, mergers and newspaper closures.

Wales is far from alone in seeing a decline in traditional print newspapers. However, the Welsh media is smaller and less diverse than other parts of the UK and so the impact of these changes is affecting us disproportionately.

In this report, we set out some of the main issues on which we have taken evidence and make a number of recommendations which we believe can help improve the current situation or nurture possible solutions.

We have also considered whether some model of direct support from Government for the provision of commercial journalism should be developed. There are clear difficulties with this, not least to ensure independence and editorial freedom. Despite this, the precarious state of news journalism in Wales is such that serious consideration should now be given to some way of supporting public interest journalism in Wales.

Social media companies also need to recognise their responsibilities. The like of Google and Facebook should consider their wider responsibility as corporate citizens in helping support good quality journalism in Wales and elsewhere.

We recognise that there is no simple solution to how best we address this issue in Wales. However, we are convinced that this is a profound public policy issue, which policy makers at all levels, not least the Welsh Government, need to address as a priority issue.

Bethan Sayed AM
Chair

Recommendations

Recommendation 1. We recommend that the Welsh Government should formally recognise that supporting public interest journalism in Wales is a strategic priority and fundamental to democracy in Wales. Page 11

Recommendation 2. We recommend that the Welsh Government should nurture and encourage the hyperlocal sector as a way of encouraging new entrants to the market and supporting innovative approaches to the provision of local news journalism. Page 23

Recommendation 3. We recommend that the Welsh Government should use the £100,000 funding in 2018-19 and 2019-20 for a contestable scheme that is available to both new entrants and to support innovation and sustainability among current operators. Page 23

Recommendation 4. We recommend that the Welsh Government considers establishing publicly-funded arm’s length news hubs, in light of the lack of market viability of local news provision in many areas of Wales. Page 23

Recommendation 5. We recommend that the Welsh Government should carry out a full evaluation of the success of the £100k funding once the first year of funding comes to an end to inform decisions about how the funding should be used in future. Page 23

Recommendation 6. We recommend that the Welsh Government carries out an audit of its spending on advertising statutory notices, on the amount spent by other public bodies in Wales funded by the Welsh Government and on the amount spent by local government. It should then consult widely on whether there are more cost effective ways of publicising statutory notices and on how any savings released can be reinvested in supporting public interest news journalism. Page 28

Recommendation 7. We recommend that Google and Facebook consider how they can improve their support for news journalism in Wales Page 28

Recommendation 8. We recommend that the Welsh Government considers whether part of any funds released through modernising the publication of statutory notices should be used to create a similar body to the Knight Foundation in the USA, which offers seed-corn funding for small start-up news organisations. Page 29

Recommendation 9. We recommend that the Welsh Government urgently identifies the changes necessary within its competence to enable statutory notices to be published by hyperlocal and online providers and ensures that all future legislation introduced into the Assembly implements these changes where appropriate. Any savings made as a result of lower advertising costs from increased competition should be redirected through targeted funding toward public interest journalism. Page 29

Recommendation 10. We recommend that the Welsh Government clarifies to local authorities and other relevant statutory bodies in Wales the freedom they have to place statutory notices online, where current legislation allows this.Page 29

Recommendation 11. We recommend that the Welsh Government facilitates contact between representatives of the hyperlocal sector, Media Wales and other large news providers to investigate areas of possible collaboration and syndication agreements between them. Page 32

Recommendation 12. We recommend that the Welsh Government reconsiders its decision not to establish an independent media forum. Page 37

Recommendation 13. We recommend that the Welsh Government, either as part of the role of an independent forum or directly itself, investigates sustainable business models for news journalism in Wales. Page 37

Recommendation 14. We recommend that the Welsh Government, either through establishing an independent forum or directly itself, reviews the BBC’s Local Democracy Reporting Service. Page 37

Recommendation 15. We recommend that the BBC review the Local Democracy Reporting Service after 6 months of operation. The review should fully consider alternative models for the service, including the “wire service” we have recommended previously and news hubs. It should also examine, concerns that the service will be used by host organisations to replace existing provision, rather than provide additional content. The findings of the review should be published in full. Page 41

Recommendation 16. We recommend that the Welsh Government commits to a continued investment in Welsh language journalism at the current level at least.Page 43

Recommendation 17. We recommend that the Welsh Books Council explore the creation of an easy to access Welsh-language news hub where non-BBC Welsh-language publications supported by the Welsh Books Council can publish their content. Page 43

Recommendation 18. We recommend that the Welsh Government engages with the UK Government to encourage it to re-visit the local media sector as a whole in light of the local TV scheme’s failure to offer a long-term solution to the lack of plurality and shortage of public-interest journalism in this field.....Page 46

1. Background

Introduction

1. Commercial news journalism in Wales is in decline. Print circulations of Welsh newspapers have dropped sharply over the last decade – as they have the world over – leading to job-losses, mergers and newspaper closures. Digital circulation has soared over the same period – but digital profits have been a tiny proportion of the losses incurred by dwindling print circulation. This is not a wholly recent phenomenon nor is it a problem unique to Wales¹. However, the Committee was concerned that the impact of these trends is disproportionate in Wales because the Welsh media is smaller and less diverse than that of the rest of the UK. This raises concerns of a diminished Welsh civic society and a less well-informed electorate able to hold the Welsh Government to account.

2. In the light of this the Committee agreed to carry out an Inquiry with a focus on exploring new and innovative models to support news journalism in Wales. The aim of the Inquiry was to see if there were effective solutions available within the Welsh context.

3. We specifically asked for views on:

- innovative models to support news journalism in Wales, including:
 - Existing models of news provision, both within Wales and internationally, that could be used in Wales;
 - Innovative business models in other fields that could be applied to news journalism in Wales.
- The provision of news journalism in Wales, including on:
 - Local and regional newspapers;
 - News websites;
 - Hyperlocal news providers;
 - Local television; and
 - Welsh Government support for local news journalism.

¹ For instance, see Presentation paper from Enders Analysis to Committee on 20 September 2017

4. The Committee issued a general call for evidence and also took oral evidence from a range of witnesses. Further details of responses and those the Committee took evidence from can be found in the Annexe to this report.

Our View – There is no obvious or simple solution

The advent of the internet, social media and powerful widely available mobile devices is leading to profound and wide-ranging changes in the way that news and journalism is viewed and understood.

In this report we set out some of the main issues on which we have taken evidence and make a number of recommendations which we believe can help improve the current situation or nurture possible solutions.

While we set out to find new models to support news journalism in Wales, it is fair to say at the outset that no obvious model was suggested to us that would fully address the changes that are overturning the models of the past.

Democracy needs vibrant, plural and diverse journalism operating in the public interest if it is to thrive. At a time when journalism across the world is struggling to adjust to the impact of the internet and social media there is no simple solution to how we address this issue in Wales.

Wales is far from unique but we believe it faces the most challenging news environment in the UK. This is not the fault of any one company but is the product of a range of historic and commercial factors that has led to Wales having perhaps the weakest indigenous news journalism sector of all the nations of the UK.

In our view this is a profound public policy issue, which government at all levels needs to address as a matter of urgency. The Welsh Government needs to engage with this issue as a high priority for further research and further public investment.

RECOMMENDATION

Recommendation 1. We recommend that the Welsh Government should formally recognise that supporting public interest journalism in Wales is a strategic priority and fundamental to democracy in Wales.

2. The impact of the decline of commercial news journalism in Wales

Print decline; digital growth

5. The main news journalism trends in Wales and the UK: of mergers, job-losses and declining print circulation – and correspondingly declining revenues – are well-documented, notably by the IWA Media Audit². Print circulations of Welsh newspapers have dropped sharply over the last decade – as they have the world over – leading to job-losses, mergers and newspaper closures. Online traffic to news sites has vastly increased over the same period, though online revenues are far from compensating news organisations for the loss of revenue from newspaper sales. This is an international phenomenon, but given the comparatively weak indigenous Welsh media, the effects could be expected to be felt more sharply in Wales.

6. Welsh newspapers have seen continued decline in their print circulations. Since 2008 the Western Mail's circulation has more than halved – from 37,576 in 2008 to 15,259 in 2016. Over the same period, the Daily Post's circulation has fallen by over a third – from 36,432 in 2008 to 22,251 in 2016. This is similar to what has happened in UK dailies, with the Mirror and the Express both more than halving in their circulation over the same period. In 2016 regional dailies' print circulation reduced on average by 12.5%.

7. Whilst print circulation has dwindled, online traffic has soared. WalesOnline's use has risen by almost 1000% since 2008, up to almost 6.5 million unique browsers a month. Many regional news websites have recorded double-digit year-on-year growth in unique daily visitors in the latter half of 2016, with WalesOnline seeing year-on-year growth of 13.1%.

Analogue pounds turn to digital pennies.

8. However, the difficulties of monetising online traffic have led to challenging economic circumstances for news organisations. It has been estimated that print products of newspaper groups still tend to generate up to 90% of their advertising revenues, and that for each £1 that is gained in digital revenue in national newspapers, £31 in print revenue is lost. Although news sites score highly in terms of visits, these visits tend to be for relatively short amounts of time. It has

² IWA Media Audit 2015 (www.iwa.wales/news/2015/11/iwa-wales-media-audit-2015/)

been estimated that by 2020 Google and Facebook will take 70% of all money spent on display advertising online in the UK.

9. Since 2005 there has been a net loss of about 200 newspapers across the UK. In addition to the overall reduction in the number of titles, Press Gazette estimates that the total number of journalists working on local newspapers has at least halved since 2005, as has the industry's revenue. Dr Andy Williams of Cardiff University thinks that the impact on a community of losing a newspaper is serious: "When the Port Talbot Guardian closed down in 2009", he says, "citizens lost their primary source of day-to-day information about how to navigate civic and community life".

Impact in Wales

10. Although the problems caused by declining news revenues are not specific to Wales, arguably Wales had less media than other areas of the UK to lose in the first place. In 2015, communications regulator Ofcom noted that "the absence of a strong indigenous print media" in Wales "is in stark contrast to Scotland and Northern Ireland". Consequently, "Most readers of daily newspapers in Wales read UK newspapers which include very little content that relates specifically to Wales and its devolved elected institution, the National Assembly for Wales". This situation has led the Ofcom Advisory Committee for Wales to conclude that Wales is served less comprehensively, outside the BBC, than any of the other UK Nations, with weaker print media and commercial radio services offering a reduced challenge to the BBC in terms of a plurality of voices.

11. News providers are adjusting to the changing habits of news consumption with editorial strategies designed for this new world. Dr Andy Williams' written evidence discussed the possible impact of digital news strategies, which prioritise clicks over other measures of journalistic quality. He stated:

"A potential problem with such performance-related data is that it might further de-prioritise coverage of areas of public life which many in the audience might not be interested in, but which is nonetheless squarely in the public interest."

12. Furthermore, he noted that the structural changes in the Welsh news landscape would affect the nature and diversity of news output. Trinity Mirror plc is the most significant newspaper owner in Wales. Under the Media Wales umbrella it owns the Western Mail, South Wales Echo, Wales on Sunday and a chain of local weekly papers in the south Wales valleys. In 2015 Trinity Mirror's purchase of Local World added the South Wales Evening Post, the Llanelli Star

and the Carmarthen Journal to the Media Wales stable. Trinity Mirror also owns the Daily Post in north Wales. As the biggest news provider (apart from, potentially, the BBC) in Wales, discussion, during the Committee’s inquiry, on the impact of the trends outlined above on the output of news providers tended to focus on Trinity Mirror. Dr Williams said:

“Wales’ biggest local media plurality problem does not lie principally in the risk that Trinity Mirror CEO Simon Fox might wish to exert political influence over Welsh life, but instead in the fact that Trinity’s cost-cutting, high-output, consolidating and synergistic approach to its business means that almost all Welsh journalists in the commercial sector work in similar ways, producing similar kinds of news, while working under similarly difficult conditions and constraints.”

13. Dr Rachel Howells (formerly of the Port Talbot Magnet) told the Committee that Trinity Mirror has “protected the bottom line by cutting staff”.

14. The NUJ told the Committee that Trinity Mirror’s business model is based on:

“...increasing the number of visitors to its websites, and the concern is that this is leading to a greater emphasis on lighter, lifestyle-type material at the expense of more traditional coverage of councils.”

15. It also raised concern that Media Wales is losing specialist reporters in favour of “more digitally-focussed roles”. Martin Shipton (Media Wales’s Chief Reporter, speaking in his NUJ-capacity) described the tension between Trinity Mirror’s “digital first” editorial policy and the fact that the vast bulk of its revenue still comes from print (£660m of revenue in 2016 versus £79m from digital).

16. Media Wales’s evidence noted that “sales trends for Trinity Mirror’s daily newspapers in Wales are in line, or in some cases better, than those seen nationally”. Consequently, its strategy is “to protect through titles to the greatest extent possible, while focusing on growing its digital presence in communities around Wales”. Media Wales explains that, although print revenues still constitute most of the income for publishers, the gap with digital is narrowing. It notes that:

“...the situation in an already cautious economic environment is not helped by the growing dominance of Google and Facebook in the digital advertising sphere. Both of these companies have a business model which relies on the content provided by publishers, but have shown no inclination to collaborate with these publishers on a revenue split commensurate with this model.”

17. It notes that, following the growth of online journalism, “more people read content produced by Media Wales journalists than at any time in the company’s history”.

18. Alun Edmunds, Editorial Director for Trinity Mirror Regionals, noted his frustration at the idea that “somehow digital offers a less serious forum for news”. He described the strength of the WalesOnline website, and the valuable contribution this makes to news plurality in Wales:

“if you look at WalesOnline, which, obviously, we’ve talked about quite a lot today, it won the website of the year in the Regional Press Awards, it was commended for its tremendous online coverage of the Aberfan anniversary, and the skilful way that the new content, some of the new interviews that had never been heard before. [...]

There are some fantastically talented journalists in our newsrooms, who are doing some amazingly clever things online, and engaging very well with their audience. And Wales has been at the forefront of that. So, I do think, in Wales, WalesOnline has been a huge success over the last 10 years, and I think that that’s really important for Wales, because if you only had BBC Wales as a national news platform, then that, obviously, would not be the ideal place for plurality.”

Our View – The impact of the decline of commercial news journalism in Wales

The absence of a robust indigenous print media and a general lack of plurality within the Welsh news journalism sector means that Wales, more than the other UK nations, has been more susceptible to the impact of the current trends of mergers, job losses, and declining print circulation within the sector as a whole.

The shift toward online news journalism and digital first strategies has led to poorer public interest coverage in Wales compared to content which is likely to have the greater appeal that is believed to increase digital traffic and therefore maximise online advertising revenue.

We recognise that this is a challenging time for news providers, who have had to adapt their business models in order to mitigate the impact of declining print revenue. However, we are not convinced that closing or amalgamating titles and cutting back on locally-based journalism is the right way forward. Unless action is taken to counteract the negative impact of these trends then the situation will

continue to worsen, whereby those living in Wales will have access to less and less coverage of the issues that interest and affect them.

While we understand the reasons for Trinity Mirror's strategy to maximise advertising revenue online, and to use print revenue to protect and further its digital first strategy, there are dangers to this approach which have not been adequately addressed.

Trinity Mirror has acquired a considerable portion of the print sector in Wales. Having one company in such a dominant position means that there is limited plurality and the possibility that one news provider might be able to exert undue influence on public debate. Even if the intentions of Trinity Mirror are benign, their business model and strategy can mean that the apparently broad range of titles over which they preside present uniform or bland content geared toward maximising clicks rather than providing more diverse coverage.

Given the high proportion of titles owned by Trinity Mirror in Wales, and the dominant position it now occupies in Wales, we believe it has a responsibility to do all it can to ensure that its content represents the very best of public interest news journalism and continues to offer content that is as diverse and plural in its nature as possible. In particular, we call on Trinity Mirror to ensure that local titles are not simply hollow shells but remain embedded in their local communities to provide viable sources of local news and opinion from and for those communities.

3. Hyperlocal and volunteer journalism

19. “Hyperlocal” journalism is a term used to describe journalism which focuses on a local area. Unlike more traditional local or regional media, hyperlocal news providers tend to have a much narrower geographical focus. While the advent of digital news consumption has created a challenging economic environment for news companies, it has also provided opportunities for new, volunteer-driven hyperlocal news providers. Rooted in communities, although these news providers are often run by people with some previous journalistic experience or training, they are primarily run for love rather than money; mostly by volunteers covering their own costs. There are around 400 active hyperlocal publishers in the UK, 46 of which are in Wales, more than double what one might expect given Wales’s population share.

20. Dr Andy Williams told the Committee:

“...to support and foster local news as a public good in the 21st Century we will need a re-evaluation of local news policies to encourage newer entrants to the market, to foster experimentation with different funding models, and stimulate independent, plural and truly local news in print and online. It’s clear that the professional and professionalising part of the sector would benefit from a range of policy interventions but the most useful might be smart, independently-administered, contestable, funding to help them try out, and test, different models for funding and distributing independent public interest local news in different places to help the sector as a whole develop and become more sustainable.”

21. These hyperlocals are a tough prospect to make economically self-sustaining. Although often born from the opportunities provided by online publishing, they are subject to the same revenue-generating difficulties as the traditional newspapers they are, in some places, replacing. Just over 10% of hyperlocals generate more than £500 per month in revenues. Dr Williams explained that, despite the “impressive social and democratic value of hyperlocal news content, community news is generally not a field rich in economic value”.

22. The Committee heard that online advertising is the dominant form of income generation, though because of low visibility, raising revenue this way is especially challenging for hyperlocals. Other funding sources include:

- Crowd-funding;
- Audience cooperatives;

- Grants from charities and foundations;
- Charity funding through local community development trusts;
- Cross-subsidising local news work with other streams of income (such as training or consultancy work); and, increasingly
- Print advertising models using free newspapers.

23. However, Dr Williams suggests that the UK local news market is “unable to sustain this kind of news on a large scale, consistently, across the country”. He highlighted the precarious existence of hyperlocals, and as such the difficulty of looking to hyperlocals to “sustain the kind of institutions that have previously been the pre-requisite for a strong, independent and critical local news”. Furthermore, their distribution is patchy, meaning that hyperlocals can only “partially plug” the growing local news deficits.

24. These new hyperlocal sites are in addition to over 50 Papurau Bro – Welsh-language newspapers – that have provided local news to Welsh-speaking communities for over 40 years. The Papurau Bro receive funding from the Welsh Government through its Welsh Language budget, whilst the Welsh language news website Golwg 360 receives Welsh Government funding via the Welsh Books Council.

25. Many of the challenges expressed by hyperlocal news providers centred on difficulties in the acquisition of funding/revenue. Richard Gurner of the Caerphilly Observer explained that a difficulty he faced “was attracting local businesses, who were used to advertising in print, to advertise on the site”. He also stated that he had previously “tried to make contact with the Welsh Government’s advertising agency and failed”, explaining that the Observer was “dismissed as insignificant”.

26. Dr Rachel Howells, a founder director and the former editor of the now defunct Port Talbot Magnet, gave the following reasons for the Magnet’s demise:

“We were not able to offer consistent pay or contracts to the people who worked for us. Most of the people who made the Magnet possible did so as volunteers. Our freelancers often charged less than the going rate, or put in a proportion of their time for free in order to support us.

Sales staff were incredibly difficult to find as we were not able to fund the incentives that would normally be expected. Our first ad sales rep scammed us out of several hundred pounds; our second worked amazingly hard and brought in revenues but stress made her very ill;

and our third had to take a second job as a supermarket delivery driver to top up his commission.

We reluctantly concluded that there was insufficient wealth in the local economy in Port Talbot to support a news service. Many of our advertisers were not able to spend money regularly, or were not able to pay our rates, even reduced to cost prices.

Online advertising revenues were not enough to sustain us. The newspaper brought in revenues of between £2.5k and £5k per edition. The website, in the entire seven years it ran, brought in £1.5k – an average of £215 per year, not even enough to cover our insurance bill. We found advertisers far preferred the hard copy newspaper.

Volunteers were difficult to find and a burden to manage, support and train. Volunteers were plentiful at first, but sustaining their numbers became increasingly difficult.

Engaging with public bodies was difficult. It took five years of nagging for South Wales Police to add us to their mailing list. We made several requests to the BBC for them to link to us as a news provider but we did not receive a reply. There was no systematic way to approach schools – each had its own system and a different policy for dealing with the media. The local council took a long time to add us to their mailing list for press releases, and often took days or weeks to respond to queries. Only latterly were we invited to openings such as the new superschool at Baglan. The local college did not engage with us. Tata Steel were very reluctant to engage with us until the last months of 2016. We felt the door of institutions was usually closed to us, and it took many repeated requests for it to be – reluctantly – opened, and often only to a narrow, one-off, crack. We found most public bodies and businesses only acknowledged our requests and took us seriously after we had written critically about them.”

27. Dr Rachel Howells felt that insufficient advertising-revenue was available in the local area to make the paper financially sustainable over the long-term. Consequently, she raised the idea of establishing publicly-funded news hubs across communities in the UK:

“Have you seen the research by the Media Trust? Natalie Fenton’s team in London did it. It basically advocates the establishment of news hubs across communities in the UK. So, however they would be funded—

Government funded, perhaps—they would have a local journalist based in that town, salaried, basically, going to every—similar to what’s happening through the BBC at the moment now. But they would be independent, perhaps sharing that news and information with others. So, I think what I’m arguing for, in a very roundabout way, because I think the case they make is very solid in that report, is a salaried journalist in each community that requires it—it’s that kind of commitment. But it would need to be done at arm’s length, independent—.”

28. She went on to explain how such a scheme would have helped making the Magnet’s business model more sustainable, saying:

“if we could have had a lot of our content produced and paid for by something like that—you know, having somebody in our team whose salary was underwritten — it would have just made life so much easier for us.”

29. During the inquiry, as part of their draft budget agreement with Plaid Cymru, the Welsh Government proposed funding of £100,000 in 2018-19 and 2019-20 for “start-up grants for journalists seeking to set up their own business in hyperlocal news”. This funding is to be made available through the Welsh Government’s business support service, Business Wales.

30. The Cabinet Secretary expanded on how this grant could operate when giving evidence to the Committee. He stated that:

“There’s nothing really that makes this different to what we already provide through Business Wales, other than this would be, from what I understand, ring-fenced.

[...]

But what’s unique about this is that it’s been ring-fenced for one purpose. I would like to explore, potentially with Plaid Cymru, the opportunities that could be had with this money in using it for a very sustainable purpose, that is to train up journalists in hyperlocal media. One of the concerns that I have with using it just as a grant is that, if it’s only going to be conducted over two years, knowing the fragility of hyperlocal media, are we offering grants and setting up—this is a very important question we must ask, and it will be asked—hyperlocal media to fail, and/or are we offering grants with the expectation that further support could come?

[...]

We couldn't operate this fund, I don't think, in a different way to other funds that we've operated recently on the basis of economic development and sustainability of the business model. However, that said, I also think that there would be wider social benefits to this. Whilst it may just be judged on the economic benefit and the credibility of each and every bid and the sustainability of business models, I also think there would be those obvious social benefits in having a greater degree of news provision."

31. During the Committee's draft budget scrutiny session on 16 November, the newly-appointed Minister for Culture, Tourism and Sport said:

"As I've said, I haven't had a discussion with the Cabinet Secretary, but I think I've also tried to make it clear that when I saw the responsibility for broadcasting policy—that means, I assume, media policy generally—in my responsibilities, it was clear in my own mind that that did not mean that we were a direct provider. But, clearly, media businesses as businesses are able to receive support through our business programmes. You will know my views on this. I've been opposed to the devolution of media control in Wales because I believe it is important that, given that platforms, generally, are so expensive and so far-reaching, there should always be a joint responsibility of the UK regulators and the UK Government and Welsh Government, and that the policy role of Welsh Government here is to ensure that the UK Government is aware of the needs of Wales in any of its decisions in this whole area, and that it is not for Welsh Government to be providing media outlets or supporting media outlets. But I will have to discuss this in detail with the Cabinet Secretary to see what he had in mind. I don't think this was a manifesto commitment, was it?"

32. Given the Cabinet Secretary's openness the Committee consulted stakeholders on how this funding could best be used to support news journalism in Wales. The consultation received seven responses, further details of which are in the Annexe to this report.

33. Those responses did not present the Committee with a general consensus on how this money should be used. However, a common theme among them was that it should not be reserved entirely for the setting up of new hyperlocal news providers. Cardiff University's Centre for Community Journalism, who offered relatively comprehensive views on the use of funding – having consulted

themselves, called for “a contestable funding scheme”, suggesting that “a range of relatively small investments could have a great impact on local journalism, local enterprise, and social cohesion as the tools to innovate and publish local news are widely available at low cost”.

Our View – Hyperlocal and volunteer journalism

It is pleasing to note that Wales has more than twice the number of hyperlocal news providers than might be expected based on its share of the UK population. Given current trends and the absence of a strong indigenous print media in Wales, hyperlocal news providers’ contribution to the overall journalistic ecosystem is valuable and should be nurtured and encouraged, particularly as a way of encouraging new entrants to the market and to foster innovation.

Though we are pleased at the emergence of the hyperlocal sector in Wales, it is clear from the evidence we have received that these organisations cannot, alone, plug the gap left by the absence of a robust indigenous print media. As encouraging as their development is, to expect the sector to entirely address the shortcomings of Wales’ news journalism sector is unrealistic.

We are not entirely convinced that funding to set-up new hyperlocal news providers is the best use of the £100,000 per annum that has been made available. The fact that Wales has twice the number of hyperlocal start-ups than might be expected given its population shows that starting up hyperlocals in Wales is not a problem: sustaining them is. The consultation has led us to conclude that the new funding should be made available more broadly than simply to new hyperlocal start-ups through Business Wales.

Though there was not a broad consensus amongst consultees on how the funding should be used, most believed that a contestable fund, which is also available to existing hyperlocal news providers, would be most effective and would provide best value for money. We agree with this approach. We also agree that the thoughtful response from the Centre for Community Journalism in Cardiff University should be given serious consideration by the Welsh Government. In particular we agree that:

- The scheme should be contestable;
- Funding should be available both to new entrants to the field and incumbents looking to innovate and develop more sustainable business models;

- Funding should be available for platform and software creation that supports and enhances innovation in the provision of public interest local journalism, as this would help to improve sustainability across the sector.

We are also attracted to the concept of publicly-funded news hubs as suggested by Dr Rachel Howells. Later on in this report we suggest how resources might be released by finding new ways of publishing public notices and which could help support a Welsh news hub. We also believe that this would be a better use of the funding the BBC is providing to embed BBC journalists in other media organisations.

RECOMMENDATIONS

Recommendation 2. We recommend that the Welsh Government should nurture and encourage the hyperlocal sector as a way of encouraging new entrants to the market and supporting innovative approaches to the provision of local news journalism.

Recommendation 3. We recommend that the Welsh Government should use the £100,000 funding in 2018-19 and 2019-20 for a contestable scheme that is available to both new entrants and to support innovation and sustainability among current operators.

Recommendation 4. We recommend that the Welsh Government considers establishing publicly-funded arm's length news hubs, in light of the lack of market viability of local news provision in many areas of Wales.

Recommendation 5. We recommend that the Welsh Government should carry out a full evaluation of the success of the £100k funding once the first year of funding comes to an end to inform decisions about how the funding should be used in future.

4. Financial support for news journalism

34. Emma Meese, of Cardiff University’s Centre for Community Journalism, pointed out that there is profit to be made from local journalism still, just not enough to satisfy the large companies that increasingly dominate the Welsh news landscape.

35. Ms Meese suggested that hyperlocal organisations are disadvantaged in that they “cannot access the same level of funding and support as the large traditional newspapers, which have a monopoly across Wales”. She also states that “we need to stop thinking in terms of ‘newspaper’ and start thinking in terms of ‘news publishers’”, and that “this is crucial when deciding who can publish public notices”. Ms Meese also drew the Committee’s attention to a project in the USA – The Knight Foundation – and noted the absence of an equivalent programme offering seed-corn funding for small start-up news organisations in Wales.

36. Dr Andy Williams outlined the various forms of state subsidy he felt supported traditional newspapers – such as advertising revenue from statutory notices and tax-breaks for newspaper publication – and called for these to be reassessed for the digital era. Emma Meese felt that it would be “huge” if hyperlocals could publish statutory notices, which Dr Williams estimated were worth £40-50 million a year across the UK. There are several statutes covering different areas of law that require public authorities to place notices in local newspapers: these laws would need amending if online publications were to be included.

37. The Committee discussed with the Cabinet Secretary the suggestion it had received that the system of statutory notices should be amended so that these paid-for adverts can be placed with hyperlocal news providers. The Cabinet Secretary stated that:

“The rules shouldn’t have to change. I need to be clear here that legislation does not prevent statutory notices from going online only.”

38. Despite this, the Committee’s legal advisers have pointed out legislation which expressly requires publication in a newspaper. This would not prevent publication in print hyperlocals but would prevent those notices from being placed online only. For instance, under the Town and County Planning Act 1990 and the secondary legislation made under that Act, there are requirements to publish notices in newspapers circulating in relevant areas or localities. The Welsh Government has introduced some legislation which removed the requirement to

publish notices in a local newspaper, in order to allow for electronic publication, such as section 82 of the Environment (Wales) Act 2016. The Explanatory Note to this section states that publication in local newspapers is no longer a requirement and this will provide for flexible advertising arrangements and allow a choice of the most appropriate mechanism for distribution of notices, including electronic methods. However, it is likely that there remain a number of individual provisions dealing with statutory notices in both primary and secondary legislation and which may prevent or hinder publication by an online news provider.

39. Ifan Morgan Jones, a lecturer in journalism at Bangor University, argued that his analysis of publicly-funded Welsh language news journalism (such as Golwg 360) suggests that there is “little reason why publicly-funded English-language news sites would not also be a viable option”. He stated that “there is an appetite that is not now being sated by English-language media in Wales”.

40. The Caerphilly Observer outlined the support it has received to turn an online-only publication, founded in 2009, into a newspaper. It stated that grant-funding is “essential for new media start-ups”:

- A “budding business grant” in 2013 to launch a fortnightly newspaper with a circulation of 10,000 from the rural development team at Caerphilly County Borough Council. The grant was for £2,441.60 which went towards 80% of the print costs for the first four editions and 80% of the cost of three distribution bins.
- Other grant-funding including two Jobs Growth Wales placements and funding via the Welsh Government and the Fairwood Trust for office space.

41. The Observer outlined that its business model is “predominantly an advertising-funded model, with around 75% to 80% of our turnover coming from online and print advertising”. It explained that “print-only advertising accounts for approximately 65% and includes legal notices placed with us by the local authority”. The paper noted that it was a “battle” to persuade the local authority to place their public notices in the Observer, requiring an intervention from then-Minister Edwina Hart AM to confirm that it legally counted as a newspaper.

42. The Observer explained that one of its rivals – the South Wales Argus – objected to its receipt of funding, and has now increased its print-run. The Observer states that the beneficiaries of this are “the readers and the local community”, and that “a competitive media is a healthy media and is imperative to a functioning community”.

43. Dr Rachel Howells told the Committee that the Port Talbot Magnet received £10,000 of funding to enable the paper to go into print, which “helped no end”. However, she stated that when she started the Magnet in 2009 there was a lack of awareness among grant-providers of what hyperlocal journalism was, and consequently grants were not readily-available that suited her needs. However, she stated that the “problem that we had was a geographical one and a community-based one”: in short, sufficient advertising-revenue was not available in the local area to make the paper financially sustainable over the long-term. Consequently, she raised the idea of establishing publicly-funded news hubs across communities in the UK.

44. Google and Facebook – the two companies that receive the lion’s share of the income from online advertising – both turned down invitations to attend the Committee. Google provided written evidence outlining the support that it currently offers to support news journalism. This includes the Digital News Initiative which Google describes as follows:

“Our Digital News Initiative (DNI) is a collaboration between Google and European news publishers that aims to support high quality journalism and encourage a more sustainable news ecosystem through technology and innovation. As part of this effort, DNI has committed €150 million to support innovation in digital news across the EU. To date, DNI has provided €73.5 million in funding to 359 projects over the course of three rounds of funding, with €7.1 million of this being in the UK. These projects cover a broad range of technological challenges for newsrooms, from personalised news apps to VR for news, and news organisations of all sizes.”

45. In addition to this work, Google has provided training to journalists in Cardiff.

Our View – Financial support for news journalism

Advertising revenue has always underpinned the viability of commercial news publishers. However, the move to online advertising is problematic for local news providers as their limited local readerships may not be as attractive to potential advertisers compared to the wide reach that online platforms can provide.

For fear of compromising press freedom, the public sector in the UK has shied away from direct state subsidy of commercial journalism. However, given the current lack of plurality and diversity in commercial news journalism in Wales we believe the time has come to consider whether indirect subsidy should be used more creatively to help smaller providers.

More contentious is the question of whether some model of direct subsidy for the provision of commercial journalism should be developed. Any such model would need to ensure ways of protecting editorial freedom from government or official interference. This will be difficult and the risks of distorting the market also needs to be considered. Despite this, we believe that the position of news journalism in Wales is such that serious consideration should now be given to some way of subsidising public interest journalism in Wales.

We understand that in order for all local news providers to be eligible to publish the full range of statutory notices (and to benefit from the associated revenue) changes are needed to the wide range of legislation that governs their publication. Given the precarious financial position of hyperlocal news providers urgent consideration should be given to changes to open up this potential revenue stream to these providers as far as possible. There also needs to be better communication on the current position with clarity provided to the sector. The fact that the Minister had to intervene personally with the local authority to clarify that the Caerphilly Observer was a “newspaper” underlines that the sector would benefit from greater clarity and guidance from the Welsh Government on where the various statutory notices can be published.

However, the requirement to place an advertisement in a newspaper is often an anachronistic and inefficient way of publicising government activity. We feel that this system needs updating on several fronts. Where legislation currently states that statutory notices must be placed in newspapers, the law should be amended so that government agencies are able to place these advertisements with other news providers – including online – where they deem this appropriate. Government agencies placing statutory notices should then use this new freedom to assess the cost-effectiveness of the advertisements they are paying for.

It is our belief that the current system favours incumbents in the sector (local newspapers) and insulates them from competition, keeping the costs of advertising space artificially high. It is not the Committee’s belief that public funding should be withdrawn from local journalism. However, the money saved from modernising the statutory notice regime – which currently constitutes an implicit subsidy for local newspapers – would be better used as targeted funding with public interest journalism at its core.

However, what is not clear is the precise scale of spending on public notices. As a first step, we believe that there is a need to establish exactly how much is spent on these notices by the Welsh Government and by public bodies and local government in Wales.

The possibility of other forms of state subsidy should also be explored drawing on expertise from those working within the local journalism sector and wider expertise in the field both within and outside Wales. Such a process should be focused on maximising the potential revenue available to local news providers and should be framed around the formulation of a sustainable business model which both maintains and enhances the current level and quality of journalistic output within the sector. Tax breaks for newspaper publication is one such area which should be explored.

Given the apparent success of publicly funded Welsh language journalism we believe it is worth exploring whether this model could be used as a template for English language journalism with funding provided at arm's length from Government. Though we appreciate the concerns surrounding state funding of journalism, the example of Golwg 360 shows that this approach can work.

Outside of state subsidy and advertising revenue local news providers would also benefit from an improved awareness among grant providers of what hyperlocal news journalism is – we have heard that they can be reluctant to fund hyperlocal news organisations as they are unaware of what they are. This, together with the clarity needed in relation to who is currently eligible to print statutory notices, can and should be rectified quickly.

Though we welcome the support that Google currently provides to news journalism in Wales, given its global dominance of the online advertising market and the condition of Wales' news journalism sector, we believe they need to increase this support significantly. It is highly regrettable that Facebook declined to contribute to this inquiry, given the market dominance they also enjoy and we also call on them to consider how they can put something back into the journalism which does so much to help support their business model.

RECOMMENDATIONS

Recommendation 6. We recommend that the Welsh Government carries out an audit of its spending on advertising statutory notices, on the amount spent by other public bodies in Wales funded by the Welsh Government and on the amount spent by local government. It should then consult widely on whether there are more cost effective ways of publicising statutory notices and on how any savings released can be reinvested in supporting public interest news journalism.

Recommendation 7. We recommend that Google and Facebook consider how they can improve their support for news journalism in Wales

Recommendation 8. We recommend that the Welsh Government considers whether part of any funds released through modernising the publication of statutory notices should be used to create a similar body to the Knight Foundation in the USA, which offers seed-corn funding for small start-up news organisations.

Recommendation 9. We recommend that the Welsh Government urgently identifies the changes necessary within its competence to enable statutory notices to be published by hyperlocal and online providers and ensures that all future legislation introduced into the Assembly implements these changes where appropriate. Any savings made as a result of lower advertising costs from increased competition should be redirected through targeted funding toward public interest journalism.

Recommendation 10. We recommend that the Welsh Government clarifies to local authorities and other relevant statutory bodies in Wales the freedom they have to place statutory notices online, where current legislation allows this.

5. Non-financial support for news journalism

46. Dr Williams and Emma Meese, who gave evidence to this inquiry’s first session, contribute to Cardiff University’s Centre for Community Journalism, which was established in 2013 to support new forms of local digital journalism. The Centre has since trained more than 32,000 learners from 130 different countries, and is setting up the Independent Community News Network, a UK representative body for the independent community and hyperlocal news sector. Emma Meese’s evidence stated that this network will:

- broker collaborations with industry partners to contribute to sustainable and innovative development within the sector.
- offer free consultancy services to start-ups and established publications alike on issues concerning media law guidance, funding, and new media.

47. Dr Rachel Howells (formerly of the Port Talbot Magnet) told the Committee how vital training was for the hyperlocal sector:

“I think communities are going to have to step up here and fill this gap, so training is going to be essential for those people. Legal training is essential, and the (Pembrokeshire) Herald is a great example of perhaps not having that knowledge and not having the resources to oversee people who don’t have the training, which is what’s happening. I’m sure you’re aware that the Herald’s been through the courts recently for naming a sexual assault victim—or identifying one, sorry. I think that just shines a light, really, on the fact that that training and that oversight is very difficult to come by in these small organisations.

For the Magnet, where, equally, we didn’t have access to enough trained people, what that did to us was make us more cautious. You don’t want a sector that’s too cautious and too boring, either. You need one that’s rambunctious and standing up to those in authority.”

48. Media Wales told the Committee that “the regional media scene, in Wales in particular, can only benefit from a more collaborative approach than has been evidenced in recent years”. Trinity Mirror South Wales Editor-in-chief Paul Rowlands suggested to the Committee “some form of syndication network that allows hyperlocals to gain a revenue stream from the nationals or organisations like ours”, alongside collaborating with hyperlocals by sharing Trinity Mirror’s

analytics expertise. Alison Gow (Editor in Chief [digital] Trinity Mirror Regionals) elaborated on the scope for collaboration, stating:

“If a hyperlocal had a story ... that they wanted to work on and didn’t necessarily have the resources ... I would be really open to working with them, and that story getting syndicated, because we have a syndication department, and making sure there was a revenue share around that. [...] We haven’t got a formal syndication agreement with hyperlocals, but it’s certainly one that we could have a talk about.”

49. The Cabinet Secretary told the Committee that he was considering the potential for funding a news-wire service for Wales, covering the work of the Assembly and the Welsh Government. He described this as being a development of the idea from the Assembly’s Digital Taskforce – led by Leighton Andrews – which recommended that the Assembly establish an “integrated content service using social media and other channels (such as dedicated email newsletters) to engage directly with the people of Wales”. The Cabinet Secretary said:

“Unless we have the available resource and unless we could get local government to contribute, and get other organisations and bodies to contribute, it would be very expensive to roll out a newswire service that would cover all areas of news provision. So, I think there’s potential to start with Government and the Assembly, given that the Llywydd has given a very strong indication that she believes that there is a lack of reporting of what happens here, and given that we in Government are concerned that the UK media is not capturing in the right way, in an accurate way, what’s happening in Wales. So, I think we could do something together to begin with, with Government and the Assembly, but then potentially widen it and roll it out in a way that I outlined earlier, with the idea of hubs.”

50. This Committee has previously recommended that “the BBC considers investing in a ‘wire’ type service to provide local news that can be used by local media organisations on matters where local reporting has declined, such as local court and council reporting”. This was proposed as an alternative to the current form of the BBC’s plans to improve coverage of local democracy (see below).

Our View – Non-financial support for news journalism

As we’ve said previously in this report, hyperlocal news providers, while being extremely important within the context of the wider news journalism sector, cannot be expected to fill the gap left by the absence of a robust indigenous

print media in Wales. The sector comprises a small but valuable part of Wales's news journalism landscape and as such should be supported and encouraged wherever possible. We have set out above the ways we believe the sector could gain a firmer financial footing. However, it is clear from the evidence that other forms of support could greatly increase the value of the sector's journalistic output – both in quantity and quality.

Understandably, given the grass roots nature of the sector, many of its organisations do not have access to an appropriate level of expertise and may be susceptible to errors that make them vulnerable to legal action. This can lead to an organisation being overly cautious, which in turn can negatively impact upon the quality of their output.

We welcome Trinity Mirror's openness to collaboration within the sector and encourage them to explore this as far as possible; their suggestion of a formal syndication agreement between them or other national news providers and Wales' hyperlocal news providers is especially interesting. By facilitating the effective sharing of journalistic expertise and local knowledge such an agreement could potentially be a significant development for Wales's news journalism sector on the whole and should be explored fully.

We welcome the Cabinet Secretary's recognition of the fact that UK media is not adequately covering events in Wales. We also welcome his consideration of how to address this issue, whether that be via a news-wire service or otherwise.

RECOMMENDATION

Recommendation 11. We recommend that the Welsh Government facilitates contact between representatives of the hyperlocal sector, Media Wales and other large news providers to investigate areas of possible collaboration and syndication agreements between them.

6. Welsh Government activity

51. The Cabinet Secretary for Economy and Infrastructure is responsible for economic development – including the creative industries. Since his appointment in November 2017 the Minister for Culture, Tourism and Sport is now responsible for culture, creativity and the arts along with broadcasting policy. Regulation of the media is reserved to the UK Government.

52. In March 2016, the Communities, Equality and Local Government Committee of the Fourth Assembly recommended - and the Welsh Government accepted in principle - the establishment of an independent media forum. In arriving at its recommendation the Committee said:

“In 2012, we commented on evidence we had received about the capacity within the Welsh Government to deal with media policy. We continue to believe that the Welsh Government should invest in greater capacity in this area, particularly given the cultural and economic significance of the media sector to Wales.

Further, we note that, in 2014, the Welsh Government’s Broadcasting Advisory Panel recommended the creation of a new Public Service Media Council for Wales to have oversight of the media in Wales. We support this recommendation.”

53. The Committee made it clear that the role of the forum should:

“...include, but not be limited to, reviewing, monitoring and evaluating Public Service Broadcasting provision in Wales and providing expert advice to the Welsh Government. It should draw on expertise from across the media sectors and academia.”

54. In June 2016, the then Minister for Lifelong Learning and the Welsh Language (Alun Davies AM) announced in a Plenary statement the intention to establish an Independent Media Forum to advise the Welsh Government. In answer to a question on the role of the forum he said:

“In terms of the independent media forum—and I say it’s a media forum rather than simply a broadcasting forum—it’s important that we do have independent voices that speak with authority, with knowledge, and speak openly about the advice that they provide to me as a Minister. ... Certainly, it is my intention that this would operate in a wholly open and transparent way. This is not meant to be a forum that

avoids difficult decisions or a forum that provides advice that would only be seen by a Minister subject to FOI request. I don't want to go down that road. What I want to see is a more open, transparent and informed debate about the future of the media in Wales."

55. In oral evidence the Cabinet Secretary told the Committee:

"The appointment process is being undertaken. I think Alun Davies is very keen to see a chair appointed this side of Christmas. The chair will then assist in the appointment process of other members, which will happen as soon as possible once that chair is appointed."

56. The Cabinet Secretary also told the Committee that the Media Forum could consider issues including his idea for a news-wire service for Wales:

"The work of the media forum, I expect, will focus primarily on issues concerning the BBC and the charter and S4C, and also the role of digital in the media. I would also hope that the forum would be able to assess the ideas that are being put forward not just by myself, but also by the Assembly Commission, and the forum could potentially form an early view on the effectiveness of the BBC's proposal for local news journalism to be shared."

57. Before Ken Skates AM was in government, he chaired a Task and Finish Group of the Communities, Equality and Local Government Committee looking into the future outlook of the media in Wales. The group's recommendations included:

- The Welsh Government should commission a review to map the media needs of the people of Wales. This review should inform media policy across all sectors, including existing and developing technologies.
- The Welsh Government should establish an independent forum to advise on policy in relation to the media in Wales. The forum should draw on expertise from across the media sectors. Its purpose should be to look to the future and to advise on matters across all sections of the media.
- The independent forum should, as part of its role, investigate sustainable business models for the print media in Wales.

58. However, when the new Minister for Culture, Tourism and Sport, the Lord Dafydd Elis Thomas PC AM, gave evidence to the Committee on the Welsh Government’s draft budget, he stated:

“The media forum—and I have not had an opportunity to discuss this yet with the Cabinet Secretary, for obvious reasons—the idea is that this will provide further advice on the policy for media and broadcasting. It's not anticipated that there will be any additional cost, because the members of the forum will not be remunerated.

I will speak with you quite frankly, as I intend to do in all my responsibilities—I'm not yet convinced that this is a valuable initiative in terms of the development of broadcasting and media policy generally, for which I have responsibility. I'm not convinced that it is preferable to talking in an open and frank way with all the media platforms that we have, and I would want to see a clear business case for why a forum of this kind would be a useful tool for Welsh Government in carrying out its overall responsibilities for oversight of media, broadcasting and communication generally in Wales, and that it would benefit the media participants.

...

I made it clear at the beginning that I've taken a decision that I'm not creating any more quangos or quasi quangos or forums that will add to the public expense of running what is a relatively small budget. My emphasis is on delivery, and I've yet to be convinced—. I'm not clear in my mind what this media forum would do that would add to the greater understanding or effectiveness of media in Wales.”

59. In a subsequent letter to the Committee, the Minister said:

“I am not persuaded that creating another forum or group would deliver additional benefit. I want to simplify ways of working across my portfolio and be consistent in doing so, in line with the recent winding down of a number of Economy and Transport Advisory Boards. I am looking to continue to build upon the strong relationships which already exist between the Welsh Government and external organisations. I will meet various individuals and groups relevant to my portfolio responsibilities and take advice from them accordingly. Further to discussion at the recent Committee meeting, I can confirm

that establishing an independent media forum was not a commitment in the Welsh Government’s Programme for Government.”

Our View – Welsh Government activity

A recommendation to establish an Independent Media Forum was made as long ago as 2014 and the capacity of the Welsh Government in this area was identified as an issue as far back as 2012. In June 2016 the Government announced to the Assembly that it intended to establish a forum, having previously accepted a recommendation to this effect from the previous Committee. This announcement, on the floor of the Assembly, was welcomed at the time by Members.

Since then, Ministers have spoken enthusiastically about the potential it offered for providing transparent and expert advice on a range of matters concerning the media in Wales. It is, therefore, disappointing that such little progress was made toward its establishment and that opportunities for the forum to effectively advise the Welsh Government have already been missed.

The new Minister’s decision to put aside this policy is, therefore, of great concern to us. Not only do we think this is a lost opportunity but we are equally concerned at the offhand way in which the decision was announced and the glib arguments used to support it. The Minister offered no real explanation for his decision nor provided any analysis of why a policy that was widely supported across the Assembly should now be put to one side.

We are also concerned at the way in which the decision was announced. While we are grateful that the Minister informed the Committee directly, we nevertheless feel that it would have shown greater respect to the Assembly to announce the decision through an oral statement. The original decision was announced in that way and our view is that a decision to change the policy should also have been announced to Plenary. The Minister could then have explained his decision in more detail, including any alternative arrangements that he intends to implement. Members would have had the opportunity to question the Minister and satisfy themselves about the reasons for his decision.

We share the Minister’s concern at the establishment of new and expensive public bodies, but he himself made clear that the cost of this forum is likely to be minimal. Beyond this there is little to explain how the issues of capacity and expertise, which were identified by two Assembly Committees and the Government’s own Broadcasting Advisory Panel, will be addressed. Instead of advice from a transparent, expert and accountable forum, the Minister will

instead take advice from various unnamed “individuals and groups”. We sincerely hope that this includes those with genuine expertise and who can bring an innovative approach.

We hope that the Minister will reconsider his decision and conclude that a forum offers a real opportunity to draw together expertise, consider innovative solutions and investigate sustainable business models for print (and other) media in Wales. A forum could also play a useful role in the review of the BBC’s Local Democracy Reporting Service, which we cover in the next section of this report.

If the Minister is not prepared to reconsider his decision, then he needs to demonstrate that the Welsh Government has sufficient capacity and expertise in this area and how the advice he receives will be available transparently to inform public and Assembly debate. As part of this the Welsh Government should commission as a matter of urgency a review to map the media needs of the people of Wales and propose innovative ways to improve the availability of public interest journalism in Wales.

RECOMMENDATIONS

Recommendation 12. We recommend that the Welsh Government reconsiders its decision not to establish an independent media forum.

Recommendation 13. We recommend that the Welsh Government, either as part of the role of an independent forum or directly itself, investigates sustainable business models for news journalism in Wales.

Recommendation 14. We recommend that the Welsh Government, either through establishing an independent forum or directly itself, reviews the BBC’s Local Democracy Reporting Service.

7. BBC local democracy plans

60. In May 2016 the BBC announced a number of plans to improve scrutiny of local democracy in the UK. These plans included:

- The establishment of a reporting service to cover local authorities and public services. The BBC plans to fund 150 journalists from 2017, who will be employed by qualifying local news organisations to provide a service to local news providers including the BBC.
- A video news-bank enabling BBC local video and audio news content to be accessed by other local news media websites.
- The BBC will invest in a data journalism unit which will work with partners across the industry to develop expertise and deliver content to all local news providers.
- An independent audit to establish the use made of local press content by the BBC on its media platforms, and vice versa. The outcome of the independent audit will inform a review of the BBC's efforts to improve the linking and attribution of stories and sources.

61. In a previous report – “The Big Picture: The Committee’s Initial Views on Broadcasting in Wales” – the Committee expressed concerns that the plans to embed journalists in existing media organisations may cause those organisations to respond by cutting back their own provision in these areas. As a result the Committee recommended that the BBC critically review their plans and suggested that a news “wire” type service be considered as an alternative use of the funding.

62. In the BBC’s response to the Committee’s report, Lord Hall provided a note³, which listed five key areas of the proposal, which would:

“...serve to mitigate local news organisations cutting back their provision.”

The note gave an assurance that:

“The purpose of the LDRS [Local Democracy Reporting Service] is to provide an additive contribution to the UK’s local journalism. It is not

³ [Letter of 10 March 2017 from Lord Hall to the Committee Chair](#)

the BBC’s intention to use license fee payers’ money to fund the market’s existing activities.”

63. He also provided details of the three mechanisms in place to review the service, including an annual review of all of the BBC’s local news partnerships, and their intention to invite feedback from the industry.

64. Lord Hall’s response also stated that:

“Embedding the LDRS journalists within local news organisations will deliver greater value to licence fee payers. It boosts plurality and ensures the benefits reach a wide range of local news organisations. It is also a more collaborative approach and supports the BBC’s wider commitment to be a more open partner.”

65. The NUJ has called for assurances that the new BBC-funded journalists are not used to plug staff vacancies. Dr Andy Williams told the committee that the BBC’s plans were broadly beneficial, but could potentially incentivise further cuts.

66. Media Wales has welcomed these plans, and has told the committee that there is a “good level of confidence across the regional media that this collaboration will help to mitigate the impact of the fall in the numbers of journalists that market conditions have enforced”, and that “the regional media scene, in Wales in particular, can only benefit from a more collaborative approach than has been evidenced in recent years”.

67. The Caerphilly Observer’s Richard Gurner told the Committee that he was put-off applying to host a BBC-funded journalist due to the HR effort involved in accommodating a new member of staff. He also raised the issue as to whether smaller news organisations, such as the Caerphilly Observer, which take part in the scheme but do not host journalists, will be able to influence the sort of content these new journalists create.

68. Peter Curtis from Swansea Bay TV made an alternative suggestion as to what the BBC’s funding of the local democracy project could be put to when he gave evidence to the committee:

“But, yes, I believe that hyperlocal newsgathering is another growth area that we’re just going to see explode, and some method needs to be put together, so almost like a press association for Wales, where they can contribute into a centre hub and take it away again, free of charge. That would obviously need some support to set it up and keep it going, but it’s exactly the sort of thing that the BBC, in their submission, are talking

about with their news hub, which is quite restrictive to broadcasters like me, and their local democracy reporters.”

69. On 7 December, subsequent to the Committee concluding its evidence gathering for this report, the BBC announced in a press release that:

“The 11 reporters - each one reporting on two councils - will cover local authority work in every part of Wales. The BBC is funding the new initiative and the contracts in Wales have been awarded to Trinity Mirror and Newsquest following a competitive tendering process.

[...]

To be awarded the democracy reporter contracts, the 58 successful news organisations had to pass stringent criteria which included financial stability and a strong track record of relevant journalism in the area they were applying to cover. The award decisions were made by senior editorial BBC figures across England, Wales and Scotland.

The next step will be for the successful organisations to start recruiting, with a view to becoming operational in the next few months.”

Our View – BBC local democracy plans

In a previous report we expressed concern at plans to place BBC journalists in local media organisations. We feared that this could have unintended consequence with the host organisations cutting back their own provision as a consequence.

We note that the BBC’s plans to improve the reporting of local democracy in the UK through the new reporting team will soon be operational. We also note the BBC’s response to our previous recommendation and the assurances they have given and the mechanisms they have put in place to review the service. However, it is unclear from their response whether the BBC gave any serious consideration to a “wire” type service as we recommended.

The fact that Trinity Mirror and Newsquest are the only organisations that have benefitted directly adds weight to the concerns we heard that smaller and less well-established providers would be unable to take advantage of this initiative.

Given the concerns expressed during our previous inquiry, and reiterated during this one, over the unintended consequences of the LDRS, significant focus should be given in any review to assessing whether the areas of the plans aimed

at mitigating these consequences are effective. We feel that there is a high degree of risk that this scheme generates homogenous content which, though a welcome addition to the local news ecology, will not replace the investigative, campaigning journalism that has been lost through the closure and hollowing out of local newspapers.

Though it is right that the BBC should plan to review the service, we believe that the concerns over cutbacks justify a shorter review period. The findings of any review should then be placed in the public domain. Furthermore, when reviewing the service full consideration should not only be given to improving the existing model but to the implementation of an alternative model, if deemed necessary. While we have previously advocated a wire service, equal consideration should be given to the possibility of community news hubs as recommended earlier.

RECOMMENDATION

Recommendation 15. We recommend that the BBC review the Local Democracy Reporting Service after 6 months of operation. The review should fully consider alternative models for the service, including the “wire service” we have recommended previously and news hubs. It should also examine, concerns that the service will be used by host organisations to replace existing provision, rather than provide additional content. The findings of the review should be published in full.

8. Welsh language news journalism

70. A number of Welsh-language publications and cultural organisations working with the Welsh language receive grant support from the Welsh Government – often via the Welsh Books Council (WBC). In April 2012, the Welsh Government took over responsibility for promoting the use of the Welsh language and administering grants in support of the language from the former Welsh Language Board.

71. The grants distributed to Welsh-language books and magazines in 2015-16 totalled £1,634,870, which included £190,000 to support the daily news website Golwg 360. The grants distributed to English-language books and magazines in 2015-16 totalled £667,674.

72. The Welsh language papurau bro – community newspapers – can be regarded as among the first community-based hyper-local publications, established largely during the 1970s as community-based not-for-profit ventures run by volunteers. The cover price and advertising income is used to finance these papers, which typically have press runs of no more than around 2,000 copies, but they also receive financial support from the Welsh Government.

73. In the words of Ifan Morgan Jones, “because of public funding, Welsh-language journalism is enjoying something of a golden age”. However, he noted that “perceived resource limitations mean that Welsh-language journalists are sceptical of their effectiveness as a means of holding a nascent Welsh democracy to account”. Also, he highlights a lack of plurality, “as news sites cover much the same topics, without the resources to investigate much in depth”. He proposes that non-BBC Welsh-language publications supported by the Welsh Books Council should publish their content on a single Welsh-language news hub. Dylan Iorwerth from Golwg 360 told the committee that he would be willing to collaborate on a digital hub.

Our View – Welsh language news journalism

We welcome the funding provided by the Welsh Government to support Welsh language journalism and recognise that it is invaluable to the sector. To ensure that the sector continues to enjoy what Mr Morgan Jones describes as a “golden age” this support should continue to be provided at the current level at least.

We agree with Ifan Morgan Jones’ suggestion of a single Welsh-language hub. This would not only benefit existing Welsh language organisations, by allowing

them to share content, it could potentially encourage other organisation to create Welsh language content for the hub. It would also be complementary to our earlier recommendation about local, publicly-funded news hubs.

RECOMMENDATIONS

Recommendation 16. We recommend that the Welsh Government commits to a continued investment in Welsh language journalism at the current level at least.

Recommendation 17. We recommend that the Welsh Books Council explore the creation of an easy to access Welsh-language news hub where non-BBC Welsh-language publications supported by the Welsh Books Council can publish their content.

9. Local television

74. In June 2011, the UK Government Department for Culture, Media and Sport revealed that six urban areas in Wales would be among the 65 throughout the UK where local television transmission was technically possible, and so would be allowed to bid for the first local television licences to be introduced in 2012. These were:

- Cardiff;
- Swansea;
- Bangor;
- Mold;
- Carmarthen,
- Haverfordwest.

75. Of these, three (Cardiff, Swansea and North Wales - in the Mold coverage area) are currently broadcasting.

76. Public funding was provided for start-up costs, but the services have to be self-funding thereafter. This news was welcomed by some, who believed that Wales should exploit the opportunity to develop strong commercially-based community resources through these local television services. Others have contested that there is unlikely to be a sufficient viewer base for the schemes to attract enough advertising revenue. The Welsh Government responded by saying it hopes the schemes will benefit the creative industries sector, but that protecting television services at a national level in Wales should be the priority.

77. The framework put in place by the UK Government is intended to provide licensed local TV services with access to affordable spectrum and prominence on electronic programme guides. In return for these benefits, local services are required to provide local content which meets the needs of local people and is more relevant to their daily lives. And, as part of the local TV framework, the BBC is contributing up to £40 million - up to £25 million towards capital costs of building the local TV infrastructure and up to £5 million per year over three years to acquire local content.

78. In its evidence to the committee, Bay TV Swansea notes the success of its social media broadcasting activity, noting that it currently has “more than 2

million viewers watching our news coverage around the world on Facebook”. It describes how, in this manner, public service broadcasting can be provided “to the communities of Wales at a fraction of the traditional cost”. It goes on to suggest that “local communities throughout Wales could form their own social media community channels”, and that:

“A better option would be perhaps for the National Assembly for Wales to investigate if a network of locally based not for profit community organisations could be instituted to broadcast local television to communities in Wales via social media to sufficiently high standards and be regulated by Ofcom Wales.”

79. Another option, it notes:

“...for another national English language channel for Wales would be linking the existing LTVN (local TV network) stations together Bay TV (Swansea) Ltd, Made In Cardiff and Made in North Wales to provide news and programming for the whole of Wales using the British Sky Broadcasting platform. And perhaps this too could be supported by the Welsh Government.”

80. Sessions were also held with ITV Cymru Wales, the BBC and local TV. However, other than the discussion on the BBC’s local democracy plans, little mention was made of local TV. However, the Committee heard the following description of Swansea Bay TV’s financial situation from its station manager:

“When we’re set up, we’re given three years of funding, and the idea is that in those three years we build our commercial model to a stage where we won’t need the support of the BBC any longer. That isn’t and never was a viable option, and now, as we go into year 2, I’m £6,000 a month down on where I was in year 1. I don’t know the total amounts and what we’re looking at in advertising revenue from mainstream advertising on the channel, but that’s the well that we’re looking down.”

81. Since the Committee conducted its inquiry, Swansea Bay TV has been taken over by That’s TV – a local TV network owned by That’s Media and based in Manchester. This has been followed by further job losses, and it is understood that the new owners have applied to Ofcom to further reduce the local content commitments in the station’s licence. This news is further evidence of the extremely challenging business case faced by local television, and the structural problems in local television that have existed since its conception.

Our View – Local television

It is fair to say that from the outset there was considerable scepticism about whether local TV could be successful outside of London or other large metropolitan areas. Though we welcome efforts to support local television we believe that the expectations placed on those who have received licenses in Wales were unrealistic and the long-term financial sustainability of the local TV sector is doubtful. Furthermore the weaknesses in the local media ecology that local TV was designed to address have only intensified in the intervening years.

As we have described above, the advertising revenue available to local news organisations in Wales is restricted by the limited amount of potential viewers. As a result, UK Government efforts, without being tailored to Wales' very specific needs, are unlikely to have the desired impact. We believe that this, combined with the low cost broadcasting opportunities now provided by social media, means that the UK Government now needs to re-visit the local media sector as a whole in light of the local TV scheme's failure to offer a long-term solution to the lack of plurality and shortage of public-interest journalism in this field.

RECOMMENDATION

Recommendation 18. We recommend that the Welsh Government engages with the UK Government to encourage it to re-visit the local media sector as a whole in light of the local TV scheme's failure to offer a long-term solution to the lack of plurality and shortage of public-interest journalism in this field.

Annex – Witnesses and Written Evidence

Oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at: www.senedd.assembly.wales/mgIssueHistoryHome.aspx?lId=15157

Webcasts are available at: www.senedd.tv

Date	Name and Organisation
24 May 2017	Emma Meese, Centre Manager, School of Journalism, Media, and Cultural Studies, Cardiff University Dr Andy Williams, Senior Lecturer, School of Journalism, Media, and Cultural Studies, Cardiff University Dylan Iorwerth, Editorial Director, Golwg Robert Rhys, Chair, Barn
14 June 2017	Professor Elin Haf Gruffydd-Jones, Professor of Media and Creative Industries, Aberystwyth University Ifan Morgan Jones, Lecturer in Journalism, Bangor University
22 June 2017	Daniel Glyn, Station Manager, Made in Cardiff Peter Curtis, Station Manager, Bay TV (Swansea Limited) Phil Henfrey, Head of News and Programmes, ITV Cymru Wales Zoe Thomas, Content Editor, ITV News Cymru Wales
6 July 2017	Llion Iwan, Head of Content and Distribution, S4C Rachel Howells, Editor, Port Talbot Magnet Thomas Sinclair, Editor, Pembrokeshire Herald John Toner, NUJ National Organiser for Wales and Freelancer Nick Powell, Member - NUJ Welsh Executive Council / Father of Chapel, ITV Wales

	Martin Shipton, Member - NUJ Welsh Executive Council/ Chair of the NUJ's Trinity Mirror Group Chapel
12 July 2017	Paul Rowland, Editor-in-chief, Trinity Mirror South Wales Richard Gurner, Caerphilly Observer
20 July 2017	Rob Taylor, Editor, Wrexham.com Graham Breeze, Partner at MyTown Media Ltd. (owners of online sites MyWelshpool and MyNewtown)
20 September 2017	Douglas McCabe, CEO and Director of Publishing and Tech for Enders Analysis (by video link)
28 September 2017	Alan Edmunds, Editorial director, Trinity Mirror Regionals Alison Gow, Editor in Chief (Digital), Trinity Mirror Regionals
12 October 2017	Ken Skates AM, Cabinet Secretary for Economy and Infrastructure Hywel Owen, Media Policy Team Leader, Welsh Government Paul Kindred, Senior Policy Analyst, Welsh Government

Written evidence

Evidence to the committee was received throughout the inquiry.

The Committee Consultation ran from 11 April 2017 to 12 May 2017. View the submissions to the consultation at:

<http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=259>

Reference	Organisation
NJW01	Bangor University
NJW02	BBC Wales
NJW03	Media Wales
NJW04	Neil Taylor
NJW05	NUJ Wales
NJW06	S4C (Welsh Only)
NJW07	Caerphilly Observer
NJW08	Paul Rowland, Trinity Mirror
NJW09	Dr. Andy Williams, Cardiff University - Hyperlocal Community News
NJW10	Dr. Andy Williams, Cardiff University
NJW11	ITV
NJW12	Institute of Welsh Affairs
NJW13	Emma Meese, Cardiff University
NJW14	Dr. Andy Williams and Emma Meese, Cardiff University

Additional Consultation

In addition the Committee consulted stakeholders on how Welsh Government proposed funding of £100,000 could best be used to support news journalism in Wales. Seven responses were received. View the responses at the following link:

www.senedd.assembly.wales/mgConsultationDisplay.aspx?id=284

Reference	Organisation
NJ01	Llanelli Online
NJ02	West Wales News Review
NJ03	Tim Strang
NJ04a	Cardiff University
NJ04b	Cardiff University
NJ05	National Union of Journalists
NJ06	Institute of Welsh Affairs