FINE GAEL

Submission to the Future of the Media Commission

July 2021

Introduction

On the 1st of January 2004 Ireland assumed the Presidency of the Council of the European Union for a period of six months. A few weeks later we were one of the first countries in the world to legislate for a ban on smoking in the workplace and around the same time, Ireland won the Triple Crown for the first time since 1985. All of these defining moments in our country's history were covered extensively throughout our media, by journalists committed to factual and trustworthy news reporting. At the same time on a college campus in California, Facebook went live, the concept of social media was born, and the way we disseminate and digest information changed forever.

17 years later there are now 3.9m regular users of Facebook in Ireland, representing 80% of our population. It is just one of a number of social media platforms gaining substantial traction every day. Newspaper circulation has more than halved, advertising spending is moving online, and the financial model underpinning traditional journalism is beginning to crumble. The former president of the Washington Post, Philip Graham, once described journalism as a "first rough draft of history". The question we must ask ourselves in 2021 is who is drafting our history right now, and how much longer can they do it without external support?

That question about the long-term viability of good journalism has been looming on our horizon for some time but was brought into sharp focus during the pandemic. When people needed reliably accurate and trustworthy information on protecting their health and welfare, they turned repeatedly to traditional news sources, locally and nationally. When our government needed to share vital information and build social solidarity, they also turned primarily to traditional media outlets.

As we begin to emerge from the pandemic a valuable lesson has been learned about protecting the future of good journalism. The establishment of the Commission on the Future of Media presents us with an opportunity to put ambition into action, to find innovative ways of creating a model of support that works. That is why we in Fine Gael have spent considerable time engaging with those on the frontline of Irish journalism, the practitioners at both local and national level who have accumulated years of experience, wisdom and knowledge.

We have learned much from that engagement. Those practitioners remain utterly committed to the future of their profession but are deeply concerned about its survival. They see the establishment of the Commission as a crucially important opportunity, perhaps the last opportunity to plan adequately for the future of good journalism. Having listened closely to what they had to say, and sharing their vision for a thriving media underpinning a healthy democracy, we make this submission to promote a radical rethink on the future of journalism in Ireland. One point on which there is consensus is that vibrant journalism is essential to the life of our communities, their cultural, sporting and political fabric.

Survey of Local Media

In March, the Fine Gael Committee on Media, Enterprise, Agriculture and Rural Affairs conducted a survey on the local media landscape in Ireland to ascertain the trends in the sector and the challenges facing media organisations and workers. While the BAI has ensured a rich understanding of trends and challenges among the state broadcasters, the same is not the case with the local media sector.

The survey attracted a positive response rate with 88 respondents from various sectors around the country. The respondents comprised: 44 from newspapers (22 a piece between cover-price and free newspapers), 21 from local radio (i.e. county or multi-county based), 13 from community radio, and 10 from online platforms.

The survey was designed to capture changes and developments in both the five years leading up to the Pandemic (2014-2019) and during the Pandemic (2020 into 2021). The questions explored issues including circulation and listenership changes, staffing changes, advertising revenue changes as well as views on government supports.

Findings

The findings, as set out below, show an industry undergoing unprecedented change, changes that have been impacted, if not accelerated, by the Covid-19 Pandemic. Furthermore, prior to the Pandemic, the different experiences of various sections of the overall media sector, newspapers, local radio, and so forth, are also evident.

For example, the radio sector experienced an increase in listenership (+80) and advertising (+9) while the newspaper sector experienced a decline in circulation (-46) and an even higher decline in advertising (-62).

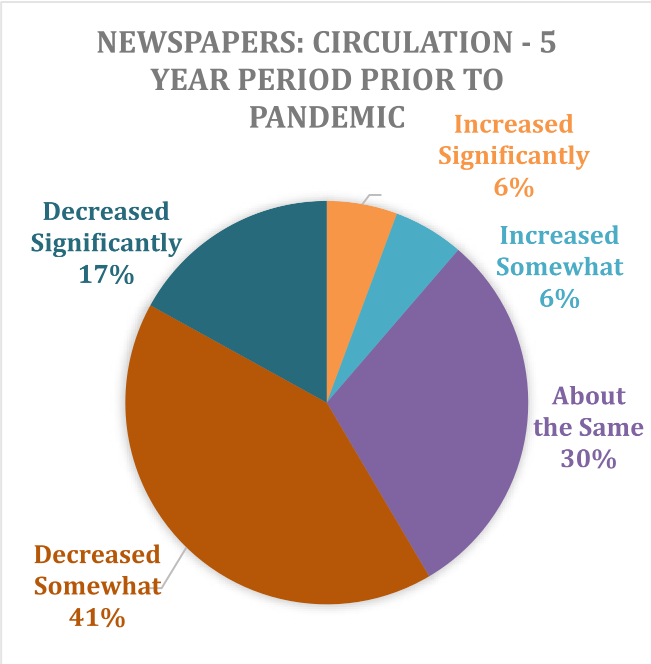
Circulation & Listenership Changes

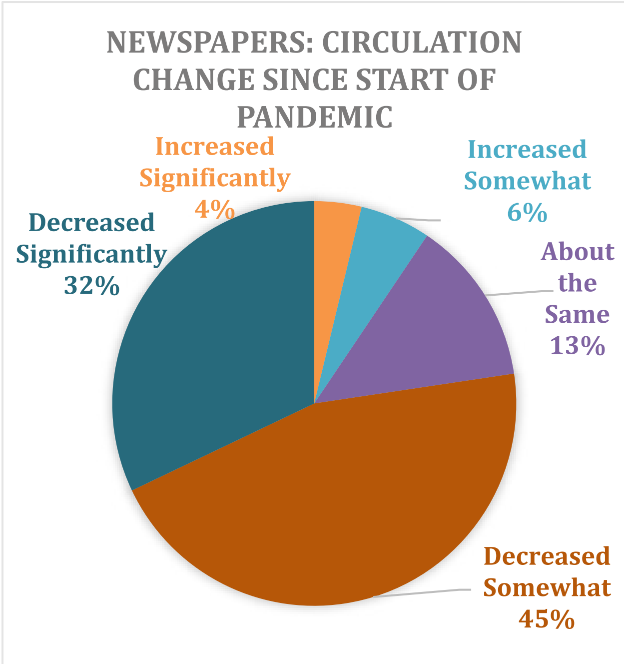
In the five years prior to the Pandemic overall audience for local media was evenly spread across categories: 25% said circulation/listenership was about the same; 25% said it had decreased somewhat; 24% said it had increase somewhat while 15% said it had increased significantly and 11% found it had decreased significantly.

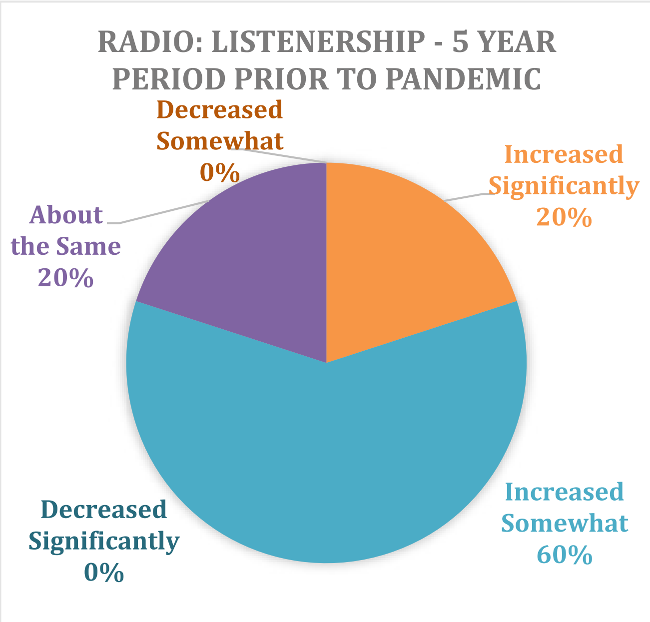
During the Pandemic, more respondents reported decreases in audiences than increases: 33% (decreased somewhat) and 19% (decreased significantly) while 14% said it was about the same. On the other hand, 19% reported that the audience had increased significantly while 15% reported that it had increased somewhat.

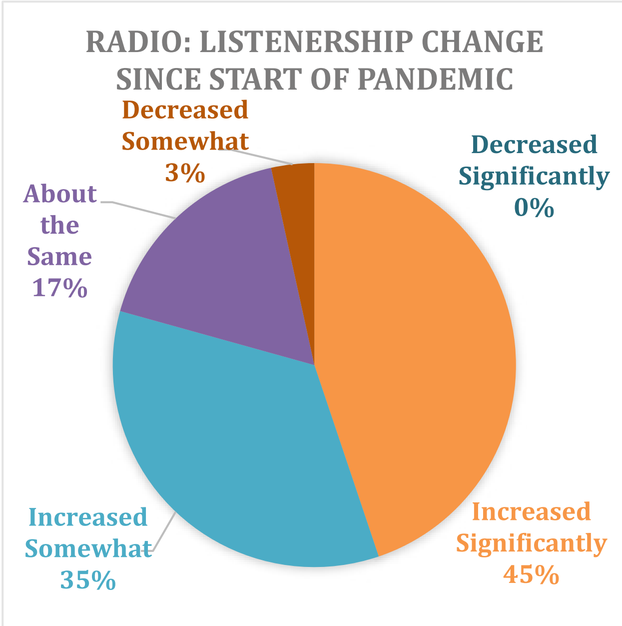
However, the survey shows a dramatic difference in the experience of the newspaper sector compared to the local radio sector. In the survey, 80% of radio respondents reported that listenership had increased either significantly or somewhat in both the five years leading to the Pandemic and during the Pandemic.

In contrast, 58% of the newspaper respondents reported that circulation had decreased either somewhat or significantly in the five years prior to the Pandemic and by 77% since the start of the Pandemic.







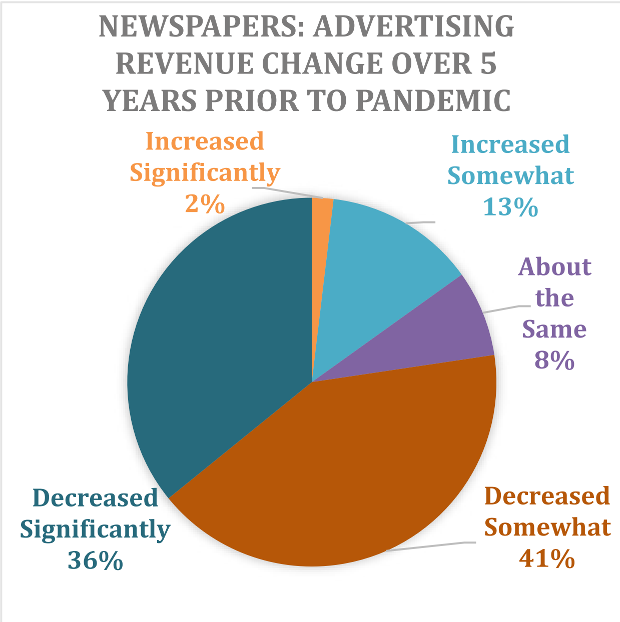


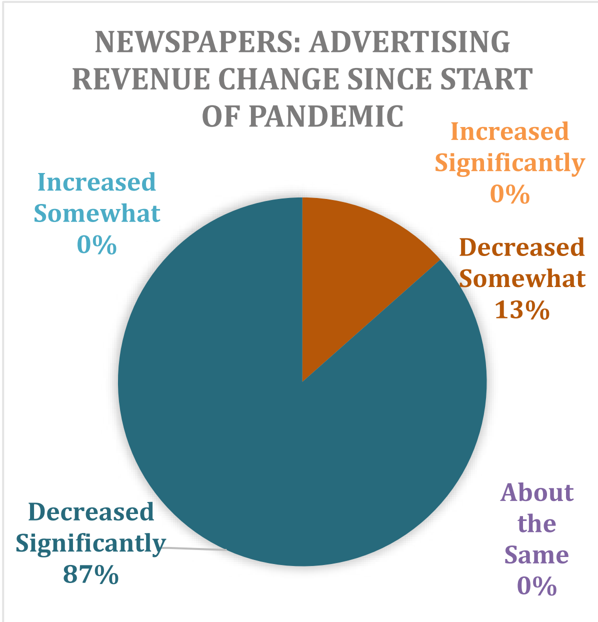
Staff Changes

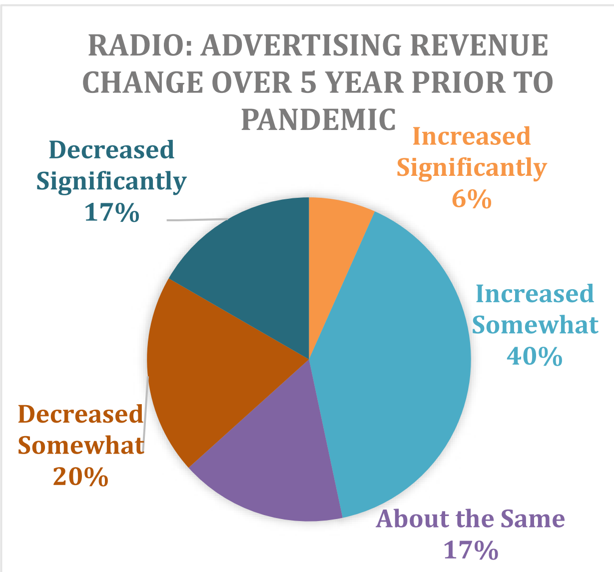
Overall, respondents reported that, in the five years preceding the Pandemic, staff numbers were about the same (56%) or smaller (38%). The figures for during the Pandemic were broadly the same – 62% - about the same - and 33% - smaller number.

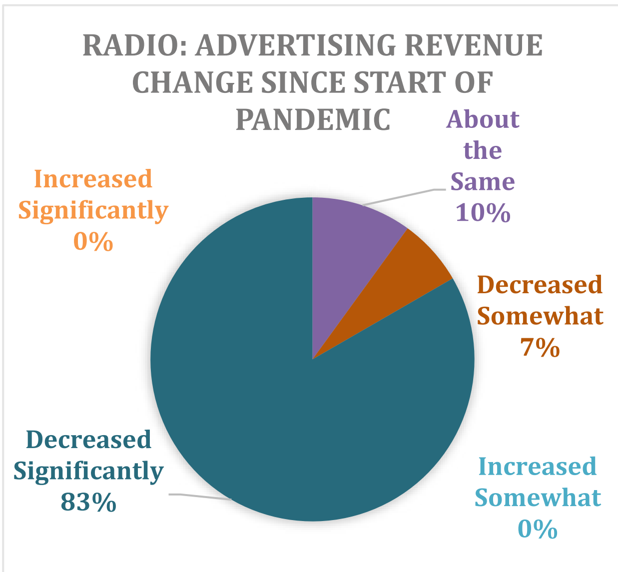
Again, there were notable differences in the responses from the newspaper and radio sectors. 52% of newspaper respondents reported that there was a smaller number of staff in the five years leading to the Pandemic with a corresponding figure of 41% for during the Pandemic. In contrast, staff numbers remained largely stable in the local radio sector with 77% reporting no change in the period 2014 – 2019, rising to 80% during the Pandemic.

Advertising Revenue









Overall, 60% of respondents reported that advertising revenue had decreased somewhat (32%) or significantly (28%) in the five years preceding the Pandemic. This rose to 95% in the Pandemic – 12% somewhat of a decrease, 83% significant decrease.

In the radio sector, the experience regarding advertising revenue prior to the Pandemic was more mixed. 46% of respondents reported that it has increased either somewhat (40%) or significantly (6%) while 37% reported that it had decreased either somewhat (20%) or significantly (17%).

In contrast, in the newspaper sector 77% of respondents reported that advertising revenue had decreased by 77% in the five years preceding the Pandemic – 41% somewhat of a decrease, 36% significant decrease.

However, the impact of the Pandemic on advertising revenue was broadly the same in both sectors – 90% decrease in radio (7% somewhat of a decrease, 83% a significant decrease) and a 100% decrease reported among newspaper respondents (13% somewhat of a decrease, 87% significant decrease).

Government Supports

Regarding government supports during the Pandemic, radio respondents were more positive with 54% agreeing that supports were sufficient, 33% reporting neither sufficient nor insufficient and 13% deeming supports to be insufficient.

Over half of respondents (55%) from the newspaper sector, however, deemed supports as insufficient while a further 24% said they were neither sufficient nor insufficient.

Policy Ideas and Initiatives – From the Sector

Following on from the survey, Fine Gael conducted three online meetings, on a regional basis, with journalists, publishers, radio station managers and others working in local media. The discussions gave a great insight into the diversity of local media and the different challenges they face.

Within the newspaper sector, there are considerable differences in scale. Some have merged over the years into groups with varying levels of shared service. Some carry no cover price, so they are entirely dependent on advertising. Many have developed channels for delivery of content online and have good traction through social media.

For example, all but two of the paid-for newspapers (out of 34 respondents) and four free newspapers (out of 19 respondents) have launched an e-version of their newspaper. 32 of the respondents from the paid-for newspaper sector offer websites with either full or sample content. Meanwhile, all of the free newspaper respondents operate a website with varying degrees of content with, in some cases, unique content not found in the printed editions.

The broadcast sector is also diverse. The success of the commercial stations which generally operate with exclusivity within a geographic area is a distinctive feature of the Irish landscape, that is not always found elsewhere. They depend almost exclusively on advertising. Indeed, some stations have higher local listenership than all the licence fee supported state outlets put together. At the same time we have small community broadcasters which help knit together local communities, which have evolved from various community-based programmes, and have little advertising revenue.

Of the 12 community/special interest radio stations who responded, 11 offer podcasts of their programming with a corresponding figure of 14 (out of 18 respondents) in the local radio sector offering the same service to listeners.

However, despite the innovations, few have been able to generate significant revenue from online activity, and the revenue received through online platforms which share their content is minimal.

During the engagement, which provided both an opportunity to explore further the survey results and the challenges facing local media in Ireland, a range of policy ideas and initiatives were suggested by participants. The following summarises the main ideas put forward.

Table: Main Ideas Put Forward by the Local Media Sectors

1. **VAT Rate:** Reduction in the VAT Rate in newspapers, initially to 5% and subsequently to 0%

2. **Public Service Broadcasting:** A new definition of Public Service Broadcasting to capture activities beyond those of State-owned broadcasters.

3. **T.V. Licence Fee:** A restructuring of the T.V. licence fee to better reflect the provision of public service content and the changed consumer landscape when it comes to media.

4. **Remuneration for Content:** A system by which local media companies are remunerated for the use of their content by technology companies. Remedying this problem includes the implementation of the Copyright Directive and consideration of the new Australian model.

5. **Digital Tax:** A tax on global technology companies, such as Facebook and Google, to create a fund to support public service content creation.

6. **Pandemic-related Supports:** Supports such as the Employment Wage Subsidy Scheme, among others, should be retained beyond the Pandemic as short-term supports pending the consideration and implementation of the recommendations from Commission on the Future of Media.

7. **Community Supports:** The continuation of Social Protection programmes such as Community Employment, TUS and the Community Services Programme, which are especially important to Community Radio.

8. **Legislative Reform:** Reform of legislation, such as the Planning and Development Acts, so that online news platforms can be considered as a platform from which to advertise public notice, including planning-related notices.

9. **Verification System:** Consideration of a new 'verification' or quality assurance mark for online news platforms. A system already operates in broadcasting in that all radio stations require a licence from the Broadcasting Authority of Ireland.

10. **Representation:** While radio has been under the remit of a minister – usually Communications – for several decades, publishing has had no such home. There is a need to ensure the practice of the current Government, in having a Minister for Media, continues.

11. **Training and Skills:** Funding is required to help journalists and workers in the sector make the transition to new, multi-faceted workplace, whereby traditional skills, such as writing, reporting and editing are joined by use of online platforms and content management systems.

12. **Supports for On-Going Costs:** Newspapers, in particular, have on-going costs associated with printing and distribution. Other jurisdictions have introduced supports for such activities.

13. **Reform of Defamation Law:** Publishers face a significant cost burden on account of current defamation laws that online platforms do not.

14. **Equal Supports for Sectors:** With COVID-19, specific supports, which were very well-received, were provided to the broadcasting sector. However, no such support was provided to local newspapers.

15. **Support for Capital Costs:** A contribution to organisations so as to be able to meet the capital costs associated with the transition to the new hybrid model – i.e. online as well as traditional paper and/or radio broadcast.

The Future of Local Media

A strong theme which emerged from the consultation was that Local Media faces a period of major transition. While there is no diminution in the relevance of locally generated information and insight for communities, the traditional business models, with their high reliance on advertising and on physical circulation, are seriously challenged by the shift to online consumption of information at the time and place of the consumers choosing. The sharpest impact of this is seen in the loss of advertising revenue which has been going on for quite some time. So far this does not to reflect significant loss in live listeners but it has impacted significantly in newspaper purchases. However, national evidence suggests that young people consume information in dramatically different ways than those over 35 and indicates a looming threat that there will be a significant fall off in time. The more immediate loss in advertising revenue comes from the new competition from online platforms which can offer very targeted advertising options which are very attractive.

The sector will need time and support to adapt their offerings and to develop revenue streams from the new channels through which content is absorbed. It is vital that public policy create a framework within which this transition can be effectively achieved in the short, medium and long term.

Short Term

The various Covid supports have been vital to sustain quality coverage at a time when reliable local information has been so important. Revenue from public information notices and the flexible way in which local and community radio were supported from the Sound and Vision Fund offered tailored support to supplement the economy wide supports on wages, rates, etc.

The sector will need to avoid a cliff edge in the withdrawal of support in respect of these supports.

The reopening of the economy will find many businesses constrained in advertising spend, and the possibility of the Local Enterprise Offices supporting promotional efforts for businesses reopening in a safe manner should be considered.

Medium and Long Term

Local media needs to build new capabilities to redesign their business models to deliver through online channels and to develop revenue streams to replace those coming under pressure. There have been successful **capability building** programmes in other sectors which could be adapted:

- Online development programme for larger retail
- Transition to Lean operated by both Enterprise Ireland and Local Enterprise Offices
- Management Development Programmes pioneered by EI

Shared Services have been a route to help maintain quality content, where they become too costly for one outlet. This could help avoid what would otherwise be an unwelcome further consolidation of ownership in the sector. Seed funding for such initiatives is worthy of consideration. The coverage of important local institutions such as the courts, the local councils and other public activities can stretch the resources of small news offices and a shared service with some public support is worthy of examination.

Earning Revenue Online: While most local media have developed a range of online offerings, it is not easy to generate revenue from such activities quickly. Sponsorship, subscriptions and pay walls will have to be carefully explored by the sector to test the market. However, in the short term, the sector has no option to make most content freely available. The present arrangements, whereby large online platforms provide a small payment in recognition of traffic attracted by such content is grossly inadequate to compensate for the costs involved.

The new **Copyright Directive,** which is to be transposed by regulation in Ireland this year provides the opportunity to provide some fair level of payment for content which attracts online audiences. Creating a legal obligation to pay for content is an important step, but as seen in Australia, a process for adjudication will be necessary if fair arrangements cannot be negotiated.

Other changes in the legal framework facing the sector are also needed.

The Programme for Government has pledged to reform the **Defamation Laws** in Ireland. Many in the sector see this as an important measure in redressing the balance between local media who carry considerable editorial exposure, compared to the online publishers who are not deemed to be publishers. The threat of losing a defamation case which could put a huge hole in a tight financial operation is a major concern. On the other hand, it will be important that other adequate forms of dealing with unfair or inaccurate information must be found. Corrections which don't carry equal profile as an original story are not an adequate response.

Online platforms have provided a dramatic opening up of the opportunity for freedom of expression. It would neither be feasible nor desirable that the freedom of expression created by online platforms should be obstructed by making them publishers. However, it is in the public interest that these platforms develop well operated codes of practice which protect the public from harmful content or distortion. The forthcoming legislation for an Online Digital Safety Commissioner will be an important milestone for the Oireachtas.

The new **Broadcasting Act** provides for important reforms in the imposition of levies for the support of the cost of regulation, which have been a source of irritation for independent and community radio. Local Radio has nonetheless less been an Irish success story, with far higher share of total listenership being attracted to local providers than in most countries.

The licence system has proven flexible in promoting a strong sector. While licenced radio is obliged by law to provide balance in the coverage of different points of view, Ireland has been fortunate that most newspapers insist on balance in coverage and have provided voluntary complaints mechanisms.

Currently local print and online media does not receive government funding and is fully independent in its content, subject to defamation laws. If taxpayers' money is to be used to fund elements of the local print media sector the rules on fairness and balance should be set down in codes and standards similar to the local radio sector that is governed by section 42 of the Broadcasting Act 2009. It is essential to balance any obligations of fairness and balance with the fundamental principle of freedom of expression, particularly with editorial and opinion articles. It is also acknowledged that the obligations placed on local radio by the BAI may not be wholly suitable to local print and online media and any proposal must be specifically tailored to local print and online media. Ireland has a strong track record in funding quality public service broadcasting through the TV Licence fee, while facilitating complete freedom of expression and robustness of analysis of public affairs. We should strive to replicate such an approach in extending state support to other media outlets.

Taxation Measures

We have examined proposals put forward to introduce a **Zero VAT Rate** for newspaper and online sales. Under the European Vat Directives, there are severe constraints on this proposal. Ireland is not permitted to introduce new zero-rated items beyond those which applied when they were finalised in the mid-1990s. In addition, Ireland is only permitted to have two lower rates of VAT currently set at 9% and 13.5%. The lower of the two now applies to hospitality, newspapers and sporting events, so lowering the rate would be costly.

On the other hand, a VAT cut would not be a well targeted measure to support local media. It would yield no benefit to free newspapers, local radio nor community radio. Its impact, even where it applies, would serve to reduce the cost of purchase, and would only generate more revenue to the extent that this increased sales, but elasticity of demand is unlikely to be high.

In practice, newspapers might seize the opportunity to increase prices and generate revenue in that manner. However, the revenue given up by taxpayers would be only be very indirectly linked to the transition to a new future which is the recognised grounds for offering public support.

We have also examined the case for a **Digital Tax.** This is a tax which has been introduced in a number of Member States, not as a means of rebalancing the tax treatment of media outlets, but rather because online providers can generate substantial advertising revenue from a Member State's market, but pay little tax there where tax is based on employment or profits. This is part of a much wider move to curb the economic model which Ireland and a number of other smaller countries operate where we offer lower employment and profit taxes to compensate for remote location. Ireland has resisted such a tax at EU level because of its potentially very adverse effects on the country, with losses running to hundreds of millions in revenue to the Irish Exchequer.

It must also be noted that where this tax is in place, it has not been hypothecated to the support of local media as its advocates in Ireland recommend. Indeed, should such a tax emerge, it would not be hypothecated in that way in Ireland either.

Public Support of the Media/ Licence Fee

In Ireland public financial support has been largely confined to state broadcasters (RTÉ and TG4) who receive 93% of the revenue from the **Licence Fee** paid by those who own a TV. The revenue collected goes, via the BAI, to the broadcasters, who have the obligation to educate inform and entertain. The money is not earmarked for particular purposes such as news or culture, but rather for the "public service" they provide. The BAI has, however, developed performance frameworks to assess service.

Under the Broadcasting Act 2009, 7% of the TV Licence Fee is diverted to a Broadcasting Fund for disbursement by the BAI, usually through the **Sound and Vision Scheme**. With the exception of emergency funding, necessitated by the Covid-19 Pandemic, this is the only support going to independent media from the Licence Fee for innovative content in independent and community broadcasting. Just under €5.9 million has been provided to the BAI for the Broadcasting Fund to date in 2021. This compares with almost €78 million provided to RTÉ for the same period – January to 8th June 2021.

This system of funding is no longer fit for purpose. Its base (TV ownership) is entirely anachronistic in a world of so many devices. The current evasion rate is approximately 13% (households with a TV set who do not pay) which rises further when the estimated 11% of households who do not own a TV set – but can still access RTÉ services, are taken into account. In 2019, the TV Licence Fee regime raised €224 million. The government, it should be noted, pays the TV Licence Fee for households in receipt of the Households Benefits Package. In 2021, €69.787 million has been allocated to cover this cost.

In November 2020, representatives of RTÉ told the Oireachtas that the current system is resulting in over €50 million in lost revenue with an estimated 250,000 households evading payment and a further estimated 140,000 avoiding the fee (by not owning a TV set).

In addition, the cost of collecting the TV Licence Fee compares highly unfavourably to the cost of tax collection by Revenue with estimates showing that it costs over three times more to collect the Licence Fee.

If there is a similar rate of avoidance/evasion in the commercial payers of the fee, a robustly designed tax with a lower collection cost could collect about €75million more.

For years now there has been talk of reforming the licence fee and its collection, but no agreed alternative has been reached and it has never been the opportune time. It is time to recognise that this money should be raised in a new way instead of persisting with a fee that is so unfair in its application.

Such a move would provide additional funds of €50 million to be used to help move both state broadcasting and independent media to a sustainable future. Such a move would provide a new Media Commission with the basis to develop a set of strategic supports to media in Ireland. One option for the Commission would be to establish a hub for coverage of public activities like courts, local councils etc. which might not otherwise be reported, at considerable loss to the local community.

It could also support training and excellence in journalism and other capacity building for the Local Media sector, which would be general support rather than linked to a particular outlet.

Direct support to a particular outlet will have to conform to state aid rules. Some general supports to training or R & D spending are permissible. The sort of programmes discussed earlier such sector wide **capability building** or **shared services** would seem legitimate to develop without breaching state aid rules and should be put in place, and the best institutional arrangements for their delivery assessed.

However, if the support is designed to make it easier for players in the sector to deliver certain services, then the state must clearly articulate the exact service which it intends to support and then open the opportunity up to any provider to tender for the opportunity. The would require further development of the models used around the Sound and Vision Fund and apply it to a wider range of media, and a wider range of objectives.

In the case of the independent sector, it could allocate funds to promote originality of content, diversity of material and audience, and coverage of important public interest activities for communities. It could apply similar performance criteria to the individual institutions receiving support, as the BAI has developed for the state broadcasters. Indeed, it would be important that **independently validated audience figures and quality marks** would be evolved to give the public confidence in reliable sources of information.

The overall level of the fund should only be changed by government on the recommendation of the Commission. This would be equivalent to the present arrangement where only the government can approve an increase in the €160 licence fee. A formal five year review process should be established by the new Media Commission against criteria agreed by the Oireachtas ahead of the review, which would provide a basis for recommendation to government.

Summary of Recommendations

1. Continue existing business supports for the local media sector until the economic recovery is secured

2. Recognise the reach of local media and its reputation as a reliable and authoritative news source when evaluating what constitutes public service in the media sector and when Government is disseminating public information content.

3. Re-establish the Houses of the Oireachtas service to provide weekly, non-partisan reports to local newspapers/radio/news websites from the Dáil/Seanad on issues raised by local Oireachtas representatives.

4. Develop a new, broader concept of what constitutes Public Service content in the media sector, which the way in which many sources of media outside the present supported segments provide a genuine public service to their communities, without which their fabric would be considerably weakened.

5. Replace the anomalous TV Licence Fee whose yield is almost one quarter eroded by avoidance, evasion and collection difficulties by the creation of an alternative Public Service Media Charge on all households and business premises. This could be collected by consolidating it into the LPT and into Commercial Rates or could be funded by a small increase in VAT. The overall size of the fund would remain the equivalent €160 payment but would no longer be based on the sort of receiver used.

6. Develop a Transformation Programme for the media sector modelled on successful programmes in other sector which have encouraged lean transformation and online adoption, focussing particularly on independent players, who do not have the opportunities of a media group.

7. Deploy the extra revenue generated by this new licence fee mechanism to support content across the entire media sector, with a range of supports to build capacity of journalism and to develop innovative content to be used on diverse platforms.

8. Transpose the Copyright Directive in a manner which ensures a mechanism by which publishers are remunerated at an equitable rate for the use of their content, bearing in mind the very different market power of platforms and content providers.

9. Explore amending legislation, such as the Planning and Development Regulations, 2001, so that advertising of notices is permitted on local, online media platforms.

10. Develop a verification mark for local media services to demonstrate reach and relevance and to instil confidence and trust among audiences.

11. Fulfil the Programme for Government to:

    a. Publish the statutory report on the Defamation Act (2009)
    b. Progress, publish and enact the Defamation Amendment Bill, the aim of which is to achieve an appropriate balance of the right to one's good name and freedom of expression.

Conclusion

A diverse range of media coverage of local activity and strong journalism are essential for our local communities. The content created continues to be relevant but the way audiences access that content are changing rapidly, and with that change, the traditional way in which revenue is generated is under serious threat. As we look beyond the immediate COVID challenges, we need to develop a framework that can permit change to occur in a sustainable way.

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