

# Spotlight

## Tech giants call all the shots

Matt Kenyon



**It's a 'busy, complicated, disruptive time', Ian Burrell looks at how the industry's response to Covid-19 could change it for ever**

**Never before has the future of our news industry been so much in the hands of the Americans.**

The impact of Covid-19 has put into overdrive the switch from print to digital, enhancing the power over news of the US tech giants to an unprecedented degree. Mark Thompson, CEO of The New York Times, has called it a "busy, complicated, disruptive time" with "a decade (of transformation) happening in literally a year or two".

Dame Frances Cairncross, who last year

published a government-commissioned review of the future of UK journalism, told NUJ Informed that UK news groups had "found it very difficult" to "make any money at all" from their physical products. "In six months they have had five years compression on returns."

The upshot, she believes, is a big win for Silicon Valley. "As news becomes digital-only, the product relies for its distribution on the platforms, it can no longer rely on the corner shop or WH Smith's. So, the power of the platforms over the news industry has grown considerably in the past six months."

This stark conclusion was underscored by a report in July from advertising body WARC showing that UK ad spend on national news brands in Q2 of 2020 was down 46 per cent year-on-year (including a 40.2 per cent fall online), and down by 52.4 per cent on regional news brands. Advertisers cut budgets and put news articles about the pandemic on their blocklists, costing publishers millions.

A July report by the Competition and Markets Authority found that Google and Facebook were taking 80 per cent of the UK's digital advertising spend. It called for a new regulatory regime to ensure that big tech does not "engage in exploitative or exclusionary practices".

Back in April, when many publishers reacted to the start of lockdown by implementing a wave of job redundancies and furlough schemes, the NUJ produced a News Recovery Plan. It is aimed at helping the sector to find a sustainable future with a purpose more rooted in public service.

Michelle Stanistreet, general secretary, says the fundamental issue here is a revised relationship between the platforms and the producers of news, and the NUJ plan proposes tripling the Digital Services Tax imposed on big tech, currently set at 2 per cent.

"Our plan is saying 'Enough is enough, it's time for the tech giants to pay their way'," she says. "They have had a free ride for long enough and now is the undeniable moment when that needs to be sorted

out." The clearly parlous state of the news industry in the light of the pandemic has prompted a change in government attitudes to curbing big tech's dominance, says Nic Newman, senior research associate at the Reuters Institute for the Study of Journalism. "This has been a shock. People have been dilly dallying for a long time but governments all over the world have started to address this issue."

Australia is at the front of this charge. On 31 July it introduced a groundbreaking code of conduct that aims to give publishers a "fair go" by forcing Google and Facebook to pay news outlets for content - and threatening them with fines of hundreds of millions of dollars if they don't.

Dame Frances believes real change can only happen if there is a political will in America, where CEOs of the big tech companies have recently been grilled by Congress about antitrust concerns. "If anything is going to be achieved it seems to me it can be achieved only with the co-operation and goodwill of the United States," she says.

"These are American companies and ultimately any law-based solution has got to start with the United States or it will not go anywhere."

In the meantime, Covid-19 continues to wreak havoc on the UK and Ireland news sectors. Michelle Stanistreet says that furlough schemes adopted by publishers became "like a waiting room for redundancy". Reach is cutting 550 posts (12 per cent of its workforce), while at The Guardian the Saturday supplements team and sports department are at the forefront of 180 job cuts made in response to a £25m shortfall resulting from the crisis. BBC News is shedding 520 posts.

BuzzFeed News and Quartz have shut their London operations. Worst hit of all is the local news sector. Newsquest has cut staff across the country, including 23 jobs in Newport, south Wales, and nine in Glasgow.

Early in lockdown, Midland News Association, publisher of the UK's

largest regional daily, the Express & Star, proposed 90 job cuts.

In Ireland, regional publisher FormPress has made dozens of redundancies and temporarily closed two papers in what NUJ Irish organiser Ian McGuinness sees as cynical opportunism. "FormPress has exploited the crisis; using it as an opportunity to get rid of some employees permanently and cheaply."

In June, Ireland appointed its first designated media minister, Catherine Martin. NUJ Irish Secretary Séamus Dooley describes the development as "welcome" but says action is needed to stem a "financial crisis" at loss-making national broadcaster RTÉ.

Away from newsrooms, many freelance journalists have been devastated by the pandemic. "Those budgets are the first to be culled," says Michelle Stanistreet. The NUJ is lodging a legal challenge to the

*"Most of the news brands have seen a 'Coronavirus bump' in their digital reach"*

exclusion of many freelancers from the government's Self Employment Income Support Scheme (SEISS).

It's not all been bad. Jo Allan, managing director of industry body Newsworks, says advertisers have noticed the rise in trust in established news brands at a time when journalism has been recognised as a public service. "There is a shift in sentiment from advertisers looking to reach engaged and scaled audiences in brand-safe environments."

Most news brands have seen a 'Coronavirus bump' in their digital reach. Subscription-based news models have done well. Nick Hugh, CEO of Telegraph Media Group, told NUJ Informed that while advertising revenues have been "absolutely hammered", he expected the company to finish the year in the black. "It's actually my expectation that in 2020 we will achieve the same level of operating

profit and EBITDA that we did the year before, despite the virus."

Telegraph subscriptions have seen double digit year-on-year growth during the virus and have climbed to 508,000. "Those that have been pursuing a reader-based strategy or subscriptions-based strategy are in much better standing than those that are entirely dependent on ad revenue," says Nick Hugh. He adds that the Telegraph's print business has been more "resilient" than competitors because many of its readers are subscribers who have the paper delivered.

But Newman points out that a consequence of this comparative success of subscription-funded news is that "we are seeing more quality content disappearing behind paywalls". Most UK readers will not pay for digital news and are vulnerable to the disinformation that circulates on social platforms.

He hopes that ad-dependent news groups can at least become more efficient by embracing the new remote-working culture and the technological innovations that they have previously resisted.

Small independent publishers have capitalised on increased levels of trust by reaching out to readers for help, with website On the Wight raising more than £10,000 in donations.

The NUJ's News Recovery Plan is similarly practical. It advocates a nationwide media literacy project and a government-funded Journalism Foundation to invest in local news. Its call for tax breaks is already reflected in the government's new VAT exemption for digital news.

Michelle Stanistreet says the Department for Digital, Culture, Media & Sport is showing "unprecedented levels" of interest in the need to protect journalism. Covid-19 has been painful but it's also a "window of opportunity", she says. "You can develop something that's bolder, more fit for purpose and much more rooted in the public good."

Unless the tech giants and Washington decide otherwise.