

# **Scotland's news:**

**towards a sustainable future  
for public interest journalism**

**November 2021**



**Scottish Government**  
Riaghaltas na h-Alba  
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# Scotland's news: towards a sustainable future for public interest journalism

Produced for the Scottish Government by the short-life Public Interest Journalism Working Group

November 2021

## Foreword

The Scottish Government commissioned this short-life working group on public interest journalism in January 2021 in response both to the immediate pressures facing Scottish-based news organisations as a result of the Covid pandemic and to the longer-term problems for public interest journalism created by the digital revolution and fast-evolving communications environment of the last two decades.

Under the secretariat of the Creative Industries, Screen and Media Unit, the working group was assembled from across the spectrum of the news publishing sector, from small community-based initiatives to major UK publishers. The result was a consensus, which recognised not only the scale of the problems but also the public benefit of a strong and diverse media ecosystem with both small and large participants.

Drawing from local, national and international examples, this report aims to provide the basis for a rich and sustainable news publishing landscape which provides the public with a reliable supply of accessible, trusted information, enhances democratic accountability at all levels, binds communities together and represents all groups in Scottish society, including those that have not historically had a strong voice in the media.

We believe that answers are at hand to ensure that both established titles and new independent players can thrive, and that journalists can develop rewarding careers in Scotland that will see them through their working lives. Above all else, we are confident that our proposed solutions will go a long way towards ensuring that all members of the Scottish public can benefit from a choice of information which suits their needs and encourages full engagement with civic and democratic life at all levels, from the local to the global.

In asking the group to produce this report, the Scottish Government has already shown its belief in the importance of independently produced public interest journalism. We are glad to see that, in its Programme for Government, the

Government has made a commitment to ‘ensure the long-term sustainability and resilience of public interest journalism in Scotland’ and to ‘listen and respond to the recommendations of the Public Interest Journalism Working Group.’ By taking our recommendations forward, the Government can demonstrate both its support for Scottish journalism and its recognition of the key role played by public interest journalism in promoting a robust democratic culture, in Scotland and beyond.

### **The Public Interest Journalism Working Group**

## Summary of recommendations

The working group recommends that:

1. The Scottish Government should work with stakeholders to establish a new “Scottish Public Interest Journalism Institute” – a high-profile independent body that draws on a wide range of resources to develop public interest journalism for Scotland, co-ordinating new and existing initiatives and strategically administering grant funding to support a diverse, pluralistic and sustainable Scottish public interest media sector.
2. The Scottish Government and OSCR, the Scottish charity regulator, should take steps to enable non-profit public interest news providers to register as charities; and the Scottish Government should also create an alternative legal status, with similar tax benefits to charitable status, for other non-profit public interest news providers.
3. The Scottish Government should embed media literacy in the school curriculum, and launch a voucher scheme for young people aged 15-19 to access public interest journalism free of charge.
4. The Scottish Government should examine the feasibility of introducing provisions like those in the 2003 Land Reform (Scotland) Act, to give community groups the scope to take over a local news publication that is otherwise in danger of closing.
5. Audit Scotland, in partnership with the Scottish Public Interest Journalism Institute (SPIJI), should conduct an annual audit of advertising and marketing investment by the Scottish Government and public bodies, to include a measurement of the impact of this expenditure on the health of the Scottish news publishing landscape; and the Scottish Government should invest no less than 25% of its central advertising and marketing budget with public interest news providers.
6. Audit Scotland, in partnership with SPIJI, should conduct an annual audit of public notices; and the Scottish Government should improve the accessibility of public notices and strengthen the ties with public interest journalism, and issue best practice guidelines for local authorities and other public bodies to ensure that they promote public notices to those who have an interest in the information.
7. The Scottish Government should work with the UK Government to ensure that the new Digital Markets Unit enables public interest news providers of all shapes and sizes to thrive in the digital economy; and the Scottish Government should encourage big tech companies to support the establishment of SPIJI.

8. The Scottish Government should engage with the UK Government to create tax incentives for businesses to advertise with public interest news providers.

We are confident that there is a very strong appetite for quality public interest journalism in Scotland and that the recommendations in this report will go a long way to sustaining the independent, quality media landscape Scotland has always enjoyed and should continue to enjoy in the future.

Wherever possible, our proposals have not included legislation, both because of the need for expediency and because we recognise that the separation of the “fourth estate” from government is essential to any system of democratic scrutiny.

Our recommendations are explained in detail in the following sections. First, we explain what we mean by public interest journalism, and then we put the recommendations into context by setting out the background to this report.

## **Defining public interest journalism**

In preparing the recommendations in this report, the working group developed the following definitions of public interest news and public interest news providers:

A Public Interest News Provider is an organisation which:

- produces and disseminates public interest news, as defined below, and where this forms a significant proportion of its output
- provides clear and transparent information about its ownership, including a registered office address, where applicable, and contact details
- can demonstrate transparency and identification of authorship of all published and broadcast content
- carries legal responsibility for its published and broadcast content
- conforms to industry-recognised standards and its journalists, broadcasters and writers conform to a publicly available code of conduct
- can demonstrate participation in a transparent and effective complaints-handling process

Public Interest News means news which is produced and disseminated to the public according to high standards of ethical conduct and best practice in journalism and which provides one or more of the following benefits to the public:

- informs members of the public about matters of relevance to their role and responsibilities as citizens
- enables members of local communities to become aware of and understand matters of common concern to them as members of their community and which promotes their involvement and cooperation in such matters and community cohesion accordingly
- enables members of the public to participate in an informed manner in relevant democratic processes and, as a result, supports the legitimacy of the democratic process as a whole; and/or
- benefits the public by promoting charitable educational outcomes, such as improving public understanding of health and medical matters or the conservation of the environment

The working group believes that the definition of public interest news should be interpreted as broadly as possible. Members of the group agree that public interest news can be entertaining as well as informative, and that public interest news providers should be free to take a stance on contested issues. In order to attract certain benefits (such as charitable status), some public interest news providers may have to accept a narrower definition, which does not allow them to take a partisan stance on certain issues. But in general, the benefits set out in this report should be

available to all public interest news providers, regardless of their politics or their business models.



## Background

There is widespread agreement that a thriving, diverse and independent media landscape, at every level from the hyperlocal to the global, is an essential part of democratic culture, providing citizens with the steady stream of information and debate they need in order to make informed choices and play a full part in democratic decision-making.

The growth of digital and mobile communications technology over the past 20 years has created much bigger audiences for trusted, quality journalism but also destroyed the revenue streams on which that journalism previously relied. Lucrative classified advertising quickly migrated to free, non-news related, online alternatives, and display advertising became dominated by social media and search, as the [2019 Furman Review](#) explored in detail. The [Cairncross Review of the Sustainability of Public Interest News \(2019\)](#) showed how online subscriptions could not replace the loss of cover price revenues in a digital market with significant free-to-access services. Meanwhile, the [Reuters Institute for the Study of Journalism](#) has revealed that only seven per cent of online adults in the UK currently pay for digital news services, whilst 50 per cent have said that they are unwilling to pay.

News publishers have responded to the technological challenge with new digital services, and their content now reaches far more people than their print editions ever did.<sup>1</sup> However, defending advertising revenue in regional publications and indigenous Scottish national titles has proved virtually impossible in the face of the growing power of overseas technology companies, unencumbered by editorial costs or regulatory concerns but benefitting from free user-generated content and data.<sup>2</sup>

News publishers' abilities to meet the needs of their audiences, and to provide employment for professional journalists, will diminish without urgent intervention. The sector has already contracted and consolidated: staff numbers have declined sharply, offices have closed, editions and titles have merged, and freelance income has declined. The same pressures have been felt by television broadcasters, which are trying to manage competition from on-demand channels and live streaming.<sup>3</sup> The challenges facing all news producers are reflected in Ofcom's 2021 media plurality consultation.<sup>4</sup>

Local news publishers were particularly hard hit by the loss of classified advertising. Over 250 titles across the UK closed between 2005 and 2020, many of them free titles which grew from lower production costs in the 1980s but relied entirely on

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<sup>1</sup><http://www.localmediauk.org/Research-Insight/Facts-Figures>

<sup>2</sup>[https://www.campaignlive.co.uk/article/online-ad-demand-very-strong-tech-giants-perform-q2-2021/1724325?bulletin=campaign\\_media\\_bulletin&utm\\_medium=EMAIL&utm\\_campaign=eNews%20Bulletin&utm\\_source=20210810&utm\\_content=Campaign%20Media%20\(226\)::www\\_campaignlive\\_co\\_uk\\_ar\\_3&email\\_hash=](https://www.campaignlive.co.uk/article/online-ad-demand-very-strong-tech-giants-perform-q2-2021/1724325?bulletin=campaign_media_bulletin&utm_medium=EMAIL&utm_campaign=eNews%20Bulletin&utm_source=20210810&utm_content=Campaign%20Media%20(226)::www_campaignlive_co_uk_ar_3&email_hash=)

<sup>3</sup><http://eprints.bournemouth.ac.uk/23745/9/News%20hub%20article.pdf>

<sup>4</sup>[https://www.ofcom.org.uk/data/assets/pdf\\_file/0012/220710/media-plurality-in-the-uk-condoc.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0012/220710/media-plurality-in-the-uk-condoc.pdf)

advertising revenue.<sup>5</sup> Some small English dailies switched to weekly publication.<sup>6</sup> In the USA, generally regarded as being ahead of UK media trends, an estimated 1,800 local newspapers closed in the same period, 60 of them dailies.<sup>7</sup>

In Scotland, the Dunoon Observer and the Turriff Advertiser were both bought out, and the Nairnshire Telegraph closed at the end of 2020. Both Johnston Press and Scottish Provincial Press went into liquidation but re-emerged quickly as JPI Media and Highland News & Media. Digital native publishers have not been immune to these pressures: BuzzFeed closed its UK and Australian newsrooms in 2020, having lost nearly £23 million in five years, and earlier this year announced editorial job losses in the UK operation of the recently acquired HuffPost.<sup>8</sup>

A lack of public interest journalism to hold authorities to account and provide a voice for local communities can have catastrophic consequences. The decline of the local press has been cited as a factor in the Grenfell disaster, which claimed 79 lives. In 1990, the borough was covered by the Kensington and Chelsea News and the Kensington and Chelsea Times, which employed 15 journalists, but in the year before the disaster, only one journalist was serving 160,000 people and failed to pick up consistent warnings from residents of a potential catastrophe.<sup>9</sup> Concerns about the decline of local journalism have been voiced for some time, and in 2015, experts at King's College London published a comprehensive analysis of this democratic deficit.<sup>10</sup>

Perhaps emboldened by the promise of fairer digital competition through UK legislation, publishers have started to invest in localised digital services.<sup>11</sup> However, success could be years away, and the danger of a depleted media landscape remains, in which local stories go unreported or are not followed up, and national publications are less able to sustain the range of specialist correspondents that are essential for scrutiny and democratic accountability.

Non-broadcast journalism remains the bedrock of newsgathering. One striking example was the 2012 baby ashes scandal which was first uncovered by the Edinburgh Evening News, eventually made national television and led to changes in national regulations. The difference between news provision and news origination

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<sup>5</sup> <https://pressgazette.co.uk/uk-local-newspaper-closures-at-least-265-local-newspaper-titles-gone-since-2005-but-pace-of-decline-has-slowed/>

<sup>6</sup> <https://www.theguardian.com/media/2012/apr/16/johnston-press-dailies-go-weekly>

<sup>7</sup> <https://www.usnewsdeserts.com/reports/expanding-news-desert/loss-of-local-news/loss-newspapers-readers/>

<sup>8</sup> <https://pressgazette.co.uk/buzzfeed-battled-losses-uk-closure/>  
<https://www.theguardian.com/media/2021/mar/12/huffpost-uk-staff-face-redundancy-as-news-operation-closes-down>

<sup>9</sup> <https://theconversation.com/grenfell-tower-warnings-might-have-been-heard-if-not-for-the-collapse-of-local-journalism-117427>

<sup>10</sup> <https://www.kcl.ac.uk/policy-institute/assets/cmcp/local-news.pdf>

<sup>11</sup> <https://www.holdthefrontpage.co.uk/2021/news/publisher-creates-45-jobs-as-digital-news-war-sparked-in-eight-major-cities/>

has now been recognised by Ofcom.<sup>12</sup> Of course, broadcasters also originate news stories, but, as the Cairncross Review found, print and online news organisations ‘still play the central role in financing the creation of original journalism, accounting for as much as broadcasting and online put together.’<sup>13</sup> Any further decline in independent news publishing activity could thus have a knock-on effect on the news agenda of broadcasters, limiting the range of stories covered.<sup>14</sup>

At the same time as disrupting revenue streams, digital technology, smartphones and social media have made news publishing more accessible than ever.<sup>15</sup> This has allowed a new range of organisations to enter the market, including local and hyperlocal publications, investigative journalism non-profits, and sites serving communities of interest and identity.<sup>16</sup> However, the digital economy poses similar challenges to independent news publishers as to traditional newspaper groups and major digital publishers. Recent research has shown how difficult it is for such enterprises to become economically sustainable.<sup>17</sup> At the point where an enterprise could consider taking on more staff and acquiring premises, the financial commitment required for office rent, business rates and other costs can disincentivise growth.<sup>18</sup>

Community news publishing may depend on individuals working from home, often part-time and reliant on other work for income. Community publishers struggle to provide either the training or the full-time paid work that is essential for attracting new entrants from the whole range of our diverse society. Providing an attractive, varied and sustainable career structure is essential if trusted news provision is not to rely solely on those who can afford to work for little or nothing.

At the same time as allowing a new generation of public interest news publishers into the market, the digital revolution has also made unreliable information readily available. So-called “fake news”, promoted by self-interested or destructive groups – at best unconcerned about the public interest and at worst hostile to democracy – makes it all the more essential that open societies find ways of supporting genuine journalistic activity that keep the public properly informed.<sup>19</sup>

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<sup>12</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0012/220710/media-plurality-in-the-uk-condoc.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0012/220710/media-plurality-in-the-uk-condoc.pdf) p. 29.

<sup>13</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/779882/021919\\_DCMS\\_Cairncross\\_Review\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/779882/021919_DCMS_Cairncross_Review_.pdf), p. 18.

<sup>14</sup> <https://www.gov.scot/publications/report-national-cremation-investigation-dame-elish-angiolini-dbe-gc/>

<sup>15</sup> <https://www.investopedia.com/articles/personal-finance/062315/how-smartphones-are-changing-advertising-marketing.asp>; <https://www.blog.joomag.com/single-post/digital-publishing-2018-10-25-10-digital-publishing-platforms-everyone-should-know-about>

<sup>16</sup> [https://pressgazette.co.uk/uk-independent-community-news-sector/?fbclid=IwAR3P0HgCiUYoIMpXYI3yKfsy50thk0z8udy\\_L5M5sYmbSYFHsUBZ5nelxx4](https://pressgazette.co.uk/uk-independent-community-news-sector/?fbclid=IwAR3P0HgCiUYoIMpXYI3yKfsy50thk0z8udy_L5M5sYmbSYFHsUBZ5nelxx4)

<sup>17</sup> <https://www.publicinterestnews.org.uk/pin/index>

<sup>18</sup> <https://www.thehunterfoundation.co.uk/wp-content/uploads/2021/04/Raising-Scotlands-economic-growth-FINAL-EMB-TO-00.01-ON-7-APRIL-1.pdf>

<sup>19</sup> <https://en.unesco.org/fightfakenews>; <https://www.bbc.co.uk/beyondfakenews/>

It is essential for the choice of media to be as wide and varied as possible. Strengthening public interest journalism should be about protecting established publishers, with their strong record of serving audiences and employing journalists, *and* enabling diverse new publications to thrive, even where their target audiences are small. The working group believes that a dynamic market, sustaining differing voices, perspectives and business models, will enrich Scottish society by increasing access to informed debate.

In response to the twin threats of market failure and disinformation, democratic governments around the world are taking action to support public interest journalism, sometimes through arm's-length arrangements designed to avoid any suggestion of political interference and sometimes through direct market intervention. During its discussions, the working group considered the following examples:

- the Danish Government provides subsidies for editorial production and innovation through the Danish Media Board<sup>20</sup>
- the Norwegian Government provides subsidies for editorial production, distribution and innovation through the Norwegian Media Authority, with a focus on small and local media<sup>21</sup>
- the Dutch Government provides subsidies for local journalism, investigative journalism and innovation through the Dutch Journalism Fund<sup>22</sup>
- in February 2021, the New Zealand Government launched a subsidy for 'at risk' journalism, to be administered by NZ On Air<sup>23</sup>
- also in February 2021, the Australian Government launched a News Media Bargaining Code, which aims to compel Google and Facebook to negotiate fair terms with publishers for the news content they host on their platforms<sup>24</sup>
- in June 2021, the Canadian Government launched a range of fiscal measures to support journalism, including an income tax credit for journalists and a digital news subscription tax credit<sup>25</sup>
- in the United States, there are growing calls for a federal support package for public interest news, to complement the existing culture of philanthropic funding<sup>26</sup>

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<sup>20</sup> <https://slks.dk/english/work-areas/media>

<sup>21</sup> <https://www.medietilsynet.no/en/about-medietilsynet/>

<sup>22</sup> <https://www.svdj.nl/dutch-journalism-fund/>

<sup>23</sup> <https://www.nzonair.govt.nz/funding/journalism-funding/>

<sup>24</sup> <https://www.acma.gov.au/news-media-bargaining-code>

<sup>25</sup> <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/canadian-journalism-labour-tax-credit.html>

<sup>26</sup> <https://www.rebuildlocalnews.org/local-journalism-sustainability-act>

- in 2019, the Welsh Assembly piloted a funding scheme for independent community news providers<sup>27</sup>

Having considered the strengths and weaknesses of these international examples, the working group recommends that the Scottish Government should develop a hybrid model of support for public interest news, using its powers wisely and selectively to create the conditions for a renewal of Scottish news publishing, whilst working in partnership with private enterprise, media companies, third sector organisations and higher education institutions to deliver change on the ground.

At the heart of our recommendations is the establishment of a Scottish Public Interest Journalism Institute (SPIJI), an independent body with a range of funding sources that would represent the full range of Scotland's public interest news publishers, administer grants where appropriate, co-ordinate existing and new initiatives in journalism training and media education, and act as a forum for continuing debate about public interest journalism.

We also see a significant role for the Scottish Government in guaranteeing advertising and marketing investment in public interest news publishers, whilst strongly encouraging the UK Government to introduce advertising tax incentives and accelerate the legislative framework necessary for the Competitions and Markets Authority's new Digital Markets Unit to create a fairer and truly competitive digital publishing landscape.

We recognise that promoting diversity and plurality is a goal in itself and our recommendations aim to provide a strong framework for diversity to flourish and to ensure that as many people as possible – particularly children and young people – develop and maintain a habit of consuming reliable information about the subjects in which they are interested.

We have a once-in-a-generation opportunity here to build on Scotland's proud 250-year history of strong local, regional and national journalism. The alternative is to watch this tradition collapse, as publishers struggle to make ends meet, journalists are forced to seek other employment, and audiences are swamped by fake news.

We do not want our proposals simply to generate debate about the future of journalism in Scotland. We want to see prompt and bold action to sustain the flow of accurate and trustworthy news that is essential to our shared democratic life, to community cohesion and to our common future.

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<sup>27</sup><https://gov.wales/independent-community-journalism-wales-given-ps200000-boost>

## Recommendations

### 1. Scottish public interest journalism institute

The working group recommends that the Scottish Government should work with stakeholders to establish a new “Scottish Public Interest Journalism Institute” – a high-profile independent body that draws on a wide range of resources to develop public interest journalism for Scotland, co-ordinating new and existing initiatives and strategically administering grant funding to support a diverse, pluralistic and sustainable Scottish public interest media sector.

There is no shortage of goodwill towards quality news journalism, particularly at a local level, or of concern about its potential loss. Many solutions have been suggested, such as in the 2012 Better Journalism in the Digital Age report commissioned by the Carnegie Trust from former BBC Scotland head of news Blair Jenkins, which proposed new funding from civil organisations for journalism innovation.<sup>28</sup>

Several schemes from both commercial companies and charities have emerged, including the Nesta Future News pilot fund.<sup>29</sup> However, the working group recognised that applications to these schemes can be burdensome, and small or new publishers might not be fully aware of what support and advice is available. Many grant schemes are short-lived and fail to offer sustained strategic support.

Facebook has been running its Community News Project in conjunction with the National Council for the Training of Journalists (NCTJ) and regional publishers for two years and has an extensive network of media partnerships around the world, particularly in the USA.<sup>30</sup> Google has established its News Initiative to work with publishers worldwide, with a global budget of \$1 billion over three years. In Wales, the Independent Community News Network receives Welsh Government funding.<sup>31</sup>

There are examples of press institutes around the world, such as the American Press Institute, the Norwegian Institute of Journalism, and the Institut Français de Presse (IFP) in France, and non-national organisations like the Thomson Foundation and the Reuters Institute.<sup>32</sup> Functions vary, but as most pre-date the digital revolution and its financial implications, they tend to concentrate on journalism education rather than the sustainability of publishing itself.

More recent work on sustainable news publishing and community-embedded journalism has been carried out by the European Journalism Centre, the Dutch

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<sup>28</sup> [https://d1ssu070pg2v9i.cloudfront.net/pex/carnegie\\_uk\\_trust/2016/02/pub1455011667.pdf](https://d1ssu070pg2v9i.cloudfront.net/pex/carnegie_uk_trust/2016/02/pub1455011667.pdf)

<sup>29</sup> <https://www.nesta.org.uk/project/future-news-fund/>

<sup>30</sup> <https://www.nctj.com/latestnews/community-news-project-extended-by-Facebook>

<sup>31</sup> <https://gov.wales/independent-community-journalism-wales-given-ps200000-boost>

<sup>32</sup> <https://www.americanpressinstitute.org/about/about-us/>; <https://www.ij.no/english/>; <https://ifp.u-paris2.fr/fr/>; <https://www.thomsonfoundation.org/>; <https://reutersinstitute.politics.ox.ac.uk/>

Journalism Fund, the American Journalism Project, the New Jersey Civic Information Consortium and others.<sup>33</sup>

In the UK, Dame Frances Cairncross was commissioned by the Department for Digital, Culture, Media and Sport (DCMS) to explore the sustainability of public interest news. In 2019, the Cairncross Review recommended the establishment of a statutory Institute for Public Interest News (IPIN), modelled on funding bodies such as Arts Council England and Creative Scotland, that would allocate a subsidy for public interest news with a focus on local news and innovation.<sup>34</sup> The UK Government rejected this recommendation, but welcomed other non-statutory initiatives, including the Public Interest News Foundation (PINF), a charity which has similar aims to IPIN's, but is entirely independent of the state.<sup>35</sup>

The working group believes that there is an exciting opportunity for Scotland to learn from the experience of other countries. We can create an independent, world-leading body, that combines the democratic legitimacy of bodies such as the Dutch Journalism Fund with the independence of bodies such as the American Journalism Project in the United States or the Judith Nielsen Institute in Australia.

Established on a non-statutory basis, and provisionally called the Scottish Public Interest Journalism Institute (SPIJI), the new body's governance should reflect good practice as set out in the Scottish Governance Code for the Third Sector. Its board should include members from different parts of the media sector and should reflect Scottish society in its demographic make-up.<sup>36</sup>

It is important that the Institute's independence from government is established from the outset. It is therefore recommended that the working group creates a small appointments panel to select the first chair and board, although Scottish Government assistance in marketing the post and co-ordinating applications may be necessary. The appointment process should be designed to create a level playing field for applicants.

The Institute's remit would cover fundraising, research, grantmaking, training; diversity and media literacy, as follows:

## **1. Fundraising**

The Institute would seek funding and partnerships to advance public interest journalism in Scotland, with a view to becoming self-funding within three to five years through the development of relationships with philanthropic

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<sup>33</sup> <https://ejc.net/>; <https://www.svdj.nl/dutch-journalism-fund/>; <https://www.theajp.org/>; <https://njcivicinfo.org/>

<sup>34</sup> <https://www.gov.uk/government/publications/the-cairncross-review-a-sustainable-future-for-journalism>

<sup>35</sup> <https://www.gov.uk/government/publications/the-cairncross-review-a-sustainable-future-for-journalism/government-response-to-the-cairncross-review-a-sustainable-future-for-journalism>

<sup>36</sup> <http://goodgovernance.scot/wp-content/uploads/2019/10/Scottish-Governance-Code-Final-PDF.pdf>

foundations, civil society organisations and technology companies, among others.

## **2. Research**

The Institute would commission research to establish the information needs of geographic and demographic communities across Scotland and how these needs are being met by the news publishing industry. It would use this research to inform its grantmaking programme.

The Institute would also monitor trends in the Scottish media landscape that affect the provision of public interest journalism and that may have a relevance beyond Scotland; and provide an ongoing forum for debate about journalism, open democracy and accountability in Scotland.

And the Institute would liaise with Audit Scotland to produce an annual report on the impact of Scottish Government advertising and marketing spending on public interest journalism, to ensure that public spending is administered impartially and with the sustainability of public interest journalism in mind.

## **3. Grantmaking**

The Institute would administer grant funding and donations for public interest journalism projects and publications, with a focus on consistent, long-term funding that allows growing and pioneering news initiatives to get off the ground; invests in new approaches and models of journalism; and meets the needs identified through the Institute's research programme. The Institute would set funding criteria, subject to consultation with stakeholders, that reflect the overall aim of ensuring a news media economy that is diverse, inclusive, plural, independent and sustainable.

The Institute would also support and collaborate on new media infrastructure to support the start-up, back-office and running of community news organisations in order to reduce barriers to entry and enable community journalism to thrive for the public benefit.

And the Institute would look to support the cost of community-led buyouts of legacy local newspaper titles.

## **4. Training, advice and support**

The Institute would oversee and support training and access to public interest journalism skills development, liaising with Education Scotland, Skills Development Scotland, the NCTJ, NUJ, universities and colleges, the BBC and publishers, as well as other journalism initiatives such as ICNN, the People's Newsroom Initiative and PINF, to develop collaborative programmes for journalism students, working trainees and other emerging journalists.

The Institute would also work with the NCTJ, NUJ and publishers to develop an effective continuous professional development programme for all levels,



including management and HR training for people entering promoted posts with responsibility for other staff members. Such programmes could be applicable beyond Scotland and develop potential revenue streams as well as enhance Scottish journalism's long-established international reputation.

And the Institute would provide business and training advice for publishers and liaise with Scottish Enterprise and the Business Gateway network to operate a signposting service to identify resources, particularly for new publishers and community organisations.

## **5. Diversity**

The Institute would support and upskill marginalised communities wishing to establish their own trusted news and information sources, in order to ensure a level playing field for their entry into the sector.

The Institute would also encourage people from backgrounds typically under-represented in journalism to enter the profession and remain in it, continue to monitor barriers for entry to journalism for these groups and look at measures to mitigate these, and collaborate with key initiatives that are working to diversify Scotland's media landscape and amplify the voices of typically under-represented groups.

## **6. Media literacy**

The Institute would co-ordinate and promote media literacy for all ages to improve public knowledge about sourcing trustworthy information and on how journalism is produced, and also work with Education Scotland and development education centres in Scotland to develop materials to raise awareness among young people of the importance of public interest journalism in combating disinformation and develop strong media education generally.

The working group recommends that, in order to avoid delay, and to signal its commitment to public interest journalism, the Scottish Government should provide initial funding to put the Institute on firm foundations.

For comparison, the New Zealand Government has provided NZ \$55 million to fund public interest journalism over the next three years. Adjusting for population size, the equivalent expenditure in Scotland would be £31 million over three years.<sup>37</sup> We do not believe that the Institute should be dependent on public funding. Therefore, we recommend that the Scottish Government provides less than one-third of this amount, or £3 million per year, for the first three years of the Institute's existence. This level of commitment would give the Institute the capacity to raise matching funds from other sources, with the aim of becoming self-funding in the long term.

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<sup>37</sup> At the time of writing, the New Zealand dollar is equivalent to £0.51; the population of New Zealand is 4.917m and the population of Scotland is 5.454m.

This does not mean that the Institute would not accept government funds for specific purposes. In fact, the independence of the Institute means it would be able to provide the necessary distance between government grants and the journalism provider in receipt of funding. It is envisaged that the SPIJI would be able to qualify for charitable status.

Although the institute would be free to decide how it would be run and where it would be based, a partnership could be sought with a Scottish university, similar to Cardiff University's Centre for Community Journalism (of which the Independent Community News Network is a part), the Centre for Investigative Journalism at Goldsmiths (University of London) or the Reuters Institute at Oxford University. This would provide access to accommodation, administrative support and marketing services, as well as the immediate establishment of a recognised reputable brand association. This could also assist in developing further partnerships with philanthropic funders and accessing other funding streams.

Although no regulatory role is envisaged, such an institute would be free to comment on any matters concerning public interest news, in line with its charitable purpose. Its founding principles would include the upholding of freedom of expression as well as the enhancement and protection of public accountability and open democracy through journalism in the public interest.

## **2. Charitable status**

The working group recommends that the Scottish Government and OSCR, the Scottish charity regulator, should take steps to enable non-profit public interest news providers to register as charities; and the Scottish Government should also create an alternative legal status, with similar tax benefits to charitable status, for other non-profit public interest news providers.

Charitable status offers an attractive package of benefits: tax breaks; easier access to grants and donations; and reputational advantages. However, charitable status also imposes constraints on news providers, particularly in compromising the freedom to take a stance on contested issues.

Without charitable status, it is much harder for publications serving small markets, or providing certain specialist forms of public interest journalism, to build a viable future. Charitable status for these publications would make a significant contribution to developing a diverse and sustainable media landscape in which all audiences can be served.

The Cairncross Review called on the UK Government to amend the 2011 Charities Act to include the non-profit provision of public interest news as a charitable purpose. Whilst the response from the Charity Commission (which regulates charities in

England and Wales) spelt out the conditions under which a journalistic enterprise could be considered charitable, it did not result in the requested legislation.<sup>38</sup>

Charity law is a devolved matter, and therefore Scotland does not need to be bound by the position of the UK Government or the Charity Commission. As it happens, public interest news meets several criteria in the Charities Test laid out in the Charities and Trustee Investment (Scotland) Act 2005, such as advancing citizenship and civic responsibility.<sup>39</sup> The Public Benefit Journalism Research Centre (PBJRC), which is itself a charity, told the working group that it should be relatively straightforward to update Scottish charity law.<sup>40</sup> PBJRC advised us that OSCR, the Scottish charity regulator, could develop a Scottish interpretation of the citizenship purpose under which certain types of news providers could register as charities by demonstrating how they advance citizenship; or that OSCR could recognise public interest journalism as charitable by analogy to one of the other purposes in the 2005 Act, such as education, health or the advancement of heritage or culture.

PBJRC pointed out that these options do not require any change to the law; they simply require OSCR to interpret the law robustly. However, if the Scottish Government wanted to take a proactive approach, it could legislate to expressly confirm public benefit journalism as a charitable purpose.

We are grateful to PBJRC for this advice, and we urge the Scottish Government and OSCR to take forward these recommendations. We understand that, in order to recognise public interest journalism as charitable, OSCR will need a sound definition of public interest journalism. We set out our working definition at the start of this report. This definition is also intended to inform other stakeholders in their support for relevant news providers.

The working group does not believe that *all* public interest news providers could or should register as charities. Some public interest news providers are commercial enterprises, and some enjoy their freedom to take a stance on contested issues. These news providers should still benefit from the other forms of support set out in this report. Charitable status should be an *option* for some public interest news providers, but not a requirement for all.

In addition, the working group calls on the Scottish Government to create a new legal status for public interest news providers that operate on a non-profit basis and have demonstrably high standards of journalism, but do not wish to register as charities, perhaps because they wish to take a stance on contested issues. Such a status would have comparable tax benefits to charitable status, and would enable public

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<sup>38</sup> <https://charitycommission.blog.gov.uk/2020/01/27/read-all-about-it-when-can-journalism-be-charitable/>

<sup>39</sup> <https://www.legislation.gov.uk/asp/2005/10/part/1/chapter/2>

<sup>40</sup> <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/5152951/charity-overview>

interest news organisations to attract grants and donations, but would not impose the same obligations as charitable status.

The working group hopes that SPIJI itself would be granted charitable status, like the London-based Public Interest News Foundation.<sup>41</sup>

### 3. Media literacy

The working group recommends that the Scottish Government should embed media literacy in the school curriculum, and launch a voucher scheme for young people aged 15-19 to access public interest journalism free of charge.

Concern about an increasingly confused media landscape and the rise of so-called “fake news” have been raised in many countries.<sup>42</sup> This problem needs to be tackled carefully to avoid damaging trust in all media.

If enacted, Chapter 8 of the Online Safety Bill will place a duty on Ofcom to promote media literacy.<sup>43</sup> The UK Government has also published a media literacy strategy for England and Wales.<sup>44</sup> As media literacy is a devolved matter, the Scottish Government should work with Ofcom and public interest news providers to develop a bespoke media literacy strategy for Scotland, with an awareness campaign aimed at all ages, and with elements embedded in the school curriculum.

The foundation of a strong future culture of understanding and identifying trustworthy information sources will lie in a sustained programme for young people. This will help them make informed choices and to prepare them for a future in which they will inevitably be media consumers of one kind or another. As set out above, SPIJI would expect to play a major role in coordinating media literacy initiatives in schools and elsewhere.

Using news publications as an educational resource is not new and there are good examples elsewhere, such as the Newspapers in Education scheme in California.<sup>45</sup> However, making access free and easy, through a voucher scheme, would benefit a wide range of subjects and encourage engaged citizenship in its fullest sense. This should be accompanied by a marketing campaign to raise awareness of both the scheme and the issue, and encourage parental participation.

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<sup>41</sup> <https://www.publicinterestnews.org.uk/post/pinf-awarded-charitable-status>

<sup>42</sup> <https://www.journalism.org/2019/06/05/many-americans-say-made-up-news-is-a-critical-problem-that-needs-to-be-fixed/>

<sup>43</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/985033/Draft\\_Online\\_Safety\\_Bill\\_Bookmarked.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/985033/Draft_Online_Safety_Bill_Bookmarked.pdf)

<sup>44</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1004233/DCMS\\_Media\\_Literacy\\_Report\\_Roll\\_Out\\_Accessible\\_PDF.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004233/DCMS_Media_Literacy_Report_Roll_Out_Accessible_PDF.pdf)

<sup>45</sup> <https://www.socalnie.com/>

A good example of how such a scheme can be applied and extended can be found at the Florida-based Poynter Institute's MediaWise project.<sup>46</sup>

#### 4. Community ownership

The working group recommends that the Scottish Government should examine the feasibility of introducing provisions like those in the 2003 Land Reform (Scotland) Act, to give community groups the scope to take over a local news publication that is otherwise in danger of closing.

As small local publications lost classified advertising, found display advertising volumes and yields dropping, and hard copy sales declining, many titles became unviable and only survived through consolidation, mergers of different editions, staff reductions and office closures. Some titles found themselves with no full-time journalists physically working in the communities represented in the mastheads.

The group recognises that, rather than see local titles wither and die like the Nairnshire Telegraph, communities should, in some circumstances, be enabled to mount a bid to take over an ailing publication to preserve the service.

Such a process was successfully undertaken in Langholm in 2016, when the owners of the Eskdale & Liddesdale Advertiser, Cumbrian Newspapers, had decided to close the title until agreeing to let a community company, led by an experienced and successful local businessman, take over.<sup>47</sup>

The working group recognises that it would be inappropriate to force proprietors to dispose of assets at a lower price than they could otherwise achieve, but believes that conditions for community take-overs and staff buy-outs could be improved to make these options more viable. Measures set out in this report, including charitable status for non-profit news providers, the availability of government grants, and targeted business advice through the SPIJI, could make this a much less daunting process for a community which might lack the same high-level business expertise that was at the heart of the Langholm buy-out.

It should be emphasised that public interest news includes not only the scrutiny of local administration and judicial processes, but also the wide-ranging coverage of social, sporting and cultural events, which are essential in maintaining community life, citizenship and civic responsibility.

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<sup>46</sup> <https://www.poynter.org/mediawise/>

<sup>47</sup> <https://www.bbc.co.uk/news/uk-scotland-south-scotland-38380583>

## 5. Public sector advertising and marketing scrutiny

The working group recommends that Audit Scotland, in partnership with SPIJI, should conduct an annual audit of advertising and marketing investment by the Scottish Government and public bodies, to include a measurement of the impact of this expenditure on the health of the Scottish news publishing landscape; and the Scottish Government should invest no less than 25 per cent of its central advertising and marketing budget with public interest news providers.

The Scottish Government is a significant marketing and advertising investor in all forms of media, directly spending up to £4 million a year pre-Covid on its campaigns. Government records show that from 2014 to 2018 there was a steady decline in Scottish Government advertising investment in news publishing, from £417,500 in 2014-15 to £85,172 in 2017-18, just 3.4% of total expenditure.<sup>48</sup> Although there was a rise in 2018-19 to £178,785, this still only represented 4.5% of the total. A significant increase in 2019-20 to £434,318 (10.8%) is perhaps explained by the start of Covid-related public health messaging.

At the same time, investment in direct online marketing (for example, via Google and Facebook and their associated platforms), has dramatically increased and is consistently well ahead of television as the biggest beneficiary. In 2014-15, TV accounted for £1,945,057 compared to £732,646 online, but by 2019-20 that had switched to £1,333,734 online and £1,036,000 on TV. Between 2013-14 and 2019-20, commercial radio has only twice fallen below £500,000, with a high point of £801,451 in 2014-15.

It is not immediately apparent why investment in news publishing has fallen at a time when online audiences for news are growing rapidly. However, the data shows not only how Scottish Government spending increasingly favours online platforms, but also how unpredictable this advertising and marketing investment in news publishing has been.

It was not within the working group's resources or remit to interrogate these spending decisions, but there is enough evidence to identify inconsistency and a lack of clarity. That is why the working group is calling for an independent audit of Scottish Government spending in this area, to ensure that spending is effectively and fairly distributed, and that the Scottish Government's audience delivery expectations are met.

Such an audit, conducted by Audit Scotland with expert advice from SPIJI, would facilitate a more transparent dialogue between the Scottish Government, its agencies and news publishers. The audit should include not only direct Scottish Government expenditure, but also other publicly funded marketing by arm's length

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<sup>48</sup> <https://www.gov.scot/collections/marketing-spend/>

agencies such as Scottish Enterprise and VisitScotland, and public notice investment by local authorities (see Recommendation 6, below).

As the Coronavirus pandemic spread in March 2020 and lockdown was introduced, commercial advertising collapsed and news publishers faced an existential crisis. At the same time, the growth of digital audiences accelerated.<sup>49</sup>

Globally, government responses to appeals for emergency financial relief varied, some doing very little and others making generous provisions. The Danish Government's media support scheme was estimated to be worth between €18 million and €24 million; a similar investment in Sweden was worth approximately €20 million; and the Portuguese Government invested €15 million in press advertising.<sup>50</sup> In the UK, an initial package of advertising spending worth £35 million was approved by the Department of Digital, Culture Media and Sport, a small proportion of which came to Scottish titles, and VAT on sales and subscriptions of electronic publications was abolished.<sup>51</sup>

At the end of April 2020, the Scottish Government approved an additional package of press advertising investment worth £3.4 million over the following year, divided between national, regional, local and community publications.<sup>52</sup> This commitment allowed publishers to base their budgets on accurate forecasts. Combined with UK Government advertising and the business rates relief approved by the Scottish Parliament in May 2020, it meant that the Scottish news publishing sector was the best supported in the UK. Although two small titles suspended printing temporarily, no significant title ceased publication permanently.<sup>53</sup>

The pandemic experience illustrates the benefits of guaranteed revenue to publishers of all sizes, but the evidence above shows how hard it has been for news publishers to predict how much public marketing investment will be made available to them.

The group therefore recommends that an agreed minimum of the Scottish Government advertising and marketing budgets (not including public notices) should be spent with producers of public interest journalism, to contribute to more solid financial projections on which publishers can base their forecasts and business plans.

A study conducted by Research and Analysis of Media (RAM) on one of the Scottish Government's Covid-related campaigns proved that the press was more than

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<sup>49</sup> <https://www.pressgazette.co.uk/pamco-uk-national-news-websites-strong-growth-post-covid/>

<sup>50</sup> <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2021/denmark;>  
[https://www.government.se/press-releases/2020/04/support-to-media-in-response-to-the-spread-of-the-covid-19-virus/;](https://www.government.se/press-releases/2020/04/support-to-media-in-response-to-the-spread-of-the-covid-19-virus/) <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2021/portugal>

<sup>51</sup> <https://www.gov.uk/government/news/vat-scrapped-on-e-publications>

<sup>52</sup> <https://www.thetimes.co.uk/article/coronavirus-in-scotland-local-press-will-get-government-advert-boost-2jxgspxx>

<sup>53</sup> <https://www.holdthefrontpage.co.uk/2020/news/more-weeklies-shelved-as-pandemic-continues-to-hit-regional-press/>

capable of delivering the Scottish Government's messaging goals, so such a guarantee would be fair payment for the effective delivery of government communication with groups which can be harder to reach by digital means, particularly the elderly and those living beyond the conurbations. News publishers strongly argue that government advertising is a two-way value exchange.

Ensuring public advertising and marketing investment contributes positively to Scotland's social capital, whilst helping to prevent a democratic deficit, aligns with Scottish Government procurement policy, as stated in the Scottish Model of Procurement:

Looking at outcomes not outputs, it uses the power of public spend to deliver genuine public value beyond simply cost and /or quality in purchasing. The Value for Money triangle sums up the Scottish Model of Procurement; it is not just about cost and quality, but about the best balance of cost, quality and sustainability.<sup>54</sup>

This is further developed in the statutory guidance for the Procurement Reform (Scotland) Act 2014:

Smart use of procurement can play a key role in building a more prosperous and fairer Scotland by: promoting jobs and growth; encouraging innovation; boosting training, apprenticeship and employment opportunities; and helping businesses, particularly small and medium sized enterprises (SMEs), third sector bodies, and supported businesses to compete effectively for contracts.<sup>55</sup>

If 25% of the Scottish Government marketing budget were spent on public interest news publishing, it would represent a fair reflection of audience reach, help sustain the number of Scottish journalism jobs and recognise the vital contribution that quality journalism makes to public accountability, democracy and debate.<sup>56</sup>

The group recognises that buying press advertising is more complex than programmatic online, commercial television and radio, where the number of organisations is very small, but complexity should not be a reason to favour other media. As with the emergency pandemic advertising investment programme, it is important that community publications are included in media plans.

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<sup>54</sup><https://www.webarchive.org.uk/wayback/archive/20190321192258/https://www2.gov.scot/Topics/Government/Procurement/about/spd-aims>

<sup>55</sup><https://www.webarchive.org.uk/wayback/archive/20190316075741/https://www.gov.scot/publications/guidance-under-procurement-reform-scotland-act-2014/pages/2/>

<sup>56</sup> <https://www.ebu.ch/news/2019/09/public-service-media-critical-to-healthy-democracies>



## 6. Improved and expanded public notice services

The working group recommends that Audit Scotland, in partnership with SPIJI, should conduct an annual audit of public notices; and that the Scottish Government should improve the accessibility of public notices and strengthen the ties with public interest journalism, and issue best practice guidelines for local authorities and other public bodies to ensure that they promote public notices to those who have an interest in the information.

Easy access to information about decisions directly affecting communities is an essential part of local accountability. Without reliable knowledge about proposed changes, citizens cannot engage effectively with decisions affecting their lives until it is too late.

A report for the Department for Digital, Culture, Media and Sport warned that local press decline was reducing scrutiny of democratic functions but that news provision and consumption improved participation in local democracy, with electoral turnout increasing by 0.37% for every percentage point growth in a local newspaper's circulation.

Democracies can only function effectively where the public has access to enough information to make informed decisions in civic life. Therefore, the presence of journalism in civil society is vital to its functioning. Scenarios in which there is a reduction of news capacity are likely to be damaging, and the absence of journalism potentially catastrophic.<sup>57</sup>

Most planning applications, road changes and licence applications will not make front page news, but their impact on localities can be considerable and a statutory obligation to publicise such information in local newspapers remains, although volumes and revenues have dropped steadily. Concerns have been raised for many years, but without much success.<sup>58</sup>

The Scottish Government has a comprehensive agreement with a supplier for the next three years, and government job ads still appear in news publications, but this should not prevent a reassessment of the way public information is disseminated.<sup>59</sup>

Public notice information is vital for open democracy and accountability, locally and nationally, and it is essential that the information is sign-posted, accessible to all

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<sup>57</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924325/Plum\\_DCMS\\_press\\_sector\\_dynamics\\_-\\_Final\\_Report\\_v4.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924325/Plum_DCMS_press_sector_dynamics_-_Final_Report_v4.pdf)

<sup>58</sup> <https://publications.parliament.uk/pa/cm200809/cmselect/cmsscota/401/401we03.htm>

<sup>59</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/transparency-data/2020/07/recruitment-advertising-and-public-notices-framework/documents/framework-agreement-for-recruitment-advertising-and-public-notices/framework-agreement-for-recruitment-advertising-and-public-notices/govscot%3Adocument/Framework%2B-agreement%2B-recruitment%2Badvertising%2Band%2Bpublic%2Binformation%2B-notices%2B-%2BTMP%2BUK%2BLtd.pdf>

affected, and available through high-profile media relevant to the subject matter. Public bodies should make use of local publications, national publications and online news publications to best target their information and ensure that communities are able to access important public notices without having to hunt for the information.

With a total annual public bodies' procurement spend of £93.5 million in Scotland on marketing and media services, there should be ample scope to improve investment in news publishing, as with Scottish Government marketing (see above).<sup>60</sup>

The 2014 Procurement Act requires Scottish public bodies to include community benefit requirements in all regulated procurements with an estimated value of £4 million or more.<sup>61</sup> Individual bookings in news publications would fall well below this threshold. The working group therefore recommends that a community benefit requirement for the availability of all public information notices should be reinforced.

Tracking public notice spending is difficult because of the number of categories, authorities and regulations involved. An annual, publicly available audit of the spending, availability, effectiveness and awareness of public notices is badly needed, not least to understand how public money is being used. Such measurements are part of the current service level agreement with the Scottish Government's suppliers, so the principle is already established, but there is no single resource.

Public notice availability in Scotland has become increasingly reliant on the TellmeScotland portal and an effectiveness/return-on-investment analysis should be conducted for comparison.<sup>62</sup>

## 7. Big tech

The working group recommends that the Scottish Government should work with the UK Government to ensure that the new Digital Markets Unit enables public interest news providers of all shapes and sizes to thrive in the digital economy; and the Scottish Government should encourage big tech companies to support the establishment of SPIJI.

The rapid emergence of digital technology giants, particularly Facebook, Amazon, Apple, Netflix and Google – the so-called FAANG – has transformed the way people lead their lives, and in particular how they engage with the media.

This year's TV licensing annual review showed that the number of people paying the licence fee had fallen from 25.5 million to 24.8 million – £11 million less for the BBC

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<sup>60</sup> <https://www.gov.scot/publications/annual-report-procurement-activity-scotland-2018-19/pages/4/>

<sup>61</sup> <https://www.gov.scot/publications/scottish-government-procurement-annual-report-2019/>

<sup>62</sup> <https://www.tellmescotland.gov.uk/>

to spend.<sup>63</sup> Last year, Google and Facebook took 67.8% of the UK digital advertising market.<sup>64</sup> Whilst that share is predicted to fall, it will probably go to other overseas tech firms, particularly Amazon, which saw its share of the US digital advertising market increase this year from 7.8% to 10.3%, earning it £15.73 billion.

The News Media Association has raised concerns with Ofcom that search engine algorithms give unfair preference to some news articles over others, and that the sharing of news content on social media results in “brand flattening”, where users do not realise that they are reading stories from particular news publications, and therefore are not incentivised to visit or subscribe to those publications.

There are particular challenges facing small public interest news providers in the digital economy. For example, a share of advertising revenue on YouTube is not available to news providers until they have a specific number of followers and watch hours on the platform. Similarly, there are a number of audience revenue tools such as “stars” on Facebook that are not available to organisations with small audiences.

Following the Furman and Cairncross reviews, the UK Government agreed to set up a Digital Markets Unit within the Competitions and Markets Authority to tackle the growing lack of competition and transparency in digital markets. This year, the DMU began work on a code of conduct to govern the relationship between news publishers and digital intermediaries.<sup>65</sup> However, its work will remain largely academic until the UK Parliament passes legislation to give the DMU oversight and intervention powers. The Scottish Government should work closely with the UK Government to ensure that public interest news providers of all shapes and sizes are enabled to thrive in the digital economy.

Big tech companies such as Google and Facebook are major donors to public interest news. Even in a re-regulated media market, there will continue to be challenges facing public interest news providers in Scotland, as set out in this report. To demonstrate their genuine commitment to community cohesion and democratic participation in Scotland, these companies should also put their hands in their pockets to support the establishment of SPIJI. In particular, their financial support could help SPIJI underwrite community-led buyouts of legacy local newspapers, as set out in section 4 (above).

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<sup>63</sup> <https://www.tvlicensing.co.uk/ss/Satellite?blobcol=urldata&blobheadname1=content-type&blobheadvalue1=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1370006650112&ssbinary=true>

<sup>64</sup> <https://www.emarketer.com/content/google-facebook-share-of-uk-ad-market-will-dip-below-66-percent>

<sup>65</sup> <https://www.gov.uk/government/news/new-competition-regime-for-tech-giants-to-give-consumers-more-choice-and-control-over-their-data-and-ensure-businesses-are-fairly-treated>

## 8. Business advertising tax incentives

The Scottish Government should engage with the UK Government to create tax incentives for businesses to advertise with public interest news providers.

As the economy recovers from the pandemic, businesses urgently need to invest in advertising in order to rebuild their markets. At the same time, public interest news providers need to regain their lost advertising revenue.

A targeted tax credit for business advertising in public interest news would kill two birds with one stone. It would help British businesses stretch their advertising budgets further, whilst simultaneously driving investment in UK-based public interest news providers. This would support public interest news; help fragile businesses – in particular, small and medium enterprises (SMEs); and stimulate economic wellbeing.

UK media companies, including news publishers, submitted a detailed White Paper on a business advertising tax credit to the UK Treasury in March 2020. The White Paper showed that increased economic activity and additional tax revenue would far outweigh the cost of the tax credit, and that the Treasury could benefit by up to £5.9 billion in net additional tax revenues from a 30% credit.

An advertising tax credit would support businesses of all sizes, but it would have particular benefit for SMEs, which were badly hit by the lockdown, but which benefit disproportionately from advertising – typically generating £8 for every £1 spent. The Advertising Association's think tank Credos has produced a significant body of research to demonstrate the wider economic benefits of advertising investment.<sup>66</sup>

Unfortunately, the proposals were not included in this year's budget. The working group believes that the Scottish Government should actively support proposals for a targeted business advertising tax credit, and should engage with the UK Treasury to secure delivery.

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<sup>66</sup> <https://adassoc.org.uk/advertising-pays/>

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